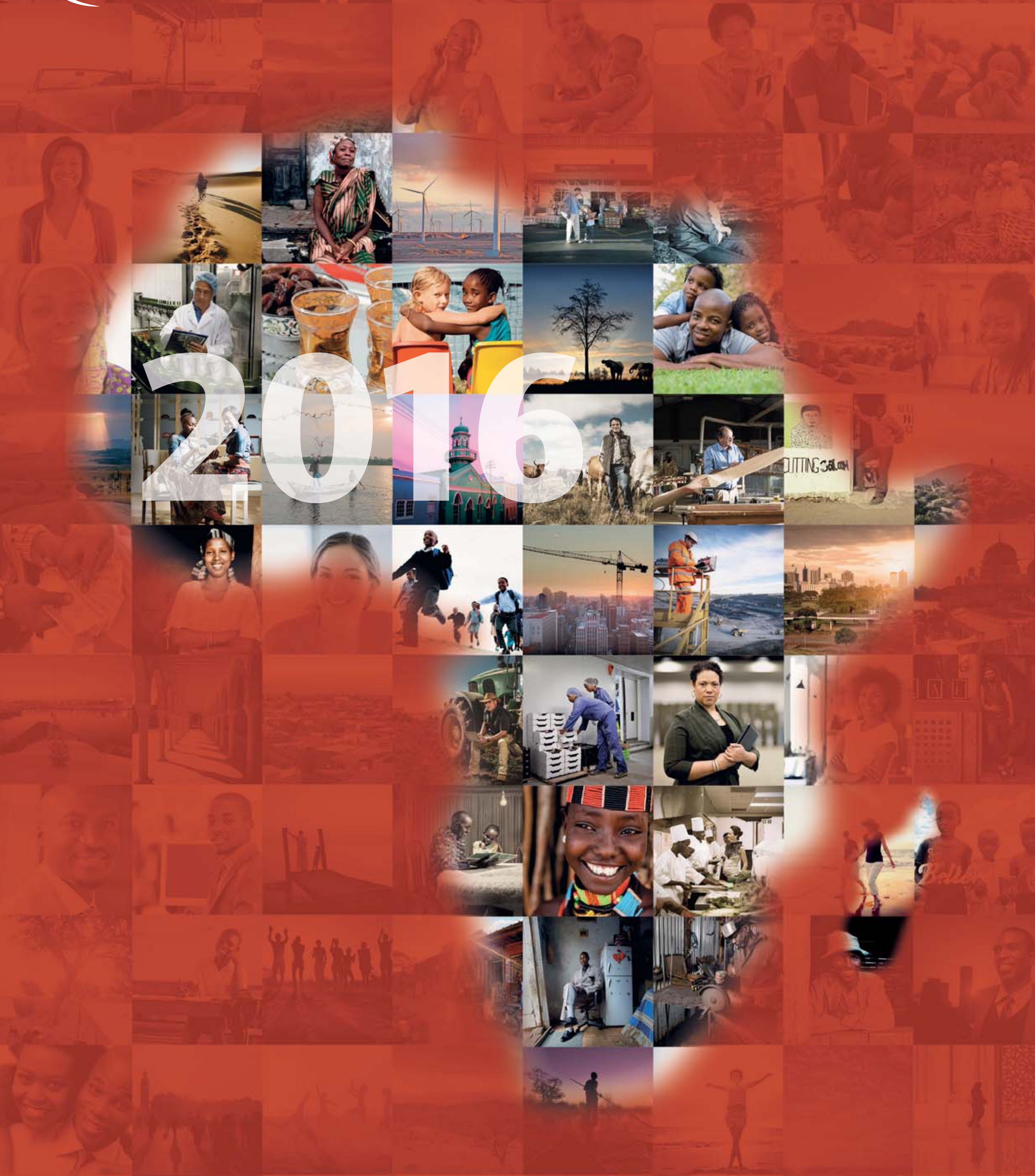
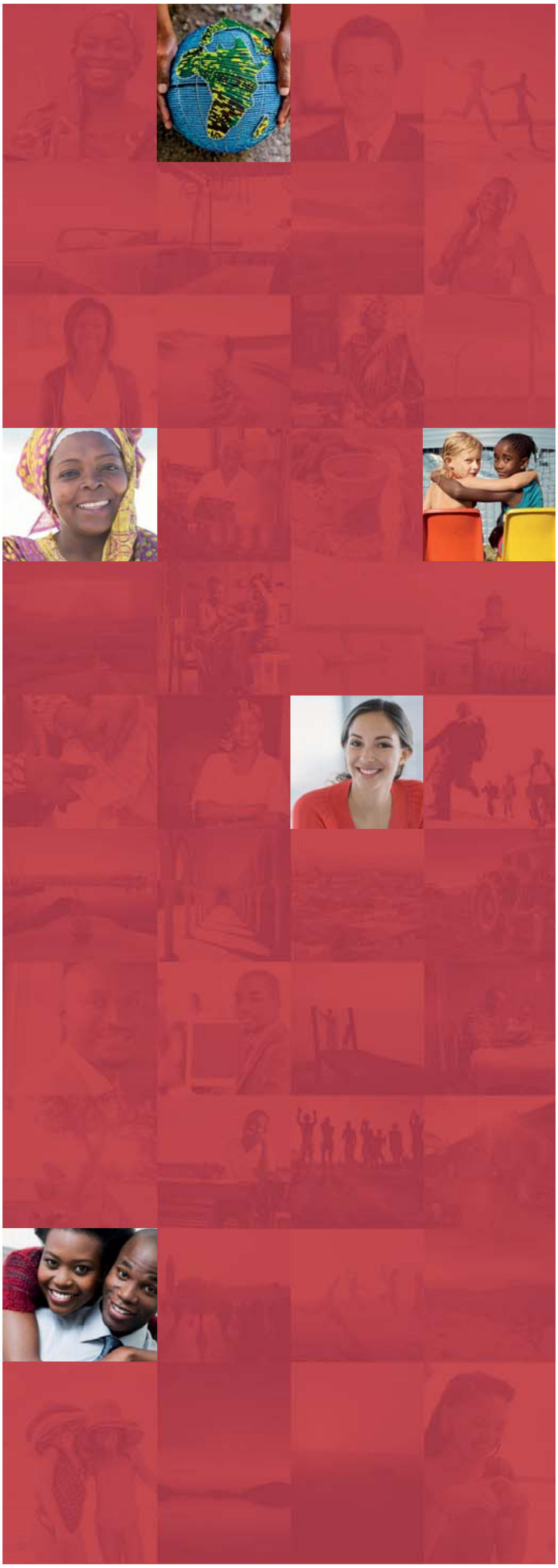
ABSA



2016

Absa Bank Limited

Annual consolidated and separate financial statements
for the reporting period ended 31 December 2016



Contents

Annual financial statements

Absa Bank Limited
(1986/004794/06)

Annual consolidated and separate financial statements for the reporting period ended 31 December 2016.

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, J P Quinn 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 10, 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 Absa Bank Limited and its subsidiaries (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 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 all 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 Group'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 is satisfied that the external auditors are independent;
- The Board approved the Enterprise Risk Management Framework (ERMF) through recommendation by the Capital Management Committee (GRCMC);
- The Board, through the GACC which is assigned by the 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 management makes in improving compliance in respect of Know our 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; and
- 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, 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 Bank and Company is set out on page 6 of this report.

The directors' report on pages 12 to 15 and the annual 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
22 February 2017

Group Audit and Compliance Committee report

The Group Audit and Compliance Committee (GACC) is pleased to submit this report in respect of the current reporting period to the shareholders of the Bank. 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 for 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 Bank's website[1].

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 KPMG Inc. (KPMG) and EY as joint external auditors for the 2017 reporting period;
- Ensured the appointment of the external auditors complied with the Companies Act and all other applicable legal and regulatory requirements;
- Reviewed, together with management, the external audit plan to address significant focus areas, which similarly receive focus by the GACC and will be reported on in the new format audit report to be disclosed in the current financial statements, and specifically considered the external auditors' findings in this regard;
- Reviewed and approved the external audit plan, the budgeted fee for the current 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 current 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. During the reporting period these engagements were evaluated by either the Committee Chairman or the Committee as a whole who, before confirming any approval, assured themselves that there was justifiable reason for engaging the auditor and that its independence and objectivity would not be threatened ;
- 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;
- 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;
- Following the appointment of KPMG as one of the Bank's joint auditors for the reporting period ended 31 December 2017, the Committee ensured that KPMG obtained independence from the Bank by 30 June 2016, enabling it to familiarize itself with the Bank and receive a structured, formal handover from PwC. To ensure KPMG's independence, and to allow the Committee to assess whether any non-audit work could be conducted by KPMG during the reporting period, both in terms of type and scale, the Bank exited all relationships or assignments that might have prevented KPMG obtaining independent status and has implemented procedures to manage the types of relationships and assignments that KPMG provides going forward.

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 announcements released on the Stock Exchange News Services (SENS) on 1 March 2016 and 29 July 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 Absa Bank Limited website can be accessed at www.absa.co.za.

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 judgmental areas, and recent professional and regulatory pronouncements, and ascertained their impact on the financial statements;
- Considered the accounting policies and practices and the controls of the Bank to ensure the afore-mentioned are adhered to. 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;
- Reviewed the high-level project plan and progress updates on the implementation of IFRS 9.
- Reviewed the tax governance philosophy and assessed status;
- 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;
- Noted the new requirements of the revised auditor reporting standards issued by the Internal Auditing and Assurance Board; and
- Considered the valuation of investments of the Bank and Absa Bank Limited and recommended it to the Board for approval.

In respect of internal control and internal audit:

- Reviewed and approved the updated Barclays Internal Audit (BIA) charter, noting the changes to the purpose, authority and responsibility of Internal Audit;
- 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;
- Noted internal quality reviews by BIA staff and Barclays Bank PLC's BIA 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. BIA actively encourages completion of ongoing remediation initiatives and embedment of controls, and of the principles of the Enterprise Management Framework (ERMF), to ensure that the improved control environment rating is not only maintained, but also strengthened.

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 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;
- Recommended the Banks Act, No. 94 of 1990 (the Banks Act) section 64B(2)(e) statement as to the Directors Affairs Committee for review, and to the board for approval;
- Considered compliance with Regulation 40(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;
- Satisfied itself that the functioning of Group 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;

Activities of the GACC *(continued)*

- Assessed the adequacy and effectiveness of Group 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 Group 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 Group Compliance and monitored progress in rectifying these matters;
- Ensured procedures are in place for receiving reports from internal lawyers (and where relevant external lawyers) relating to breaches of laws and regulations;
- Received confirmation that all significant control issues , are reported in a timely manner to the relevant Barclays Bank PLC governance structures;
- Reviewed and monitored the Bank's approach to, and compliance with, section 404 of the Sarbanes-Oxley Act (SOX), within the context of the materiality limits applicable to Barclays Bank PLC.
- Reviewed, on a regular basis, the SOX control environment and monitored its alignment with the risk and control assessments;
- 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; and
- Ensured that appropriate training is provided to the GACC and the Bank's subsidiary audit committees.

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;
- Reviewed the Chief Risk Officer's operational risk and control reports, considered progress and monitored remedial action for the control environment;
- 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 and
- Anti-money Laundering requirements;
- Monitored governance around the combined assurance framework, including the status of the combined assurance model; and
- The Group has established the platform for preventing and detecting fraud and other irregularities. The GACC has been part of reviewing the plans that management has in looking to safeguard the assets of the Bank, especially the resilience of core infrastructure to protect against increasingly sophisticated cyber-crime.

In respect of integrated reporting:

- Reviewed feedback on the Group's 2015 integrated annual report;
- Considered and approved the GACC report relating to the annual financial statements in compliance with the Companies Act;
- Considered and approved the proposal by the joint auditors to provide assurance services in relation to the integrated report; and
- Reviewed and approved the integrated report, taking into consideration factors and risks that may impact on the integrity of the integrated report, and recommend the integrated report to the board for approval.

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 Group Financial Director, J P Quinn, has appropriate expertise and experience.

Pursuant to King lll, 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 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 auditor; and
- The GACC received a letter of confirmation from each of the joint external auditors to confirm that they meet all the requirements for independence and that the auditor's report thereon is included in the annual consolidated financial statements.

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 and recommended them for approval to the board on 22 February 2017.

On behalf of the GACC

C Beggs
Chairman of the GACC

Johannesburg
22 February 2017

Company Secretary's certificate to the shareholders of Absa Bank Limited

In accordance with the provisions of the Companies Act, I certify that, in respect of the reporting period ended 31 December 2016, 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
22 February 2017

Independent auditors' report to the shareholders of Absa Bank Limited

Report on the Audit of Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Absa Bank Limited (the Bank) set out on pages 16 to 204, which comprise the consolidated and separate statements of financial position as at 31 December 2016, and the consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, which include a summary of significant accounting policies but excludes the sections marked as 'unaudited' in notes 51, 56.2 and 56.5.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects the consolidated and separate financial position of the Bank as at 31 December 2016, 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.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements taken as a whole, and in forming our opinion thereon, and the report below is not intended to constitute separate opinions on these key audit matters.

Level	Key audit matter	How the matter was addressed in the audit
Consolidated entity only	**Assessing impairment of loans and advances** The disclosure associated with Retail Credit Risk and Wholesale Credit Risk is set out in the financial statements in the following notes: › Note 1.2.1 – Approach to credit risk and impairment of loans and advances (page 24) › Note 9 – Impairment losses on loans and advances to customers (page 51) › Note 56.2 – Credit risk (page 119)	
	Impairment provisions represent management's best estimate of the losses incurred within the loan portfolios at balance sheet date. Due to the magnitude of the loans and advances balances and the extent of management judgement inherent in the impairment calculations, this has been identified as an area of most significance in the current year audit of the financial statements.	We considered the appropriateness of accounting policies and assessed the loan impairment methodologies applied, and compared these to the requirements of IAS 39 Financial Instruments: Recognition and Measurement (IAS 39). We obtained an understanding and tested the relevant controls over the credit origination processes, the credit monitoring processes and credit remediation processes.
	Retail A significant portion of the retail impairment is calculated on a portfolio basis. In calculating the impairment provision on a portfolio basis, statistical models are used. The following inputs to these models require significant management judgement: › The probability of default (PD); › The loss given default (LGD); › The emergence periods (EP) between the impairment event occurring and an individual or collective impairment being recognised; and › Treatment of cured and renegotiated loans.	**Retail** Where impairment provisions were calculated on a modelled basis, we used our valuation expertise to: › Assess the design and implementation of the models, including significant assumptions and the quality of the observable data used to derive model parameters in relation to our understanding of industry norms; › Assess the reasonableness of the impairment model methodology applied by management to determine the Probabilities of Default and Loss Given Default used to compute portfolio provisions; › Evaluate the robustness of the modelling methodology by including management's data in our independent models. Based on our testing performed over modelling methodologies and assumptions applied, we found management's estimates to be within reasonable ranges; and › Assess the appropriateness of management's overlays in light of recent economic events and circumstances, and other factors that might not yet be fully reflected in the modelled results. Where impairment provisions were individually calculated we challenged the assumptions used by management, with reference to current economic performance, assumptions most commonly used in the industry, and comparison with external evidence or historical trends.

Level	Key audit matter	How the matter was addressed in the audit
	Wholesale and Corporate A significant proportion of Wholesale and Corporate loans are assessed on an individual basis. Significant judgements, estimates and assumptions have been made by management to: › Determine if the loan is impaired; › Evaluate adequacy and recoverability of collateral; › Determine the expected cash flows to be collected; and › Estimate the timing of the future cash flows.	**Wholesale and Corporate** Where specific impairments have been raised, we considered the impairment indicators, uncertainties and assumptions applied by management in their assessment of the recoverability of the exposure and supporting collateral with reference to current economic performance, assumptions most commonly used in the industry, and comparison with external evidence or historical trends. We independently recalculated significant impairment losses and determined management's estimate to be within a reasonable range to our independent expectation. We inspected a sample of legal agreements and supporting documentation to confirm the existence and legal right to collateral. We assessed collateral valuation techniques applied against Group policy and industry standards. We selected a sample of advances that had not been identified as impaired and formed an independent view about the appropriateness of the conclusions reached, including using external evidence to substantiate our views. Where impairment provisions were calculated on a modelled basis, we used our valuation expertise to: › Assess the design and implementation of the models, including significant assumptions and the quality of the observable data used to derive model parameters in relation to our understanding of industry norms; › Assess the reasonableness of the impairment model methodology applied by management to determine the Probabilities of Default and Loss Given Default used to compute portfolio provision; › Evaluate the robustness of the modelling methodology by including management's data in our independent models. Based on our testing performed over modelling methodologies and assumptions applied, we found management's estimates to be within reasonable ranges. › Assess the appropriateness of management's overlays in light of recent economic events and circumstances, and other factors that might not yet be fully reflected in the modelled results. Given the current macro-economic environment affecting certain resource-related exposures (including oil and gas) and selected agriculture portfolios, we increased our sample of loans to counterparties whose businesses are sensitive to the change in commodity prices and the effect of the drought conditions in Southern Africa.

<table>
<tr><th>Level</th><th>Key audit matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td rowspan="2">Consolidated entity and the separate entity</td><td colspan="2">Valuation of complex instruments
The disclosure associated with the valuation of complex instruments is set out in the financial statements in the following notes:
› Note 1.2.3 – Fair value measurement (page 27)
› Note 54 – Fair value disclosures (page 108)</td></tr>
<tr><td>Valuation of some financial instruments (such as derivatives, investment securities, the unlisted commercial property finance portfolio and private equity investments) require greater judgement and estimation to determine the appropriate valuation techniques and to source relevant and reliable inputs.

Fair value measurement of financial instruments significantly affects profit and loss and disclosures in the financial statements.

Due to the magnitude of fair valued financial instruments and the significant management judgements applied, this has been identified as an area of most significance in the current year audit of the financial statements.</td><td>We obtained an understanding of and tested the relevant controls in place to evaluate that correct independent market inputs are used in the models. We applied our valuation expertise to a sample of financial instruments and assessed the appropriateness of the valuation models with reference to approaches commonly used.

Using our valuation expertise, we assessed the judgements and estimates applied by management against our understanding of current market practice and conditions. We also obtained independently-sourced inputs where available.

Where valuation inputs are unobservable, we used our valuation expertise to assess the reasonability of the valuation inputs based on supportable and comparable information and compared these to management's valuation inputs. Based on the results of our work performed, we accepted management's valuation inputs as falling within reasonable ranges.

We assessed key assumptions and modelling approaches in estimating credit value adjustments (CVA) and funding value adjustments (FVA) against current market practice.

We evaluated gains or losses on significant settled deals to assess calibration of mark-to-model values, and found management's estimates to be within reasonable ranges</td></tr>
<tr><td rowspan="2">Consolidated entity and the separate entity</td><td colspan="2">Assumptions and methodologies applied in hedge accounting
The disclosure associated with hedge accounting applied is set out in the financial statements in the following notes:
› Note 1.7.12 – Hedge accounting (page 38)
› Note 52.5, 52.6 and 52.7 – Derivatives designated as hedging instruments – (page 102)</td></tr>
<tr><td>The Group is exposed to financial risks through its diverse product offerings and operations in multiple geographic locations. Hedge accounting is applied on certain portfolios to manage financial risks.

We regard this as an area of most significance due to the complex nature of the valuation approaches, the significant judgement associated with assumptions and hedge accounting methodologies, and the significance of these balances to the financial statements.</td><td>We considered the appropriateness of accounting policies and assessed the hedge accounting methodologies applied, and compared these to the requirements of IAS 39 Financial Instruments: Recognition and Measurement (IAS 39).

We assessed and tested the design and operating effectiveness of the controls over the hedge accounting process and the hedge accounting models.

We applied our hedge accounting expertise to assess the reasonableness of the inputs and assumptions used in the hedging models. Based on the results of our work performed, we accepted management's assumptions and inputs as falling within reasonable ranges.

We applied our valuation expertise to independently re-perform the modelled calculations on a sample basis and compared the results to management's estimates.</td></tr>
</table>

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the Integrated Report which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors' for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the 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.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent auditors' report to the shareholders of Absa Bank Limited

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. and Ernst & Young Inc. have been the auditors of Absa Bank Limited for 11 and 24 years respectively.

PricewaterhouseCoopers Inc.
Director: Keith Ackerman CA(SA)
Registered Auditor

2 Eglin Road
Sunninghill
Johannesburg

Ernst & Young Inc.
Director: Ernest van Rooyen CA(SA)
Registered Auditor

102 Rivonia Road
Sandton
Johannesburg

22 February 2017

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 27 324 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 22 February 2017.

The financial statements present the financial positions, results of operations and cash flows for the Bank and the Company for the reporting period ended 31 December 2016.

Group Audit and Compliance Committee report

Refer to page 2.

Bank results

Main business and operations

The Bank recorded an increase of 1% in headline earnings to **R9 778m** (2015: R9 657m) for the reporting period. Headline earnings per share (HEPS) and fully diluted HEPS decreased by 3% to **2 340,9 cents** (2015: 2 405,2 cents).

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

Headline earnings were derived from the following activities:

	Bank	
	2016 Rm	2015[1] Rm
Retail and Business Banking (RBB)	**8 266**	8 608
Retail Banking South Africa	**6 112**	6 452
Business Banking South Africa	**2 154**	2 156
Corporate and Investment Bank (CIB)	**2 701**	2 338
Wealth	**(120)**	(93)
Head Office, Treasury and other operations	**(1 069)**	(1 196)
Headline earnings (refer to note 36)	**9 778**	9 657

Note

[1] These numbers have been restated, refer to notes 1.19 and 51.1.

Directors

Name	Position as director	Current reporting period appointments and resignations
T Abdool-Samad	Independent non-executive director	Appointed 17 May 2016
C Beggs	Independent non-executive director	
Y Z Cuba	Independent non-executive director	Resigned 30 September 2016
T Skweyiya (previously Dingaan)	Independent non-executive director	
D W P Hodnett	Deputy Chief Executive Officer	
M J Husain	Independent non-executive director	
W E Lucas-Bull	Independent non-executive director, Chairman	
T M Mokgosi-Mwantembe	Independent non-executive director	Resigned 30 September 2016
T S Munday	Lead Independent Director	
P S O'Flaherty	Independent non-executive director	Appointed 1 February 2016
J P Quinn	Financial Director	Appointed 1 September 2016
M Ramos	Chief Executive Officer	
R van Wyk	Independent non-executive director	Appointed 1 February 2017

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). T S Munday is the only director who will be required to retire in terms of the above arrangement and will be eligible for re-election at the 2017 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.

Directors' interests in Absa Bank Limited preference shares

As at the reporting date, no director held any preference shares in the Company.

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 executive directors are determined by the Group Remuneration Committee (RemCo) 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 and disposals during the current reporting period

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

Acquisitions and disposals during the previous reporting period

During the previous 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%. There were no disposals during the previous reporting period.

Dividends

- On 1 March 2016, a final dividend of 484,4989 cents per ordinary share was announced to the ordinary shareholders registered on 8 April 2016.
- On 1 March 2016, a final dividend of 3 395,479452 cents per preference share was announced to the preference shareholders registered on 8 April 2016.
- On 10 June 2016, a special dividend of 363,37 cents per ordinary share was announced to the ordinary shareholders.
- On 29 July 2016, an interim dividend of 3 696,5753 cents per preference share was announced to preference shareholders registered on 9 September 2016.
- On 22 February 2017, a dividend of 486,88017 cents per ordinary share was approved. The dividend was announced on 23 February 2017 to the ordinary shareholders registered on 7 April 2017. This dividend is payable on 10 April 2017.
- On 22 February 2017, a dividend of 3 644,79452 cents per preference share was approved. The dividend was announced on 23 February 2017 to preference shareholders registered on 7 April 2017. The dividend is payable on 10 April 2017.

Special resolutions

The following special resolutions were passed by the Bank's ordinary shareholders at the AGM held on 17 May 2016, 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 from 1 May 2016 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 to enable the Company, 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 for the 2016 reporting period. At the AGM of 16 May 2017, shareholders will be requested to appoint KPMG Inc. (KPMG) and EY as auditors of the Bank for the 2017 reporting period. P Fourie (KPMG) and E van Rooyen (EY) will be the individual registered auditors that will undertake the audit.

Authorised and issued share capital

Authorised

The authorised ordinary share capital of the Company of **R322 500 000** (2015: R322 500 000) consists of:

- **320 000 000** (2015: 320 000 000) ordinary shares of R1,00 each;
- **250 000 000** (2015: 250 000 000) 'A' ordinary shares of R0,01 each.

The authorised preference share capital of the Company of **R300 000** (2015: R300 000) consists of:

- **30 000 000** (2015: 30 000 000) non-cumulative, non-redeemable listed preference shares of R0,01 each.

Issued

An additional 18 520 042 "A" ordinary shares were issued in the current reporting period (2015: 16 646 332).

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

- **302 609 359** (2015: 302 609 359) ordinary shares of R1,00 each;
- **128 708 264** (2015: 110 188 222) 'A' ordinary shares of R0,01 each.

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

- **4 944 839** (2015: 4 944 839) non-cumulative, non-redeemable listed preference shares of R0,01 each.

Shareholder information

	2016		2015	
	Number of shares	% held	Number of shares	% held
Non-public shareholders				
Ordinary shares				
Barclays Africa Group Limited	**302 609 359**	**100,0**	302 609 359	100
"A" Ordinary shares				
Barclays Africa Group Limited	**128 708 264**	**100,0**	110 188 222	100
Public shareholders				
Preference shares				
Standard Chartered Bank	**278 011**	**5,6**	278 011	5,6
Standard Bank	**343 296**	**7,0**	343 296	7,0
Other preference shareholders	**4 323 532**	**87,4**	4 323 532	87,4
	4 944 839	**100,0**	4 944 839	100

Consolidated statement of financial position

as at 31 December

		Bank	
	Note	**2016 Rm**	2015 Rm
Assets			
Cash, cash balances and balances with central banks	2	**28 252**	26 101
Investment securities	3	**84 174**	73 065
Loans and advances to banks	4	**39 296**	58 585
Trading portfolio assets	5	**74 389**	116 455
Hedging portfolio assets	5	**1 734**	2 216
Other assets	6	**16 645**	18 840
Current tax assets		**616**	410
Non-current assets held for sale	7	**367**	109
Loans and advances to customers	8	**630 646**	602 002
Loans to Group companies	10	**25 794**	23 850
Investments in associates and joint ventures	11	**1 065**	962
Investment properties	12	**222**	518
Property and equipment	13	**12 726**	10 955
Goodwill and intangible assets	14	**2 339**	2 029
Deferred tax assets	15	**46**	44
Total assets		**918 311**	936 141
Liabilities			
Deposits from banks	16	**60 148**	61 026
Trading portfolio liabilities	17	**42 503**	87 567
Hedging portfolio liabilities	17	**2 054**	4 531
Other liabilities	18	**21 150**	18 306
Provisions	19	**2 060**	1 970
Current tax liabilities		**4**	72
Non-current liabilities held for sale	7	**9**	—
Deposits due to customers	20	**564 812**	560 650
Debt securities in issue	21	**139 573**	128 453
Borrowed funds	22	**15 679**	12 954
Deferred tax liabilities	15	**1 020**	115
Total liabilities		**849 012**	875 644
Equity			
Capital and reserves			
Attributable to equity holders:			
Ordinary share capital	23	**304**	304
Ordinary share premium	23	**24 964**	21 455
Preference share capital	23	**1**	1
Preference share premium	23	**4 643**	4 643
Retained earnings	24	**36 099**	32 033
Other reserves	24	**3 262**	2 050
		69 273	60 486
Non-controlling interest		**26**	11
Total equity		**69 299**	60 497
Total liabilities and equity		**918 311**	936 141

Consolidated statement of comprehensive income

for the reporting period ended 31 December

		Bank	
	Note	2016 Rm	2015 Rm
Net interest income		**28 809**	27 524
Interest and similar income	25	**69 894**	60 979
Interest expense and similar charges	26	**(41 085)**	(33 455)
Non-interest income		**19 992**	18 552
Net fee and commission income		**16 168**	15 732
Fee and commission income	27	**17 628**	17 028
Fee and commission expense	27	**(1 460)**	(1 296)
Gains and losses from banking and trading activities	28	**2 969**	2 097
Gains and losses from investment activities	29	**2**	11
Other operating income	30	**853**	712
Total income		**48 801**	46 076
Impairment losses on loans and advances	9.1	**(6 408)**	(5 113)
Operating income before operating expenditure		**42 393**	40 963
Operating expenditure	31	**(27 525)**	(26 390)
Other expenses		**(1 575)**	(999)
Other impairments	32	**(577)**	43
Indirect taxation	33	**(998)**	(1 042)
Share of post-tax results of associates and joint ventures		**118**	136
Operating profit before income tax		**13 411**	13 710
Taxation expense	34	**(3 477)**	(3 663)
Profit for the reporting period		**9 934**	10 047
Profit attributable to:			
Ordinary equity holders		**9 568**	9 726
Non-controlling interest		**15**	—
Preference equity holders		**351**	321
		9 934	10 047
Earnings per share:			
Basic earnings per ordinary share (cents)	35	**2 290,6**	2 422,4
Diluted earnings per ordinary share (cents)	35	**2 290,6**	2 422,4

Consolidated statement of comprehensive income

for the reporting period ended 31 December

	Note	Bank 2016 Rm	Bank 2015 Rm
Profit for the reporting period		**9 934**	10 047
Other comprehensive income			
Items that will not be reclassified to profit or loss		**(12)**	9
Movement in retirement benefit fund assets and liabilities		**(12)**	9
(Decrease)/increase in retirement benefit surplus	37	**(17)**	12
Deferred tax	15	**5**	(3)
Items that are or may be subsequently reclassified to profit or loss		**928**	(2 429)
Movement in foreign currency translation reserve		**(453)**	126
Differences on translation of foreign operations		**(133)**	393
Gains released to profit or loss		**(320)**	(267)
Movement in cash flow hedging reserve		**1 726**	(2 222)
Fair value (losses)/gains arising during the reporting period		**2 714**	(2 028)
Amount removed from other comprehensive income and recognised in profit or loss		**(314)**	(1 058)
Deferred tax	15	**(674)**	864
Movement in available-for-sale reserve		**(345)**	(333)
Fair value losses arising during the reporting period		**(475)**	(678)
Release to profit or loss	28	**(3)**	210
Deferred tax	15	**133**	135
Total comprehensive income for the reporting period		**10 850**	7 627
Total comprehensive income attributable to:			
Ordinary equity holders		**10 484**	7 306
Non-controlling interest		**15**	—
Non-controlling interest - preference shares		**351**	321
		10 850	7 627

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Consolidated statement of changes in equity

for the reporting period ended 31 December

	Number of ordinary shares[1] '000	Share capital Rm	Share premium Rm	Preference share capital Rm	Preference share premium Rm
Balance at the beginning of the reporting period	**412 798**	**304**	**21 455**	**1**	**4 643**
Total comprehensive income for the reporting period	—	—	—	—	—
Profit for the reporting period	—	—	—	—	—
Other comprehensive income	—	—	—	—	—
Dividends paid during the reporting period	—	—	—	—	—
Shares issued	18 520	0	3 500	—	—
Purchase of Barclays Africa Group Limited shares in respect of equity-settled share-based payment arrangements	—	—	—	—	—
Transfer of vesting options	—	—	9	—	—
Movement in share-based payment reserve	—	—	—	—	—
Transfer from share-based payment reserve	—	—	—	—	—
Value of employee services	—	—	—	—	—
Conversion from cash-settled schemes	—	—	—	—	—
Deferred tax	—	—	—	—	—
Share of post-tax results of associates and joint ventures	—	—	—	—	—
Disposal of interest in subsidiary	—	—	—	—	—
Acquisition of subsidiary	—	—	—	—	—
Balance at the end of the reporting period	**431 318**	**304**	**24 964**	**1**	**4 643**
Note	23	23	23	23	23

	Number of ordinary shares[1] '000	Share capital Rm	Share premium Rm	Preference share capital Rm	Preference share premium Rm
Balance at the beginning of the reporting period	396 151	303	16 465	1	4 643
Total comprehensive income for the reporting period	—	—	—	—	—
Profit for the period	—	—	—	—	—
Other comprehensive income	—	—	—	—	—
Dividends paid during the reporting period	—	—	—	—	—
Shares issued	16 647	1	5 000	—	—
Purchase of Barclays Africa Group Limited shares in respect of equity-settled share-based payment arrangements	—	—	(10)	—	—
Movement in share-based payment reserve	—	—	—	—	—
Value of employee services	—	—	—	—	—
Conversion from cash-settled to equity-settled schemes	—	—	—	—	—
Deferred tax	—	—	—	—	—
Share of post-tax results of associates and joint ventures	—	—	—	—	—
Disposal of interest in subsidiary[2]	—	—	—	—	—
Acquisition of subsidiary	—	—	—	—	—
Balance at the end of the reporting period	412 798	304	21 455	1	4 643
Note	23	23	23	23	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

Bank

2016

	Retained earnings Rm	Total other reserves Rm	Available-for-sale reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Capital reserve Rm	Share-based payment reserve Rm	Associates' and joint ventures' reserve Rm	Total equity attributable to equity holders Rm	Non-controlling interest – ordinary shares Rm	Total equity Rm
	32 033	2 050	604	(1 871)	399	1 422	547	949	60 486	11	60 497
	9 907	928	(345)	1 726	(453)	—	—	—	10 835	15	10 850
	9 919	—	—	—	—	—	—	—	9 919	15	9 934
	(12)	928	(345)	1 726	(453)	—	—	—	916	—	916
	(5 851)	—	—	—	—	—	—	—	(5 851)	—	(5 851)
	—	—	—	—	—	—	—	—	3 500	—	3 500
	(198)	—	—	—	—	—	—	—	(198)	—	(198)
	326	—	—	—	—	—	—	—	335	—	335
	—	166	—	—	—	—	166	—	166	—	166
	—	(315)	—	—	—	—	(315)	—	(315)	—	(315)
	—	411	—	—	—	—	411	—	411	—	411
	—	30	—	—	—	—	30	—	30	—	30
	—	40	—	—	—	—	40	—	40	—	40
	(118)	118	—	—	—	—	—	118	—	—	—
	—	—	—	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—	—	—
	36 099	3 262	259	(145)	(54)	1 422	713	1 067	69 273	26	69 299
			24	24	24	24	24	24			

2015

	Retained earnings Rm	Total other reserves Rm	Available-for-sale reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Capital reserve Rm	Share-based payment reserve Rm	Associates' and joint ventures' reserve Rm	Total equity attributable to equity holders Rm	Non-controlling interest – ordinary shares Rm	Total equity Rm
	33 713	3 799	937	351	273	1 422	3	813	58 924	2	58 926
	10 056	(2 429)	(333)	(2 222)	126	—	—	—	7 627	—	7 627
	10 047	—	—	—	—	—	—	—	10 047	—	10 047
	9	(2 429)	(333)	(2 222)	126	—	—	—	(2 420)	—	(2 420)
	(11 437)	—	—	—	—	—	—	—	(11 437)	—	(11 437)
	—	—	—	—	—	—	—	—	5 001	—	5 001
	(154)	—	—	—	—	—	—	—	(164)	—	(164)
	—	544	—	—	—	—	544	—	544	—	544
	—	209	—	—	—	—	209	—	209	—	209
	—	372	—	—	—	—	372	—	372	—	372
	—	(37)	—	—	—	—	(37)	—	(37)	—	(37)
	(136)	136	—	—	—	—	—	136	—	—	—
	(9)	—	—	—	—	—	—	—	(9)	—	(9)
	—	—	—	—	—	—	—	—	—	9	9
	32 033	2 050	604	(1 871)	399	1 422	547	949	60 486	11	60 497
			24	24	24	24	24	24			

Consolidated statement of cash flows

for the reporting period ended 31 December

		Bank	
	Note	**2016 Rm**	2015 Rm
Cash flow from operating activities			
Interest received		**70 611**	60 300
Interest paid		**(40 609)**	(35 192)
Fees and commission received		**17 628**	17 028
Fees and commission paid		**(1 460)**	(1 296)
Net trading and other expenses		**(5 966)**	(134)
Cash payments to employees and suppliers		**(26 041)**	(23 909)
Dividends received from banking and trading activities		**56**	80
Income taxes paid		**(3 346)**	(3 908)
Cash flow from operating activities before changes in operating assets and liabilities		**10 873**	12 969
Net decrease/(increase) in trading and hedging portfolio assets		**51 923**	(42 299)
Net increase in loans and advances to customers		**(36 578)**	(52 995)
Net increase in investment securities		**(8 928)**	(3 037)
Net decrease/(increase) in other assets		**16 315**	(27 230)
Net (increase)/decrease in trading and hedging portfolio liabilities		**(47 560)**	45 082
Net increase in amounts due to customers and banks		**1 783**	52 803
Net increase in other liabilities		**14 472**	26 762
Net cash generated from operating activities		**2 300**	12 055
Cash flow from investing activities			
Proceeds from disposal of non-current assets held for sale	7	**109**	141
Purchase of investment properties	12	**—**	(2)
Proceeds from disposal of intangible assets	12	**65**	32
Purchase of property and equipment	13	**(3 328)**	(3 094)
Proceeds from disposal of property and equipment	13	**332**	152
Purchase of intangible assets	14	**(1 286)**	(827)
Dividends received from investments in associates and joint ventures	11	**15**	14
Dividends received from investment activities		**3**	4
Acquisition and disposal of businesses and other similar transactions, net of cash	50	**—**	(14)
Net cash utilised from investing activities		**(4 090)**	(3 594)
Cash flow from financing activities			
Issue of ordinary shares		**3 500**	5 000
Purchase of Barclays Africa Group Limited shares in respect of equity-settled share-based payment arrangements		**(198)**	(164)
Proceeds from borrowed funds		**2 381**	4 500
Repayment of borrowed funds		**—**	(2 000)
Dividends paid		**(5 851)**	(11 437)
Net cash utilised in financing activities		**(168)**	(4 101)
Net increase/(decrease) in cash and cash equivalents		**(1 958)**	4 360
Cash and cash equivalents at the beginning of the reporting period		**14 374**	10 014
Cash and cash equivalents at the end of the reporting period	48	**12 416**	14 374

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

IFRS 2 – Share-based Payments (IFRS 2) (amendments) in relation to the classification and measurement of Share-based payment transactions.

The amendments are intended to eliminate diversity in practice in three main areas:

- The classification of a share-based payment transaction with net settlement features for withholding tax obligations;
- The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; and
- The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

The amendments have the following impact on the Bank:

- The majority of the Bank's share schemes are equity settled schemes. The amendment permits an entity to settle the shares net of the tax obligation whilst maintaining an equity classification for the entire scheme and thus allows the Bank to pay the tax authorities from its own cash resources while still maintaining the equity settled classification. Previously shares had been sold on the employees' behalf to settle their tax obligation. The amendment therefore had an operational benefit for the Bank and simplifies the process of settling the equity share schemes;
- The remaining cash settled schemes within the Bank are limited and the measurement approach followed is in line with the amendment;
- The approach followed by the Bank upon the conversion of the Bank's cash settled schemes to equity settled schemes has been in line with the amendment;
- The amendments are effective for reporting periods beginning 1 January 2018, however the Bank has elected to early adopt the amendments due to the operational benefits noted above; and
- The adoption of the amendments did not have a significant impact on prior periods.

Accounting for Acquisitions of Interests in Joint Operations (amendment to IFRS 11 Joint Arrangements (IFRS 11))

The 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 have no impact on the Bank, since there were no acquisitions of interests in a joint operation during the reporting period.

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendment to IAS 16 Property Plant and Equipment (IAS 16) and IAS 38 Intangible Assets (IAS 38))

The amendments clarify that a depreciation/amortisation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate.

The amendments have no impact on the Bank, since the Bank does not apply depreciation/amortisation methods to its assets that are based on revenue generated by the assets.

Equity Method in Separate Financial Statements (amendments to IAS 27 Separate Financial Statements (IAS 27) and IAS 28 Investments in Associates and Joint Ventures (IAS28)

The amendments allow an entity to use the equity method to account for investments in subsidiaries, joint ventures and associates in its separate financial statements.

The amendments have no impact on the Bank as the Bank accounts for investments in associates and joint ventures at cost less impairment in the separate financial statements.

Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 Consolidated Financial Statements (IFRS 10), IFRS 12 Disclosure of Interests in Other Entities (IFRS 12) and IAS 28)

The amendments introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances.

The amendments have no impact on the Bank as none of the entities in the Bank qualifies to be an investment entity under IFRS 10.

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

Disclosure Initiative (Amendments to IAS 1 Presentation of financial statements (IAS 1))

The amendments are designed to encourage entities to apply professional judgement in determining what information to disclose in their financial statements. Furthermore, the amendments clarify that entities should use professional judgement in determining where and in what order information is presented in the financial disclosures.

The amendments have no significant impact on the Bank, as materiality is already applied to the financial statements.

Annual improvements (2012 – 2014 Cycle)

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

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

IFRS 7 Financial Instruments: Disclosure

IAS 19 Employee Benefits

IAS 34 Interim Financial Reporting

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:

1.2 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 management and any resultant impairment of loans and advances. The governance process includes the existence of the BAGL Models Committee (MC) (a Board committee), Retail and Business Bank Models Forum (RBBMF) and the Corporate and 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 applied to models. 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 Impairment Governance Forum.

The consideration of credit risk is a fundamental process for the Bank as it ultimately determines impairment losses. This section describes the process and 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 Group is exposed from the level of individual facilities up to the total portfolio level. Integral to this is the calculation of internal credit parameters that are used for credit risk management purposes and in the calculation of regulatory capital (RC), economic capital (EC) and impairment requirements. The key credit parameters used in this process are:

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

PD represents the likelihood of a customer defaulting on its obligations within a specified outcome period (i.e. 12 months for for Regulatory Capital models).

EAD is an estimate of the level of credit exposure should the customer default during the next outcome period.

LGD represents an estimate of the percentage of EAD that will not be recovered on a particular credit facility should the customer default during the next outcome period. LGD recognises credit risk mitigation, such as collateral, guarantees or credit derivatives.

Internal and vendor-supplied credit models are used to estimate the key credit parameters of PD, LGD and EAD. The Bank uses different modeling methodologies, ranging from pure statistical models and cash flow models to expert-based models, taking into account quantitative and qualitative risk drivers. PD, LGD and EAD estimates can be calculated to represent different views of the credit cycle, which are used in different applications. For example, 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 normal conditions.

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

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

These parameters are used for the following credit risk management 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 certain retail portfolios, PD models are used to direct applications to an appropriate credit sanctioning level.
- 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: Regulatory Capital, Economic Capital and earnings volatility measures 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.
- Economic Capital calculations: Credit Economic Capital calculations use PD, LGD and EAD inputs.
- Risk profile reporting: Credit risk reports for senior management make use of model outputs to describe the Bank's credit risk profile.

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. The rating is used in decisions concerning underwriting and account management, and is used to calculate Regulatory Capital, Economic 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 and are reliant on historical data.
- PDs are assigned at account level. Through the cycle as well as point in time PD estimates are calculated and used for different purposes. Point in time PD estimates are used for impairment purposes, while through the cycle estimates are used for capital calculations.
- EADs are assigned at account level and is 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.
- GDs are assigned at account level and are based on the LGD pool to which the account has been assigned. Relevant historical data used in LGD estimates include observed exposure at the point of default, recovery strategies, cure and write-off rates. The models make use of risk drivers such as loan-to-value (LTV) and attributes that describe the underlying asset.

Wholesale portfolio

The wholesale rating process relies both on internally developed PD, EAD and LGD rating models and vendor provided solutions. The wholesale rating process relies on quantitative and qualitative assessments that could be manual or automated. The methodology and data employed in the risk estimation and the rating processes can be summarised as follows:

PD ratings are assigned on a customer level. Information used in the calculation of customer PD ratings includes financial statements; projected cash flows; equity price information; behavioural information (typically used in the SME segment); and qualitative assessments on strength of support, management, operating environment, industry, etc.

- LGD estimates depend on the key drivers of recovery such as collateral value, seniority and costs involved as part of the recovery process. LGD models are based on internal and external loss data and the judgement of credit experts.
- EAD models aim to replicate the expected utilisation of a customer's facility should a default occur. EADs are assigned 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.

Validation of models

Models undergo independent validation when new models have been developed (initial validation) and on an annual basis (ongoing validation). Retail models are approved by the Retail and Business Bank Chief Risk Officer (RBB CRO) supported by the RBB Models forum (RBBMF). Wholesale models are approved by the Chief Credit Risk Officer (CCO) supported by the CIB Models Committee (CIBMC). The most material models require approval by the BAGL Models Committee (MC). In addition, a process is in place to perform post model adjustments as needed or when management applies its discretion.

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

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

Default grades

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. For communication and comparison purposes, the Bank's 21 default grades (DGs), were mapped to external agency rating equivalents as well as 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. The indicative mapping of the DG buckets to the equivalent international rating agency and regulatory PD bands are described below:

- DG 1 – 9: assets falling within these DG buckets are regarded as 'investment grade' and, when converted to a rating agency equivalent, correspond to a BBB rating and better.
- DG 10 – 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. When converted to a rating agency equivalent, these ratings correspond to a BB+ to B- rating.
- 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.

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.
- 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.

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

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

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 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 under a range of future macroeconomic conditions. Refer to note 1.22.

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 the regulatory default definition. 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 (including Business Bank and Wealth), 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, non-performing 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.

1.2.2 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.

Growth rates in the impairment calculations range from **1,5% to 5%** (2015: 2% to 4%) and projected cash flow periods approximate **5 years** (2015: 5 years).

- The discount rate used to discount the future expected cash flows is based on the 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 rates used in the impairment calculations is **13,56%** (2015: 12,74%).

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.

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

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

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

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.

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 valuators. 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.

Derivatives

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.

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 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.

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:

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

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:

Category of asset/ liability	Valuation techniques applied	Significant unobservable inputs	Range of estimates utilised for the unobservable inputs 2016	2015
Loans and advances to customers	Discounted cash flow and/or dividend yield models	Credit spreads	**0,5% to 5%**	0,96% to 3,99%
Investment securities	Discounted cash flow models, third-party valuations, earnings multiples and/or income capitalisation valuations	Risk adjusted yield curves, future earnings, marketability discounts and/or comparator multiples	**Discount rate of 13%, comparator multiples between 5 and 10,5**	Discount rates between 8% and 11,5%, comparator multiples between 5 and 10,5
Trading and hedging portfolio assets and liabilities				
Debt instruments	Discount cash flow models	Credit spreads	**1,2% to 11,16%**	0,9% to 3,5%
Derivative assets				
Credit derivatives	Discounted cash flow and/or credit default swap (hazard rate) models	Credit spreads, recovery rates and/or quanto ratio	**0% to 40%**	0% to 23,64%
Equity derivatives	Discounted cash flow, option pricing and/or futures pricing models	Volatility and/or dividend streams (greater than 3 years)	**17,82% to 67,71%**	17,82% to 67,71%
Foreign exchange derivatives	Discounted cash flow and/or option pricing models	African basis curves (greater than 1 year)	**(16,6)% to 13,1%**	(10,00%) to 10,50%
Interest rate derivatives	Discounted cash flow and/or option pricing models	Real yield curves (greater than 1 year), repurchase agreement curves (greater than 1 year), funding spreads	**0,31% to 3,38%**	0,58% to 4,24%
Deposits due to customers	Discounted cash flow models	Barclays Africa Group Limited's funding spreads (greater than 5 years)	**(0,27%) to 2,13%**	1,52% to 2,15%
Debt securities in issue	Discounted cash flow models	Funding curves (greater than 5 years)	**(0,27%) to 2,13%**	(0,20%) to 3,35%
Investment properties	Discounted cash flow models	Estimates of periods in which rental units will be disposed of	**1 to 10 years**	1 to 7 years
		Annual selling price escalations	**1% to 7%**	0% to 6%
		Annual rental escalations	**1% to 7%**	0% to 10%
		Expense ratios	**25% to 50%**	26% to 51%
		Vacancy ratio	**1% to 7%**	1% to 18%
		Income capitalisation rates	**10% to 11%**	8% to 12%
		Risk adjusted discount rates	**14%**	13% to 14%

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, refer to note 54.

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.

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 of 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 48 and 49.

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 categorized into a number of actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

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.

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

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

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 a number of the defined benefit plans and the introduction of defined contribution plans. 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 governments can change that regulatory framework, the subsidiaries are 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 44 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 18 for details of provisions recognised and refer to note 53 for details of 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 and worldwide provisions 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 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 14, 34 and 53 around estimated tax positions where a high degree of judgement has been applied.

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

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

1.2.9 Share-based payments

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

Where the fair value of share awards relating to share-based payments is not based on the Group's 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 55 includes details of the Bank's share awards. Refer to note 19 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 is 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.

1.3 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 Absa Bank Limited.

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

1.3 Consolidation (continued)

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 Absa Bank Limited.

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.

1.4 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, joint ventures, associates 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 ordinary shares excluding treasury 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. Summary of significant accounting policies *(continued)*

1.7 Financial instruments *(continued)*

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 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 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.

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 OCI 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.

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

1.7 Financial instruments (continued)

1.7.6 Impairment of financial assets *(continued)*

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.

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 OCI.

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.

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.

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

1.7 Financial instruments (continued)

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.

Hedges of a net investment in a foreign operation

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in OCI. Any ineffective portion of the gain or loss is recognised immediately in profit or loss. Gains or losses on the hedging instrument relating to the effective portion of the hedge are reclassified to profit or loss, on disposal of the foreign operation.

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.

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. Summary of significant accounting policies *(continued)*

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 are 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. Gains and losses on derivatives linked to investment contracts are recognised in "gains and losses from investment 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.

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

1.11 Intangible assets (continued)

1.11.2 Intangible assets other than goodwill

The accounting standard that the Bank applies in accounting for intangible assets other than goodwill, is IAS 38 Intangible Assets (IAS 38). Intangible assets include brands, customer lists, internally generated software, licenses 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.

	Customer lists and relationships	**Computer software development costs**	**Other**
Useful lives	Finite	Finite	Finite
Amortisation method used	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.	Amortised over the period of the expected use from the related project on a straight-line basis.	Amortised over the period of the expected use on a straight-line basis.
Internally generated or acquired	Acquired	Internally generated	Acquired
Annual amortisation rate (%)	8 – 20	20 – 33	10

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:

Item	**Annual depreciation rate (%)**
Computer equipment	16 – 25
Freehold property	2
Furniture and other equipment	10 – 15
Motor vehicles	25
Leasehold improvements	10 – 15

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 'other operating income' in the reporting period that the asset is derecognised.

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

1.12 Property and equipment *(continued)*

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 the Bank is the lessor, 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.

1.12.3 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 measurement are included in profit or loss.

1.13 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'.

1.14 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, insurance assets 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.

1.15 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.

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

1.16 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.

1.17 Employee benefits

1.17.1 Post-retirement benefits

The Bank operates a number of pension schemes including defined contribution and defined benefit schemes as well as post-retirement medical aid plans.

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 opening net defined liability or asset, taking into account any changes in the net defined liability or asset during the period as a result of contribution and benefit payments.

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.

Post-employment medical aid plans

The cost of providing healthcare benefits to retired employees is accrued as a liability in the financial statements over the reporting period that the employees provide services to the Bank, using a methodology similar to that for defined benefit pension schemes.

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. Summary of significant accounting policies *(continued)*

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 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 or 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.

1.18 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 2015 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. Summary of significant accounting policies *(continued)*

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)

IFRS 9 Financial Instruments which will replace IAS 39 Financial Instruments: Recognition and Measurement is effective for periods beginning on or after 1 January 2018. IFRS 9, in particular the impairment requirements, will lead to significant changes in the accounting for financial instruments. BAGL will not restate comparatives on initial application of IFRS 9 on 1 January 2018 but will provide detailed transitional disclosures in accordance with the amended requirements of IFRS 7 Financial Instruments: Disclosures. Any change in carrying amounts from the initial application of IFRS 9 will be recognised in equity.

Impairment

IFRS 9 introduces a revised impairment model which will require entities to recognise expected credit losses based on unbiased forward-looking information. This replaces the existing IAS 39 incurred loss model which only recognises impairment if there is objective evidence that a loss is already incurred and would measure the loss at the most probable outcome. The IFRS 9 impairment model will be applicable to all financial assets at amortised cost, lease receivables, debt financial assets at fair value through other comprehensive income, loan commitments and financial guarantee contracts. This contrasts to the IAS 39 impairment model which is not applicable to loan commitments and financial guarantee contracts (these were covered by IAS 37: Provisions, Contingent Liabilities and Contingent Assets)

The measurement of expected loss will involve increased complexity and judgement including estimation of probabilities of defaults, loss given default, a range of unbiased future economic scenarios, estimation of expected lives, estimation of exposures at default and assessing increases in credit risk.

The introduction of the revised impairment model is expected to have a material financial impact and impairment charges will tend to be more volatile. Impairment will also be recognised earlier and the amounts recognised as impairment losses will be higher. It will not be practical to disclose reliable financial impact estimates until the implementation programme and validation and testing are further advanced, which will be no later than the Bank's 2017 Annual Consolidated and Separate Financial Statements.

Based on the current requirements of Basel III, the expected increase in the accounting impairment provision would reduce Common Equity Tier 1 (CET1) capital but this impact would be partially mitigated by the 'excess of expected losses over impairment' included in the CET1 calculation. However, the Basel Committee on Banking Supervision (BCBS) is currently considering amending the capital rules as a result of IFRS 9 and is considering transitional rules which may mitigate or spread capital impacts from 1 January 2018, as well as permanent changes to the capital requirements. IFRS 9 is considered in the Bank's capital planning.

Key concepts and management judgments

The impairment requirements are complex and require management judgements, estimates and assumptions. Key concepts and management judgements will continue to be refined during the 2017 parallel run and as any further authoritative guidance is issued, and include:

Determining a significant increase in credit risk since initial recognition

IFRS 9 requires the recognition of 12 month expected credit losses (the expected credit losses from default events that are expected within 12 months of reporting date) if credit risk has not significantly increased since initial recognition (stage 1), and lifetime expected credit losses for financial instruments for which the credit risk has increased significantly since initial recognition or which are credit impaired.

The Bank expects to estimate when a significant increase in credit risk has occurred based on quantitative and qualitative assessments. Quantitative assessments will be based on changes in weighted average cumulative lifetime probabilities of default, determined for each portfolio. Qualitative drivers of a significant increase in credit risk are expected to include exposures determined to be higher risk (by credit risk) and subject to closer credit risk monitoring. Exposures which are more than 30 days past due will be used as a backstop rather than a primary driver. Exposures will move back to stage 1 once they no longer meet the criteria for a significant increase in credit risk and when any cure criteria used for credit risk management are met. The Bank does not expect to primarily rely on the low credit risk exemption which would assume facilities of investment grade are not significantly deteriorated. Determining the probability of default at initial recognition is expected to require management estimates, in particular for exposures issued before the effective date of IFRS 9. Exposures modified due to financial difficulty do not generally result in a substantial modification or de-recognition and therefore the probability of default at initial recognition is not reset for these exposures.

Forward looking information

Credit losses are the expected cash shortfalls from what is contractually due over the expected life of the financial instrument, discounted at the original effective interest rate. Expected credit losses are the unbiased probability weighted credit losses determined by evaluating a range of possible outcomes and considering future economic conditions. When there is a non linear relationship between forward looking economic scenarios and their associated credit losses, a range of forward looking economic scenarios will be considered to ensure a sufficient unbiased representative sample of the complete distribution is included in determining the expected loss.

Definition of default and credit impaired assets

The definition of default for the purpose of determining expected credit losses is expected to be aligned to the Regulatory Capital CRR Article 178 definition of default, which considers indicators that the debtor is unlikely to pay, includes exposures in forbearance and is no later than when the exposure is more than 90 days past due. When exposures are identified as credit impaired or purchased or originated as such, IFRS 9 requires separate disclosure and interest income to be recognised on the net carrying amount rather than the gross carrying amount.

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

1.20 New standards and interpretations not yet adopted *(continued)*

Expected life

Lifetime expected credit losses must be measured over the expected life of a financial asset. This is restricted to the maximum contractual life and takes into account expected prepayment, extension, call and similar options, except for certain revolver financial instruments where the entity's contractual ability to demand repayment and cancel the undrawn commitment does not limit the entity's exposure to credit losses to the contractual notice period (for example credit cards and overdrafts). Potential future modifications of contracts are not taken into account when determining the expected life or exposure at default until the modifications occur.

Modeling techniques

Expected credit losses (ECL) are calculated by multiplying three main components, being the probability of default (PD), Loss given default (LGD) and the exposure at default (EAD). The Basel ECL calculations will be leveraged for IFRS 9 modeling but adjusted for key differences which include:

- BCBS requires 12 month through the economic cycle losses whereas IFRS 9 requires 12 month or lifetime point in time losses based on conditions at the reporting date and multiple forecasts of the future economic conditions over the expected lives; and
- IFRS 9 models do not include some of the conservative BCBS model floors and downturn assessments and require discounting to the reporting date at the original effective interest rate rather than using the cost of capital to the date of default.

Management adjustments will be made to modeled output to account for situations where known or expected risk factors and information have not been considered in the modeling process, for example forecast economic scenarios for uncertain political events.

Project governance and credit risk management

The Bank has a jointly accountable risk and finance implementation and governance programme with representation from all impacted departments. During 2016, work continued on the design and builds of impairment models, systems, processes, governance, controls and data collection and will continue to be refined during 2017. During 2017, there is a planned parallel run which includes continued model, process and output validation, testing, calibration and analysis.

There will be three different appropriate levels of impairment committees. In addition to the existing Bank and Business level committees, Legal Entity committees are in place. The CROs and Chief Finance Officers (CFOs) will have joint accountability for signing off the results. Reported results and key messages will be communicated to the Group Audit and Compliance Committee and Risk Executive Committee.

Classification and measurement

IFRS 9 will require financial assets to be classified on the basis of two criteria:

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 will be 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 their contractual cash flows represent solely payments of principal and interest.

Financial assets will be 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 financial assets, and their contractual cash flows represent solely payments of principal and interest.

Other financial assets are measured at fair value through profit and loss. There is an option to make an irrevocable election for non traded equity investments to be measured at fair value through other comprehensive income, in which case dividends are recognised in profit or loss, but gains or losses are not reclassified to profit or loss upon derecognition, and impairment is not recognised in profit or loss.

The accounting for financial liabilities is largely unchanged, except for financial liabilities designated at fair value through profit and 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 and loss. There is no subsequent reclassification of realised gains or losses on own credit to profit or loss.

The Bank's Classification and Measurement implementation programme is in progress. An assessment of potential changes to financial assets has been conducted, including an assessment of business models across various portfolios, and a review of contractual cash flow features for complex financial assets.

There are some classification changes expected but they are not expected to be significant from a Bank perspective. Business models are determined on initial application and this may differ from the model at the initial assessment date for certain portfolios, and contractual cash flow characteristics assessed as at this date may not be representative of the population on transition.

The focus of the project during 2017 will be on finalising processes, governance and controls in preparation for initial application in 2018. IFRS 9 is applied retrospectively, although comparatives are not restated, with adjustments arising from classification and measurement changes recognised in opening retained earnings.

Hedge accounting

IFRS 9 contains revised requirements on hedge accounting, which are more closely aligned with an entity's risk management strategies and risk management objectives. The new rules would replace the current quantitative effectiveness test with a simpler version, and requires that an economic relationship exist between the hedged item and the hedging instrument. Under the new rules, voluntary hedge de-designations would not be allowed.

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

1.20 *New standards and interpretations not yet adopted* *(continued)*

Until the IASB completes its accounting for dynamic risk management project , adoption of the IFRS 9 hedge accounting requirements is optional, and certain aspects of IAS 39, being the portfolio fair value hedge for interest rate risk, would continue to be available for entities (while applying IFRS 9 to the remainder of the entity's hedge accounting relationships).

Based on analysis performed, upon the Bank's adoption of IFRS 9, the Bank expects to continue applying IAS 39 hedge accounting, although it will implement the amended IFRS 7 hedge accounting disclosure requirements.

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 (except for contracts that are within the scope of the standards on leases, insurance contracts or financial instruments).

The five steps in the model are areas follows:

- Identify the contract with the customer
- Identify the performance obligation 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.

The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services

Enhanced guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration and multiple element arrangements, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenues 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 16 Leases (IFRS 16) sets out the principles for the recognition, measurement, presentation and disclosure of leases. One of the key changes brought by IFRS 16 is the elimination of the classification of leases as either operating leases or finance leases for a lessee, and the introduction a single lessee accounting model.

Applying that model, a lessee is required to recognise:

(a) a right of use asset together with a lease liability representing the future lease payments for all leases (unless the lease term is shorter than 12 months or the underlying asset is of low value and the related exemptions are elected); and

(b) depreciation of lease assets separately from interest on lease liabilities in the statement of comprehensive income.

The standard provides revised guidance in defining what constitutes a lease and how the lease term is determined as well as enhanced disclosure requirements for both lessees and lessors about its leasing activities and how exposures are managed.

The effective date of IFRS 16 is 1 January 2019, with an allowance for early adoption, provided the entity applies IFRS 15 at the same time.

The implementation of IFRS 16 is expected to give rise to an increase in property, plant and equipment (right of use assets) and lease liabilities as lessee operating leases are currently not capitalised. This is not expected to have a significant impact on the Bank's statement of financial position.

IAS 7 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 retrospectively and will be applicable to reporting periods beginning on or after 1 January 2017. The Bank 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 40 Investment Property (IAS 40) (amendments) clarify when an entity should transfer property into, or out of, investment property. The amendments are generally required to be applied prospectively and will be applicable to reporting periods beginning on or after 1 January 2018. The Bank is in the process of assessing the impact.

IFRIC 22 Foreign Currency Transactions and Advance Considerations clarify the exchange rates to be used in foreign currency transactions depending on whether they are considered monetary or non-monetary in nature. There is a choice as to whether an entity applies the interpretation retrospectively or prospectively; it is applicable to reporting periods beginning on or after 1 January 2018. The Bank is in the process of assessing the impact.

	Bank 2016 Rm	Bank 2015 Rm
2. Cash, cash balances and balances with central banks		
Balances with the SARB	**18 552**	17 459
Coins and bank notes	**9 661**	8 607
Money market assets	**39**	35
	28 252	26 101

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 utilized in the normal course of business.

	Bank 2016 Rm	Bank 2015 Rm
3. Investment securities		
Government bonds	**46 780**	45 577
Listed equity instruments	**570**	735
Other debt securities	**13 069**	5 975
Treasury bills	**23 106**	19 924
Unlisted equity and hybrid instruments	**649**	854
	84 174	73 065

Government bonds valued at **R10 006m** (2015: R9 725m) have been pledged with the SARB.

	Bank 2016 Rm	Bank 2015 Rm
4. Loans and advances to banks		
Loans and advances to banks	**39 296**	58 585

Included above are reverse repurchase agreements of **R18 768m** (2015: R21 324m) and other collateralised loans of **R635m** (2015: R2 252m) relating to securities borrowed

5. Trading and hedging portfolio assets

	Bank 2016 Rm	Bank 2015 Rm
Commodities	**1 485**	2 005
Debt instruments	**19 314**	27 528
Derivative assets (refer to note 52.4)	**45 017**	77 537
Commodity derivatives	**794**	223
Credit derivatives	**184**	908
Equity derivatives	**1 593**	2 161
Foreign exchange derivatives	**15 121**	26 996
Interest rate derivatives	**27 325**	47 249
Equity instruments	**943**	1 409
Money market assets	**7 630**	7 976
Total trading portfolio assets	**74 389**	116 455
Hedging portfolio assets (refer to note 52.5)	**1 734**	2 216
	76 123	118 671

Trading portfolio assets with carrying values of **R13 820m** (2015: R15 402m) and **R2 649m** (2015: R2 001m) were pledged as security for repurchase and scrip lending agreements respectively. 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

	Bank 2016 Rm	Bank 2015 Rm
Accounts receivable and prepayments	**12 560**	10 953
Deferred costs	**123**	198
Inventories	**16**	23
Cost	**18**	54
Write-down	**(2)**	(31)
Retirement benefit fund surplus (refer to note 37)	**466**	466
Settlement accounts	**3 480**	7 200
	16 645	18 840

	Bank 2016 Rm	Bank 2015 Rm
7. Non-current assets and non-current liabilities held for sale		
7.1 Non-current assets held for sale		
Balance at the beginning of the reporting period	**109**	250
Disposals	**(109)**	(141)
Transfer from cash, cash balances and balances with central banks	**2**	—
Transfer from other assets	**73**	—
Transfer from investment properties (refer to note 12)	**292**	—
Balance at the end of the reporting period	**367**	109
7.2 Non-current liabilities held for sale		
Balance at the beginning of the reporting period	**—**	—
Transfer from other liabilities	**9**	—
Balance at the end of the reporting period	**9**	—

The following movements in non-current assets and non-current liabilities held for sale were effected during the current financial reporting period:

- RBB transferred a subsidiary with total assets of R367m and total liabilities of R9m to non-current assets and non-current liabilities held for sale. The Commercial Property Finance (CPF) Equity division disposed of an investment security with a carrying value of R15m.
- Head Office disposed of property and equipment with a carrying value of R94m.

The following movements in non-current assets held for sale were effected during the previous financial reporting period:

- CPF disposed of investment securities with a carrying value of R39m.
- Head Office disposed of property and equipment with a carrying value of R102m.

	Bank 2016 Rm	Bank 2015 Rm
8. Loans and advances to customers		
Corporate overdrafts and specialised finance loans	**8 285**	8 784
Credit cards	**31 376**	32 847
Foreign currency loans	**27 354**	22 419
Instalment credit agreements (refer to note 8.1)	**75 655**	74 154
Gross advances	**93 865**	91 160
Unearned finance charges	**(18 210)**	(17 006)
Loans to associates and joint ventures (refer to note 42.5)	**20 183**	17 079
Microloans	**3 544**	2 870
Mortgages	**268 180**	270 144
Other advances	**5 980**	4 831
Overdrafts	**35 945**	31 287
Overnight finance	**15 552**	15 236
Personal and term loans	**31 920**	30 426
Preference shares	**17 454**	16 137
Reverse repurchase agreements (carries)	**16 116**	20 310
Wholesale overdrafts	**87 312**	67 473
Gross loans and advances to customers	**644 856**	613 997
Impairment losses on loans and advances (refer to note 9)	**(14 210)**	(11 995)
	630 646	602 002

The Bank has securitised certain loans and advances to customers, the total value of these securitised assets is **R3 412m** (2015: R1 003m). Included above are collateralised loans of **R191m** (2015: R1 086m) 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 working capital solutions and collateralised loans.

	Bank					
	2016			2015		
	Gross advances Rm	Unearned finance charges Rm	Net advances Rm	Gross advances Rm	Unearned finance charges Rm	Net advances Rm

8. Loans and advances to customers *(continued)*

8.1 Instalment credit agreements

Maturity analysis	Gross advances Rm (2016)	Unearned finance charges Rm (2016)	Net advances Rm (2016)	Gross advances Rm (2015)	Unearned finance charges Rm (2015)	Net advances Rm (2015)
Less than one year	**28 822**	**(7 124)**	**21 698**	29 231	(6 798)	22 433
Between one and five years	**62 344**	**(10 934)**	**51 410**	59 491	(10 090)	49 401
More than five years	**2 699**	**(152)**	**2 547**	2 438	(118)	2 320
	93 865	**(18 210)**	**75 655**	91 160	(17 006)	74 154

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 **R7 010m** (2015: R5 529m).

The accumulated allowance for uncollectible lease payments receivable included in the allowance for impairments at the reporting date is **R1 660m** (2015: R890m).

9. Impairment losses on loans and advances to customers

Comprising:	Bank 2016 Rm	2015 Rm
Identified impairments	**11 993**	10 231
Unidentified impairments	**2 217**	1 764
	14 210	11 995

Reconciliation of allowance for impairment losses on loans and advances to customers	2016 Retail Banking Rm	Business Banking Rm	CIB Rm	Wealth Rm	Head Office and other opera— tions Rm	Total Rm
Balance at the beginning of the reporting period	9 366	1 813	751	65	—	11 995
Net present value unwind on non-performing book	(596)	(98)	—	—	—	(694)
Transfer between segments	(4)	(16)	20	—	—	—
Amounts written-off	(3 883)	(442)	(1)	(7)	—	(4 333)
Impairment raised – identified	5 334	591	838	38	—	6 801
Impairment raised/(reversed) – unidentified	156	107	199	(25)	4	441
	10 373	1 955	1 807	71	4	14 210

	2015					
	Retail Banking Rm	Business Banking Rm	CIB Rm	Wealth Rm	Head Office and other operations Rm	Total Rm

9. Impairment losses on loans and advances to customers *(continued)*

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

9.1 *Statement of comprehensive income charge*

	Bank 2016 Rm	Bank 2015 Rm
Impairments raised during the reporting period	**7 242**	5 890
Identified impairments	**6 801**	5 672
Unidentified impairments	**441**	218
Recoveries of loans and advances previously written off	**(834)**	(777)
	6 408	5 113

10. Loans and advances to Group companies

	Bank 2016 Rm	Bank 2015 Rm
Fellow subsidiaries	**25 794**	23 850

11. Investments in associates and joint ventures

	Bank 2016 Rm	Bank 2015 Rm
Unlisted investments	**1 065**	962

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

	Bank 2016 Rm	Bank 2015 Rm
Balance at the beginning of the reporting period	**962**	839
Share of current reporting period post-tax results (note 34)	**118**	136
Share of current reporting period results before taxation	**156**	183
Taxation on current reporting period results	**(38)**	(47)
Dividends received	**(15)**	(13)
Balance at the end of the reporting period	**1 065**	962

11. Investments in associates and joint ventures *(continued)*

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:

Bank share	Associates 2016 Rm	Associates 2015 Rm	Joint ventures 2016 Rm	Joint ventures 2015 Rm
Post-tax (loss)/profit from continuing operations	(29)	9	147	127
Total comprehensive income	(29)	9	147	127

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

	Bank 2016 Rm	Bank 2015 Rm
Unlisted investments		
Shares at cost	100	100
Share of post-acquisition reserves	965	862
	1 065	962

11.4 Carrying value of associates and joint ventures

	Bank 2016 Associates Rm	Bank 2016 Joint ventures Rm	Bank 2016 Total Rm	Bank 2015 Associates Rm	Bank 2015 Joint ventures Rm	Bank 2015 Total Rm
Equity accounted	201	864	1 065	230	732	962
Designated at fair value through profit or loss	21	437	458	22	555	577
Total	222	1 301	1 523	252	1 287	1 539

During the prior 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 42.5 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 and loss are presented within Investment Securities (note 3).

12. Investment properties

	Bank 2016 Rm	Bank 2015 Rm
Balance at the beginning of the reporting period	518	252
Additions	—	2
Additions through business combinations (refer to note 50.1)	—	292
Change in fair value (refer to notes 30 and 31)	98	(73)
Disposals	(65)	(32)
Foreign exchange movements	(37)	77
Transfer to non-current assets held for sale (refer to note 7)	(292)	—
Balance at the end of the reporting period	222	518

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.

	Bank					
	2016			2015		
	Cost Rm	Accumulated depreciation and/or impairments Rm	Carrying value Rm	Cost Rm	Accumulated depreciation and/or impairments Rm	Carrying value Rm
13. Property and equipment						
Computer equipment	7 025	(3 583)	3 442	6 038	(3 096)	2 942
Freehold property	6 393	(339)	6 054	6 169	(333)	5 836
Furniture and other equipment	5 472	(2 243)	3 229	4 417	(2 241)	2 176
Motor vehicles	3	(2)	1	3	(2)	1
	18 893	(6 167)	12 726	16 627	(5 672)	10 955

	Bank 2016				
Reconciliation of property and equipment	Opening balance Rm	Additions Rm	Disposals Rm	Depreciation Rm	Closing balance Rm
Computer equipment	2 942	1 227	(12)	(715)	3 442
Freehold property	5 836	372	(139)	(15)	6 054
Furniture and other equipment	2 176	1 729	(160)	(516)	3 229
Motor vehicles	1	—	—	—	1
	10 955	3 328	(311)	(1 246)	12 726
Note				31	

	Bank 2015				
Reconciliation of property and equipment	Opening balance Rm	Additions Rm	Disposals Rm	Depreciation Rm	Closing balance Rm
Computer equipment	2 024	1 569	(17)	(634)	2 942
Freehold property	4 955	908	(11)	(16)	5 836
Furniture and other equipment	2 158	616	(96)	(502)	2 176
Motor vehicles	—	1	—	—	1
	9 137	3 094	(124)	(1 152)	10 955
Note				31	

Included in the above additions is **R2 021m** (2015: R286m) that relates to expenditure capitalised to the cost of property and equipment during the course of its construction. During the year under review, an amount of **R961m** (2015: R236m) was transferred from assets under construction and brought into use.

	Bank					
	2016			2015		
	Cost Rm	Accumulated amortisation and/or impairments Rm	Carrying value Rm	Cost Rm	Accumulated amortisation and/or impairments Rm	Carrying value Rm
14. Goodwill and intangible assets						
Computer software development costs	4 289	(2 128)	2 161	3 005	(1 472)	1 533
Customer lists and relationships	410	(410)	—	482	(119)	363
Goodwill	151	(39)	112	151	(39)	112
Other	132	(66)	66	58	(37)	21
	4 982	(2 643)	2 339	3 696	(1 667)	2 029

Reconciliation of goodwill and intangible assets	Bank 2016						
	Opening balance Rm	Additions Rm	Disposals Rm	Amorti-sation Rm	Impair-ment charge Rm	Transfers Rm	Closing balance Rm
Computer software development costs	1 533	1 284	—	(349)	(307)	—	2 161
Customer lists and relationships	363	—	—	(19)	(283)	(61)	—
Goodwill	112	—	—	—	—	—	112
Other	21	2	—	(18)	—	61	66
	2 029	1 286	—	(386)	(590)	—	2 339
Note				31	32		

Reconciliation of goodwill and intangible assets	Bank 2015						
	Opening balance Rm	Additions Rm	Disposals Rm	Amorti-sation Rm	Impair-ment charge Rm	Transfers Rm	Closing balance Rm
Computer software development costs	887	821	—	(175)	—	—	1 533
Customer lists and relationships	395	—	—	(32)	—	—	363
Goodwill	112	—	—	—	—	—	112
Other	28	6	—	(13)	—	—	21
	1 422	827	—	(220)	—	—	2 029
Note				31	32		

The majority of computer software development costs were internally generated with the remainder externally acquired. Included in computer software development costs is **R1 387m** (2015: R691m) relating to assets under construction.

During the current year, two of the Bank's intangible assets were impaired. An acquired customer list was fully impaired following an adjustment to the interest rate outlook for the related business. The second impairment relates to the costs previously spent by the Bank on the Virtual Bank initiative. In calculating the impairment to be recognised, the Bank determined the value in use based on a discounted cash flow methodology.

Composition of goodwill	Bank 2016 Rm	2015 Rm
Absa Vehicle and Management Solutions Proprietary Limited	112	112
	112	112

In considering reasonably possible changes to key assumptions, even if the estimated discount rate and/or growth rate was changed by **2%** (2015: 2%), no additional impairment loss would be recognised (2015: Rnil).

	Bank 2016 Rm	Bank 2015 Rm
15. Deferred tax		
15.1 Reconciliation of net deferred tax liability		
Balance at the beginning of the reporting period	**71**	908
Deferred tax on amounts charged directly to other comprehensive income and equity	**497**	(959)
Charge to profit or loss (refer to note 34)	**406**	139
Tax effect of translation and other differences	**—**	(17)
Balance at the end of the reporting period	**974**	71
15.2 Deferred tax liability/(asset)		
Tax effects of temporary differences between tax and book value for:		
Deferred tax liability	**1 020**	115
Prepayments, accruals and other provisions[1]	**825**	432
Capital Allowances[1]	**989**	663
Cash flow hedge and available for sale reserve[1]	**24**	(517)
Fair value adjustments on financial instruments	**(88)**	86
Impairment of loans and advances	**(479)**	(393)
Lease and rental debtor allowances	**(209)**	(179)
Property allowances	**150**	136
Share-based payments	**(289)**	(265)
Retirement benefit fund asset and liabilities	**97**	152
Deferred tax asset	**(46)**	(44)
Impairment of loans and advances	**—**	(35)
Assessed losses	**(14)**	—
Fair value adjustments on financial instruments	**(6)**	—
Lease and rental debtor allowance	**(5)**	(2)
Other differences	**(21)**	(7)
Net deferred tax liability	**974**	71

15.3 *Future tax relief*

The Bank has estimated tax losses of **R52m** (2015: Rnil) which are available for set-off against future taxable income. Deferred tax assets of **R15m** (2015: Rnil) relating to tax losses carried forward were recognised.

	Bank 2016 Rm	Bank 2015 Rm
16. Deposits from banks		
Call deposits	**5 327**	8 331
Fixed deposits	**18 445**	13 180
Foreign currency deposits	**15 721**	11 325
Notice deposits	**625**	522
Other	**1 135**	5 161
Repurchase agreements	**18 895**	22 507
	60 148	61 026

Note

[1] 'Capital allowances' have been disaggregated out of 'Prepayments, accruals and other provisions' in both the current (R989m) and prior year (R663m) as well as 'Cash flow hedge and available for sale reserve' have been restated out of 'Prepayments, accruals and other provisions' in both the current (R24m) and prior year (-R517m). These restatements to comparatives were done to provide more relevant detail to users of the annual financial statements.

17. Trading and hedging portfolio liabilities

	Bank 2016 Rm	Bank 2015 Rm
Derivative liabilities (refer to note 52.4)	**40 716**	86 325
Commodity derivatives	**816**	117
Credit derivatives	**236**	893
Equity derivatives	**1 365**	3 825
Foreign exchange derivatives	**13 995**	28 180
Interest rate derivatives	**24 304**	53 310
Short positions	**1 787**	1 242
Total trading portfolio liabilities	**42 503**	87 567
Hedging portfolio liabilities (refer to note 52.5)	**2 054**	4 531
	44 557	92 098

18. Other liabilities

	Bank 2016 Rm	Bank 2015 Rm
Accruals	**1 513**	1 328
Audit fee accrual	**44**	37
Creditors	**8 904**	6 773
Deferred income	**193**	232
Settlement balances	**10 135**	9 575
Share-based payment liability (refer to note 49)	**361**	361
	21 150	18 306

19. Provisions

	Bank 2016 Staff bonuses and incentive provisions Rm	Sundry provisions Rm	Total Rm
Balance at the beginning of the reporting period	1 347	623	1 970
Additions	954	310	1 264
Amounts used	(868)	(274)	(1 142)
Reversals	(6)	(26)	(32)
Balance at the end of the reporting period	1 427	633	2 060

Provisions expected to be recovered or settled within no more than 12 months after the reporting date were **R1 552m** (2015: R1 797m).

Sundry provisions include amounts with respect to fraud cases, litigation and insurance claims.

20. Deposits due to customers

	Bank 2016 Rm	Bank 2015 Rm
Call deposits	**62 270**	72 130
Cheque account deposits	**152 690**	150 964
Credit card deposits	**1 906**	2 002
Fixed deposits	**128 903**	131 167
Foreign currency deposits	**23 325**	26 168
Notice deposits	**59 358**	48 954
Other	**2 182**	2 123
Repurchase agreements	**3 970**	4 620
Saving and transmission deposits	**130 208**	122 522
	564 812	560 650

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

	Bank 2016 Rm	Bank 2015 Rm
Commercial paper	**1 166**	2 096
Credit linked notes	**10 295**	11 597
Floating rate notes	**60 442**	54 722
Negotiable certificates of deposit	**43 333**	32 842
Other	**857**	1 006
Promissory notes	**1 171**	1 232
Senior notes	**22 307**	24 703
Structured notes and bonds	**2**	255
	139 573	128 453

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.

Interest rate	*Final maturity date*	*Notes*	Bank 2016 Rm	Bank 2015 Rm
8,295%	21 November 2023	i	**1 188**	1 188
10,28%	3 May 2022	ii	**600**	600
Three-month Johannesburg Interbank Agreed Rate (JIBAR) + 2,10%	3 May 2022	iii	**400**	400
Three-month JIBAR + 1,95%	21 November 2022	iv	**1 805**	1 805
Three-month JIBAR + 2,05%	21 November 2023	v	**2 007**	2 007
Consumer Price Index (CPI) linked notes, fixed at the following coupon rates: 5,50%	7 December 2028	vi	**1 500**	1 500
10,05%	5 February 2025	vii	**807**	807
10,835%	19 November 2024	viii	**130**	130
11,365%	4 September 2025	ix	**508**	508
11,40%	29 September 2025	x	**288**	288
11,74%	20 August 2026	xi	**140**	—
11,81%	3 September 2027	xii	**737**	737
12,43%	5 May 2026	xiii	**200**	—
Three-month Johannesburg Interbank Agreed Rate (JIBAR)				
Three-month JIBAR + 3,30%	19 November 2024	xiv	**370**	370
Three-month JIBAR + 3,50%	5 February 2025	xv	**1 693**	1 693
Three-month JIBAR + 3,50%	4 September 2025	xvi	**437**	437
Three-month JIBAR + 3,60%	3 September 2027	xvii	**30**	30
Three-month JIBAR + 4%	5 May 2026	xviii	**31**	—
Three-month JIBAR + 4%	20 August 2026	xix	**1 510**	—
Three-month JIBAR + 4%	3 November 2026	xx	**500**	—
Accrued interest			**842**	682
Fair value adjustments on total subordinated debt instruments			**(44)**	(228)
			15 679	12 954

i 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 option.

ii. 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 2022. 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.

iii. 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 2022. 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%.

iv. 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.

v. 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 2018. 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 2018. If Absa Bank Limited does not exercise the redemption option, there is no step-up in the coupon rate.

vi. 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 2028. If Absa Bank Limited does not exercise the redemption option, a coupon step up of 150 basis points (bps) shall apply.

22. Borrowed funds *(continued)*

vii. 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.

viii. 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 19 November 2019. There is no step-up in the coupon rate if Absa Bank Limited does not exercise the redemption option.

ix. 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.

x. 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.

xi. The 11,74% fixed rate notes may be redeemed in full at the option of Absa Bank Limited on 20 August 2021. Interest is paid semi-annually in arrears on 20 August and 20 February. Absa Bank Limited has an option to exercise the redemption on any interest payment date after 20 August 2021. If Absa Bank Limited does not exercise the redemption option, there is no step-up in the coupon rate.

xii. 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.

xiii. The 12,43% fixed rate notes may be redeemed in full at the option of Absa Bank Limited on 5 May 2021. Interest is paid semi-annually in arrears on 5 May and 5 November. Absa Bank Limited has the option to exercise the redemption on any interest payment date after 5 May 2021. 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 3,30% 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.

xv. 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.

xvi. 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 4 September 2020. If Absa Bank Limited does not exercise the redemption option, there is no step-up in the coupon rate.

xvii. 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 3 September 2022. If Absa Bank Limited does not exercise the redemption option, there is no step-up in the coupon rate.

xviii. The three month JIBAR plus 4% floating rate notes may be redeemed in full at the option of Absa Bank Limited on 5 May 2021. 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 May 2021. If Absa Bank Limited does not exercise the redemption option, there is no step-up in the coupon rate.

xix. The three month JIBAR plus 4% floating rate notes may be redeemed in full at the option of Absa Bank Limited on 20 August 2021. Interest is paid quarterly in arrears on 20 February, 20 May, 20 August and 20 November. Absa Bank Limited has the option to exercise the redemption on any interest payment date after 20 August 2021. If Absa Bank Limited does not exercise the redemption option, there is no step-up in the coupon rate.

xx. The three month JIBAR plus 4% floating rate notes may be redeemed in full at the option of Absa Bank Limited on 3 November 2021. Interest is paid quarterly in arrears on 3 February, 3 May, 3 August and 3 November. Absa Bank Limited has the option to exercise the redemption on any interest payment date after 3 November 2021. If Absa Bank Limited does not exercise the redemption option, there is no step-up in the coupon rate.

Notes i to vi are listed on the Bond Exchange of South Africa (BESA).

In accordance with its MOI, the borrowing powers of Absa Bank Limited are unlimited.

	Bank	
	2016 Rm	2015 Rm
23. Share capital and premium		
23.1 Ordinary share capital		
Authorised		
320 000 000 (2015: 320 000 000) ordinary shares of R1,00 each	**320**	320
250 000 000 (2015: 250 000 000) 'A' ordinary shares of R0,01 each	**3**	3
	323	323
Issued		
302 609 359 (2015: 302 609 359) ordinary shares of R1,00 each	**303**	303
128 708 264 (2015: 110 188 222) 'A' ordinary shares of R0,01 each	**1**	1
	304	304
Total issued capital		
Share capital	**304**	304
Share premium	**24 964**	21 455
	25 268	21 759

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 18 520 042 'A' ordinary shares were issued during the current reporting period.

Shares issued during the prior year

An additional 16 646 332 'A' ordinary shares were issued during the prior reporting period.

	Bank	
	2016 Rm	2015 Rm
23.2 Preference share capital and premium		
Authorised		
30 000 000 (2015: 30 000 000) non-cumulative, non-redeemable listed preference shares of R0,01 each	**1**	1
Issued		
4 944 839 (2015: 4 944 839) non-cumulative, non-redeemable listed preference shares of R0,01 each	**1**	1
Total issued capital		
Share capital	**1**	1
Share premium	**4 643**	4 643
	4 644	4 644

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 attracted 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 the profit or loss component of the statement of comprehensive income.

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 the profit and loss component of the statement of comprehensive income, 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. If the options lapse before vesting, the related reserve is reversed through the profit and loss component of the statement of comprehensive income.

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.

24.7 *Retained earnings*

The retained earnings comprises of the cumulative total comprehensive income recognised from inception (reduced by any amounts transferred to a separate reserve), and reduced by dividends paid to date and any total comprehensive income relating to disposed subsidiaries.

	Bank	
	2016 Rm	2015 Rm
25. Interest and similar income		
Interest and similar income is earned from:		
Cash, cash balances and balances with central banks	**5**	1
Fair value adjustments on hedging instruments	**(1 936)**	2 365
Investment securities	**7 476**	3 745
Loans and advances to banks	**1 127**	743
Loans and advances to customers	**61 024**	52 079
Corporate overdrafts and specialised finance loans	**801**	442
Credit cards	**5 046**	5 106
Foreign currency loans	**727**	614
Instalment credit agreements	**7 992**	7 338
Interest on impaired financial assets	**694**	721
Loans to associates and joint ventures	**1 481**	1 135
Microloans	**823**	617
Mortgages	**25 146**	21 677
Other advances	**838**	845
Overdrafts	**3 780**	3 109
Overnight finance	**1 350**	1 095
Personal loans and term loans	**4 267**	3 655
Preference shares	**1 271**	952
Wholesale overdrafts	**6 808**	4 773
Other interest	**2 198**	2 046
	69 894	60 979

	Bank 2016 Rm	Bank 2015 Rm
25. Interest and similar income *(continued)*		
Classification of interest and similar income		
Fair value adjustments on amortised cost and available-for-sale financial assets held in a fair value hedging relationship (refer to note 52.8)	**1 340**	(1 591)
Investment securities	**1 736**	(1 523)
Loans and advances to customers	**(396)**	(68)
Fair value adjustments on hedging instruments	**(1 750)**	2 630
Cash flow hedges (refer to note 52.6)	**268**	1 111
Economic hedges	**153**	75
Fair value hedges (refer to note 52.8)	**(2 171)**	1 444
Interest on financial assets held at amortised cost	**70 701**	57 680
Interest on financial assets held as available-for-sale	**1 188**	736
Interest on financial assets designated at fair value through profit or loss	**(1 585)**	1 524
Fair value hedging instruments (refer to note 52.8)	**(186)**	(265)
Investment securities	**1 045**	1 623
Loans and advances to customers	**(2 444)**	166
	69 894	60 979

Interest income on 'other advances' includes items such as interest on factored debtors' books.

Other interest includes items such as overnight interest on contracts for difference as well as interest income on defined benefit plan assets.

	Bank 2016 Rm	Bank 2015 Rm
26. Interest expense and similar charges		
Interest expense and similar charges are paid on:		
Borrowed funds	**1 580**	880
Debt securities in issue	**10 711**	7 463
Deposits due to customers	**26 451**	23 654
Call deposits	**5 019**	3 737
Cheque account deposits	**3 856**	3 861
Credit cards deposits	**7**	8
Fixed deposits	**7 596**	7 515
Foreign currency deposits	**13**	37
Notice deposits	**4 030**	3 194
Other deposits	**310**	544
Savings and transmission deposits	**5 620**	4 758
Deposits from banks	**2 804**	1 292
Call deposits	**410**	466
Fixed deposits	**2 394**	815
Foreign currency deposits	**—**	11
Fair value adjustments on hedging instruments	**(891)**	573
Other	**430**	(407)
	41 085	33 455

	Bank 2016 Rm	Bank 2015 Rm
26. Interest expense and similar charges *(continued)*		
Classification of interest expense and similar charges		
Fair value adjustments on amortised cost financial liabilities held in a fair value hedging relationship (refer to note 52.8)	**1 506**	(582)
Borrowed funds	**811**	153
Debt securities in issue	**695**	(735)
Fair value adjustments on hedging instruments	**(855)**	717
Cash flow hedges (refer to note 52.6)	**8**	(135)
Economic hedges	**—**	10
Fair value hedges (refer to note 52.8)	**(863)**	842
Interest on financial liabilities designated at fair value through profit or loss	**(42)**	(142)
Debt securities in issue	**(6)**	2
Fair value hedging instruments (refer to note 52.8)	**(36)**	(144)
Interest on financial liabilities held at amortised cost	**40 476**	33 462
	41 085	33 455

Other interest and similar charges includes items such as interest expense on the defined benefit obligation and overnight interest on contracts for difference.

	Bank 2016 Rm	Bank 2015 Rm
27. Net fee and commission income		
Asset management and other related fees	**54**	58
Consulting and administration fees	**215**	189
Credit-related fees and commissions	**14 807**	14 311
Cheque accounts	**4 257**	4 110
Credit cards	**2 075**	1 758
Electronic banking	**4 814**	4 707
Other	**1 378**	1 445
Savings accounts	**2 283**	2 291
Insurance commission received	**531**	524
Asset management, markets execution and investment banking fees	**400**	333
Merchant income	**1 470**	1 451
Other	**101**	114
Trust and other fiduciary service fees	**50**	48
Portfolio and other management fees	**38**	35
Trust and estate income	**12**	13
Fee and commission income	**17 628**	17 028
Fee and commission expense	**(1 460)**	(1 296)
Cheque processing fees	**(134)**	(127)
Clearing and settlement charges[1]	**(648)**	(519)
Notification fees[1]	**(202)**	(192)
Other[1]	**(363)**	(334)
Valuation fees	**(113)**	(124)
	16 168	15 732

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.

Note

[1] The Bank has reassessed the presentation of the component net fee and commission expenditure. 'Clearing and settlement charges', and 'Notification fees' are separately presented in the current reporting period. In the previous reporting period, these amounts were included within 'Other fee and commission expense'.

27. Net fee and commission income *(continued)*

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

	Bank 2016 Rm	Bank 2015 Rm
Cheque accounts	**4 257**	4 110
Credit cards	**2 075**	1 758
Electronic banking	**4 814**	4 707
Other	**1 378**	1 445
Savings accounts	**2 283**	2 291
Fee and commission income	**14 807**	14 311
Fee and commission expense	**(1 150)**	(1 032)
	13 657	13 279

Credit cards includes acquiring and issuing fees.

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

28. Gains and losses from banking and trading activities

	Bank 2016 Rm	Bank 2015 Rm
Net losses on investments	**(25)**	(276)
Debt instruments designated at fair value through profit or loss	**(8)**	18
Equity instruments designated at fair value through profit or loss	**(20)**	(84)
Available-for-sale unwind from reserves	**3**	(210)
Net trading result	**2 882**	2 343
Net trading income excluding the impact of hedge accounting	**2 972**	2 493
Ineffective portion of hedges	**(90)**	(150)
Cash flow hedges (refer to note 52.6)	**(53)**	(188)
Fair value hedges (refer to note 52.8)	**(37)**	38
Other gains	**112**	30
	2 969	2 097
Net trading income excluding the impact of hedge accounting	**2 972**	2 481
(Losses)/gains on financial instruments designated at fair value through profit or loss	**(3 431)**	7 362
Net losses on financial assets designated at fair value through profit or loss	**(565)**	(1 035)
Net (losses)/gains on financial liabilities designated at fair value through profit or loss	**(2 866)**	8 397
Gains/(losses) on financial instruments held for trading	**6 403**	(4 881)
Other gains	**112**	30
Gains on financial instruments designated at fair value through profit or loss	**60**	16
Gains on financial instruments held for trading	**52**	14

	Bank	
	2016 Rm	2015 Rm
29. Gains and losses from investment activities		
Other gains	**2**	11

	Bank	
	2016 Rm	2015 Rm
30. Other operating income		
Foreign exchange differences, including amounts recycled from other comprehensive income	**311**	314
Income from investment properties	**142**	9
Change in fair value (refer to note 12)	**65**	—
Rentals	**77**	9
Income from maintenance contracts	**36**	30
Profit on disposal of property and equipment	**—**	12
(Loss)/profit on sale of repossessed properties	**(25)**	12
Gross sales	**23**	37
Cost of sales	**(48)**	(25)
Rental income	**21**	43
Sundry income	**368**	292
	853	712

'Sundry income' includes service fees levied on asset finance as well as profit on disposal of non-core assets.

31. Operating expenses

	Bank 2016 Rm	Bank 2015 Rm
Administration fees	**774**	826
Amortisation of intangible assets (refer to note 14)	**386**	220
Auditors' remuneration	**223**	194
Audit fees – current reporting period	**134**	130
Audit fees – underprovision	**7**	8
Audit-related fees	**44**	47
Other services	**38**	9
Cash transportation	**820**	756
Depreciation (refer to note 13)	**1 246**	1 152
Equipment costs	**189**	194
Maintenance	**58**	56
Rentals	**131**	138
Information technology	**2 728**	1 925
Investment properties charges – change in fair value (refer to note 12)	**(33)**	73
Marketing costs	**1 288**	1 462
Operating lease expenses on properties	**1 220**	1 269
Other	**(91)**	44
Printing and stationery	**263**	256
Professional fees	**1 401**	1 524
Property costs	**1 229**	1 078
Staff costs	**15 175**	14 714
Bonuses	**1 370**	1 344
Other	**440**	476
Salaries and current service costs on post-retirement benefits	**12 427**	12 099
Deferred cash and share-based payments (refer to note 49)	**643**	549
Training costs	**295**	246
Telephone and postage	**707**	703
	27 525	26 390

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 totaling **R257m** (2015: R234m).

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

32. Other impairments

	Bank 2016 Rm	Bank 2015 Rm
Reversal of impairment raised on financial instruments	**(13)**	(43)
Other	**590**	—
Intangible assets (refer to note 14)	**590**	—
	577	(43)

	Bank 2016 Rm	Bank 2015 Rm
33. Indirect taxation		
Training levy	**121**	118
VAT net of input credits	**877**	924
	998	1 042

	Bank 2016 Rm	Bank 2015 Rm
34. Taxation expense		
Current		
Foreign tax	**28**	61
South African current tax	**3 037**	3 401
South African current tax – previous reporting period	**6**	62
	3 071	3 524
Deferred		
Deferred tax (refer to note 15.1)	**406**	139
Accelerated tax depreciation	**148**	152
Allowances for loan losses	**(86)**	(25)
Other provisions	**(25)**	(49)
Other temporary differences	**427**	130
Fair value adjustments on financial instruments	**(58)**	(69)
	3 477	3 663
Reconciliation between operating profit before income tax and the taxation expense		
Operating profit before income tax	**13 411**	13 710
Share of post-tax results of associates and joint ventures (refer to note 11)	**(118)**	(136)
	13 293	13 574
Tax calculated at a tax rate of 28%	**3 722**	3 801
Effect of different tax rates in other countries	**19**	20
Expenses not deductible for tax purposes	**89**	209
Income not subject to tax	**(525)**	(464)
Items of a capital nature	**170**	17
Other	**2**	80
	3 477	3 663

	Bank	
	2016 Rm	2015 Rm

35. Earnings per share

Basic and diluted earnings per share

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

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

	Bank 2016 Rm	Bank 2015 Rm
Basic and diluted earnings attributable to ordinary equity holders	**9 568**	9 726
Weighted average number and diluted number of ordinary shares in issue (millions)	**417,7**	401,5
Issued shares at the beginning of the reporting period	**412,8**	396,2
Shares issued during the reporting period (weighted)	**4,9**	5,3
Basic earnings per ordinary share/diluted earnings per ordinary share (cents)	**2 290,6**	2 422,4

	Bank			
	2016		2015	
	Gross Rm	**Net Rm**	Gross Rm	Net Rm

36. Headline earnings

Headline earnings is determined as follows:

	2016 Gross Rm	2016 Net Rm	2015 Gross Rm	2015 Net Rm
Profit attributable to ordinary equity holders of the Bank		**9 568**		9 726
Total headline earnings adjustment:		**210**		(69)
IAS 16 – Profit on disposal of property and equipment	**(22)**	**(16)**	(17)	(12)
IAS 21 – Recycled foreign currency translation reserve	**(320)**	**(297)**	(267)	(267)
IAS 36 – Impairment of intangible assets (refer to note 32)	**590**	**590**	—	—
IAS 39 – Release of available-for-sale reserves (refer to note 28)	**(3)**	**(2)**	210	151
IAS 40 – Change in fair value of investment properties	**(84)**	**(65)**	73	59
Headline earnings/diluted headline earnings		**9 778**		9 657
Headline earnings per ordinary share/ Diluted headline earnings per ordinary share (cents)		**2 340,9**		2 405,2

The net amount is reflected after taxation and non-controlling interest

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 once every three years. The most recent statutory valuation of The Fund was effected on 31 March 2016 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 Accounts (ESA). According to The Fund rules and the PF Act, 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 PF 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 objective 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 that they 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.

The rules of The Fund were amended in July 2015 to allow 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 contribution active members are separately presented. Pensioners who have elected to receive a living annuity as well as members who joined the fund on/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. Net defined benefit plans assets relating to these pensioners that have elected to receive a living annuity, amount to **R3 539m** (2015: R3 315m).

	Bank	
	Absa Pension Fund	
	2016	2015
Categories of The Fund		
Defined benefit active members	**20**	21
Defined benefit deferred pensioners	**3**	3
Defined benefit pensioners	**8 427**	8 533
Defined contribution active members	**28 896**	31 328
Defined contribution pensioners	**2 735**	2 561
Duration of the scheme – defined benefit (years)	**9,6**	10,0
Duration of the scheme – defined contribution (years)	**23,3**	22,8
Expected contributions to The Fund for the next 12 months (Rm)	**1 497,6**	1 625

The benefits provided by the defined benefit portion of the Fund are based on a formula, taking into account years of membership and remuneration levels. The benefits provided by the defined contribution portion of the Fund 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 Fund 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 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 manager 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.

37. Retirement benefit fund obligations *(continued)*

37.1 Absa Pension Fund (continued)

37.1.1 Reconciliation of net defined benefit plan surplus

	Bank 2016 Rm	Bank 2015 Rm
Reconciliation of the net surplus		
Present value of funded obligations	**(25 037)**	(24 398)
Defined benefit portion	**(7 491)**	(7 390)
Defined contribution portion	**(17 546)**	(17 008)
Fair value of the plan assets	**27 102**	26 341
Defined benefit portion	**9 556**	9 333
Defined contribution portion	**17 546**	17 008
Funded status	**2 065**	1 943
Irrecoverable surplus (effect of asset ceiling)	**(1 599)**	(1 477)
Net surplus arising from the defined benefit obligation	**466**	466

37.1.2 Reconciliation of movement in the funded obligation

	Bank 2016 Rm	Bank 2015 Rm
Balance at the beginning of the reporting period	**(24 398)**	(23 236)
Defined benefit portion	**(7 390)**	(7 372)
Defined contribution portion	**(17 008)**	(15 864)
Reconciling items – defined benefit portion	**(101)**	(18)
Actuarial gains – financial	**97**	378
Actuarial gains/(losses) – experience adjustments	**178**	(30)
Benefits paid	**648**	553
Current service costs	**(30)**	(48)
Interest expense	**(729)**	(588)
Defined contribution member transfers	**(265)**	(283)
Reconciling items – defined contribution portion	**(538)**	(1 144)
Increase in obligation linked to plan assets return	**(1 299)**	(1 251)
Employer contribution	**(866)**	(878)
Employee contributions	**(587)**	(617)
Disbursements and member transfers	**2 214**	1 602
Balance at the end of the reporting period	**(25 037)**	(24 398)

37.1.3 Reconciliation of movement in the plan assets

	Bank 2016 Rm	Bank 2015 Rm
Balance at the beginning of the reporting period	**26 341**	24 762
Defined benefit portion	**9 333**	8 898
Defined contribution portion	**17 008**	15 864
Reconciling items – defined benefit portion	**223**	435
Benefits paid	**(648)**	(553)
Employer contributions	**2**	
Interest income	**923**	710
Return on plan assets in excess of interest	**(319)**	(5)
Defined contribution member transfers	**265**	283
Reconciling items – defined contribution portion	**538**	1 144
Return on plan assets	**1 299**	1 251
Employer contributions	**866**	878
Employee contributions	**587**	617
Disbursements and member transfers	**(2 214)**	(1 602)
Balance at the end of the reporting period	**27 102**	26 341

37.1.4 Reconciliation of movement in the irrecoverable surplus

	Bank 2016 Rm	Bank 2015 Rm
Balance at the beginning of the reporting period	**(1 477)**	(1 060)
Interest on irrecoverable surplus	**(149)**	(86)
Changes in the irrecoverable surplus in excess of interest	**27**	(331)
Balance at the end of the reporting period	**(1 599)**	(1 477)

37. Retirement benefit fund obligations *(continued)*

37.1 Absa Pension Fund (continued)

37.1.5 Nature of the pension fund assets

	Bank 2016 Fair value of plan assets Debt instruments Rm	Equity instruments Rm	Other instruments Rm	Total Rm
Plan assets relating to the defined benefit plan				
Defined benefit portion	4 560	4 499	497	9 556
Quoted fair value	4 450	4 465	387	9 302
Unquoted fair value	3	—	16	19
Own transferable financial instruments	107	34	1	142
Investments in listed property entities/funds	—	—	93	93
Defined contribution portion	3 138	9 659	4 749	17 546
Quoted fair value	1 861	9 598	3 057	14 516
Unquoted fair value	828	—	909	1 737
Own transferable financial instruments	449	61	3	513
Investments in listed property entities/funds	—	—	780	780
	7 698	14 158	5 246	27 102

	Bank 2015 Fair value of plan assets Debt instruments Rm	Equity instruments Rm	Other instruments Rm	Total Rm
Plan assets relating to the defined benefit plan				
Defined benefit portion	4 391	4 341	601	9 333
Quoted fair value	3 734	4 301	373	8 408
Unquoted fair value	578	—	136	714
Own transferable financial instruments	79	40	—	119
Investments in listed property entities/funds	—	—	92	92
Defined contribution portion	2 985	9 400	4 623	17 008
Quoted fair value	1 526	9 340	3 229	14 095
Unquoted fair value	1 044	—	469	1 513
Own transferable financial instruments	415	60	161	636
Investments in listed property entities/funds	—	—	764	764
	7 376	13 741	5 224	26 341

37. Retirement benefit fund obligations *(continued)*

37.1 *Absa Pension Fund (continued)*

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

	Bank 2016 Rm	Bank 2015 Rm
Recognised in profit or loss:		
Net interest income	**(45)**	(36)
Current service cost	**30**	48
	(15)	12
Recognised in other comprehensive income:		
Actuarial (gains)/losses – financial	**(97)**	(378)
Actuarial adjustments (gains)/ losses - experience	**(178)**	30
Return on plan assets in excess of interest	**319**	5
Changes in the irrecoverable surplus in excess of interest	**(27)**	331
	17	(12)

37.1.7 Actuarial assumptions used:

	Bank 2016	Bank 2015
Discount rate (%) p.a.	**9,1**	10,1
Inflation rate (%) p.a.	**6,6**	7,7
Expected rate on the plan assets (%) p.a.	**10,4**	11,5
Future salary increases (%) p.a.	**7,6**	8,7
Average life expectancy in years of pensioner retiring at 60 – Male	**21,3**	21,2
Average life expectancy in years of pensioner retiring at 60 – Female	**26,2**	26,1

37.1.8 Sensitivity analysis of the significant actuarial assumptions

Bank 2016

	Reasonable possible change	Increase/ (decrease) on defined benefit obligation Rm
Increase in discount rate (%)	**0,5**	**(452)**
Increase in inflation (%)	**0,5**	**486**
Increase in life expectancy (years)	**1**	**311**

2015

	Reasonable possible change	Increase/ (decrease) on defined benefit obligation Rm
Increase in discount rate (%)	0,5	(451)
Increase in inflation (%)	0,5	493
Increase in life expectancy (years)	1	308

37. Retirement benefit fund obligations *(continued)*

37.1 *Absa Pension Fund* *(continued)*

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 491m** (2015: R7 390m).

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, ie 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 546m** (2015: R17 008m) 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.

	Bank	
	2016 Rm	2015 Rm
38. Dividends per share		
Dividends declared to ordinary equity holders		
Interim dividend (29 July 2015: 631,07 cents)	—	2 500
Special dividend **(6 December 2016: 476,12 cents)(10 June 2016: 363,37 cents)** (30 September 2015: 745,15 cents)(31 July 2015: 504,86 cents)	**3 500**	5 000
Final dividend **(23 February 2017: 486,88017 cents)**(1 March 2016: 484,49896 cents)	**2 100**	2 000
	5 600	9 500
Dividends declared to preference equity holders		
Interim dividend **(29 July 2016: 3 696,57534 cents)**(29 July 2015: 3 282,8082 cents)	**183**	162
Final dividend **(23 February 2017: 3 644,79452 cents)**(1 March 2016: 3 395,47945 cents)	**180**	168
	363	330
Dividends paid to ordinary equity holders		
Final dividend **(1 March 2016: 484,49896 cents)**(3 March 2015: 912,78268 cents)	**2 000**	3 616
Interim dividend (29 July 2015: 631,07 cents)	—	2 500
Special dividend **(6 December 2016: 476,12 cents)(10 June 2016: 363,37 cents)** (30 September 2015: 745,15 cents)(31 July 2015: 504,86 cents)	**3 500**	5 000
	5 500	11 116
Dividends paid to preference equity holders		
Final dividend **(1 March 2016: 3 395,47945 cents)**(3 March 2015: 3 210,8904 cents)	**168**	159
Interim dividend **(29 July 2016: 3 696,57534 cents)**(29 July 2015: 3 282,8082 cents)	**183**	162
	351	321

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 **R35 711m** (2015: R44 972m) of which **Rnil** (2015: Rnil) have been sold or repledged.

39. Securities borrowed/lent and repurchase/reverse repurchase agreements *(continued)*

39.2 *Repurchase agreements and securities lent*

The following table shows the carrying amount of transferred assets that have not resulted in any derecognition, together with the associated liabilities.

	Bank 2016 Carrying amount of transferred assets Rm	Carrying amount of associated liabilities Rm	Fair value of transferred assets Rm	Fair value of associated liabilities Rm	Net fair value Rm
Debt instruments	**23 826**	**(22 865)**	**23 826**	**(22 865)**	**961**
Equity instruments	**2 649**	**(173)**	**2 649**	**(173)**	**2 476**

	Bank 2015 Carrying amount of transferred assets Rm	Carrying amount of associated liabilities Rm	Fair value of transferred assets Rm	Fair value of associated liabilities Rm	Net fair value Rm
Debt instruments	27 128	(27 125)	27 128	(27 125)	3
Equity instruments	2 001	(1 231)	2 001	(1 231)	770

The transferred assets are presented in the 'Trading Portfolio assets' and 'Investment securities' lines on the statement of financial position.

40. Transfer of financial assets

40.1 *Transfer of financial assets involving structured entities*

In the ordinary course of its normal banking activities the Bank transfers financial assets to 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.

40.2 *Assets transferred, but not derecognised*

	Bank 2016 Carrying amount of transferred assets Rm	Carrying amount of associated liabilities Rm	Fair value of transferred assets Rm	Fair value of associated liabilities Rm	Net fair value Rm
Loans and advances to customers	**124**	**(124)**	**124**	**(124)**	**—**

	2015 Carrying amount of transferred assets Rm	Carrying amount of associated liabilities Rm	Fair value of transferred assets Rm	Fair value of associated liabilities Rm	Net fair value Rm
Loans and advances to customers	181	(181)	181	(181)	—

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. Transfer of financial assets *(continued)*

40.3 *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** (2015: R1 175m) and the current carrying amount as at the reporting date is **R749m** (2015: R978m). There are no liabilities associated with the assets transferred.

40.4 *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 2016, the Bank had no continuing involvement where financial assets have been derecognised in their entirety (31 December 2015: 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 financial liabilities that are reported net on the statement of financial position. Also presented are derivative financial instruments and reverse repurchase and repurchase agreements and other similar lending and borrowing agreements that are subject to enforceable master netting 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.

	Bank 2016							
	Amounts subject to enforceable netting arrangements							
	Effects of netting on statement of financial position			Related amounts not set off				
	Gross amounts Rm	Amounts set off Rm	Net amounts reported on the statement of financial position[1] Rm	Offsetting financial instruments Rm	Financial collateral[2] Rm	Net amount Rm	Amounts not subject to enforceable netting arrange-ments[3] Rm	Total per statement of financial position[4] Rm
Derivative financial assets	45 409	(2 130)	43 279	(35 340)	(2 810)	5 129	3 472	46 751
Reverse repurchase agreements and other similar secured lending	35 711	—	35 711	—	(35 711)	—	—	35 711
Total assets	81 120	(2 130)	78 990	(35 340)	(38 521)	5 129	3 472	82 462
Derivative financial liabilities	(42 697)	2 130	(40 567)	35 340	66	(5 161)	(2 203)	(42 770)
Repurchase agreements and other similar secured borrowing	(23 038)	—	(23 038)	—	23 038	—	—	(23 038)
Total liabilities	(65 735)	2 130	(63 605)	35 340	23 104	(5 161)	(2 203)	(65 808)

Notes

1 Net amounts reported on the statement of financial position comprise exposures that have 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'.

41. Offsetting financial assets and financial liabilities *(continued)*

	Bank							
	2015[1]							
	Amounts subject to enforceable netting arrangements							
	Effects of netting on statement of financial position			Related amounts not set off				
	Gross amounts Rm	Amounts set off[1] Rm	Net amounts reported on the statement of financial position[2] Rm	Offsetting financial instruments Rm	Financial collateral[3] Rm	Net amount Rm	Amounts not subject to enforceable netting arrange-ments[4] Rm	Total per statement of financial position[5] Rm
Derivative financial assets	76 478	—	76 478	(62 857)	(6 330)	7 291	3 276	79 753
Reverse repurchase agreements and other similar secured lending	44 972	—	44 972	—	(44 972)	—	5 683	50 655
Total assets	121 450	—	121 450	(62 857)	(51 302)	7 291	8 959	130 408
Derivative financial liabilities	(84 253)	—	(84 253)	62 857	47	(21 349)	(6 603)	(90 856)
Repurchase agreements and other similar secured borrowing	(27 588)	—	(27 588)	—	27 588	—	(768)	(28 356)
Total liabilities	(111 841)	—	(111 841)	62 857	27 635	(21 349)	(7 371)	(119 212)

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 of note 56.

Notes

[1] Net amounts reported on the statement of financial position comprise exposures that have 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'.

42. Related parties

The Bank's ultimate parent company is Barclays Bank PLC, which owns **50,1%** (2015: 62,3%) of the ordinary shares in the Barclays Africa Group Limited. The remaining **49,9%** (2015: 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 outstanding balances at the reporting date with related parties and related party transactions conducted during the reporting period are as follows:

	Bank	
	2016 Rm	2015 Rm
Key management personnel compensation		
Directors		
Deferred cash payments	**6**	5
Post-employment benefit contributions	**1**	1
Salaries and other short-term benefits	**53**	40
Share-based payments	**39**	41
	99	87
Other key management personnel		
Deferred cash payments	**18**	17
Post-employment benefit contributions	**2**	3
Salaries and other short-term benefits	**58**	58
Share-based payments	**39**	69
	117	147

	Bank			
	2016		2015	
	Transactions with key management Rm	**Transactions with entities controlled by key management Rm**	Transactions with key management Rm	Transactions with entities controlled by key management Rm
Loans				
Balance at the beginning of the reporting period	**49**	**15**	38	14
Inception/(discontinuance) of related party relationships[1]	**(8)**	**9**	1	—
Loans issued and interest earned	**75**	**7**	103	19
Loans repaid	**(67)**	**(22)**	(93)	(18)
Balance at the end of the reporting period	**49**	**9**	49	15
Interest income	**(5)**	**(0)**	(3)	(1)
Deposits				
Balance at the beginning of the reporting period	**29**	**6**	9	1
Inception/(discontinuance) of related party relationships[1]	**2**	**(13)**	(1)	6
Deposits received	**144**	**15**	231	3
Deposits repaid and interest paid	**(157)**	**(8)**	(210)	(4)
Balance at the end of the reporting period	**18**	**0**	29	6
Interest expense	**1**	**0**	1	0
Guarantees	**120**	**44**	84	34

Note

[1] Includes balances relating to key management personnel who resigned during the reporting periods.

42. Related parties *(continued)*

42.1 *Transactions with key management personnel (continued)*

	Bank			
	2016		2015	
	Transactions with key management Rm	**Transactions with entities controlled by key management Rm**	Transactions with key management Rm	Transactions with entities controlled by key management Rm
Other investments				
Balance at the beginning of the reporting period	**28**	**34**	37	1
(Discontinuance)/inception of related party relationships[1]	**(10)**	**—**	(18)	—
Value of new investments/contributions	**90**	**5**	35	34
Value of withdrawals/disinvestments	**(5)**	**(2)**	(25)	(3)
Fees and charges	**—**	**—**	(0)	(0)
Investment returns	**2**	**2**	(1)	2
Balance at the end of the reporting period	**105**	**39**	28	34

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 **R0,70m** (2015: R0,16m) and received claims of **R0,16m** (2015: nil).

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

	Bank			
	2016		2015	
	Parent company Rm	**Fellow subsidiaries, associates and joint ventures of the parent company Rm**	Parent company Rm	Fellow subsidiaries, associates and joint ventures of the parent company Rm
Balances				
Loans and advances to banks	**11 975**	**63**	13 128	4 027
Derivative assets	**13 538**	**(0)**	29 383	1 050
Other assets	**(14)**	**225**	956	131
Investment securities	**(0)**	**—**	87	—
Deposits from banks	**(3 867)**	**(46)**	(5 523)	(472)
Derivative liabilities	**(15 966)**	**(2)**	(32 595)	(110)
Debt securities in issue	**—**	**—**	(44)	—
Other liabilities	**(5)**	**(47)**	(308)	(139)
Transactions				
Interest and similar income	**50**	**—**	197	—
Interest expense and similar charges	**(20)**	**—**	48	—
Gains and losses from banking and trading activities	**(145)**	**—**	342	—
Net fee and commission income	**(13)**	**(2)**	(31)	(3)
Other operating income	**(5)**	**—**	(77)	—
Operating expenses/(recovered expenses)	**49**	**(670)**	31	(658)

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. Settlement must be in the currency required by the related party. 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 parent company, fellow subsidiaries, and associates and joint ventures of the parent company.

Note

[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 parent company, fellow subsidiaries and associates and joint ventures of the parent company (continued)*

	Bank[1]			
	2016		2015	
	Parent company Rm	Fellow subsidiaries, associates and joint ventures of the parent company Rm	Parent company Rm	Fellow subsidiaries, associates and joint ventures of the parent company Rm
Balances				
Cash and cash balances with central banks	—	(0)	—	1
Loans and advances to banks	—	698	—	260
Trading portfolio assets	—	8	—	18
Other assets	—	263	—	—
Loans to ABSA group companies	—	25 794	—	23 850
Deposits from banks	(691)	(9 048)	(3 508)	(2 029)
Debt securities in issue	—	—	—	—
Other liabilities	—	(10)	—	—
Borrowed funds	—	(7 547)	—	(5 125)
Trading portfolio liabilities	—	(44)	—	(268)
Dividends paid	5 500	—	11 116	—
Transactions				
Interest and similar income	—	(1 312)	—	(1 359)
Interest expense and similar charges	—	1 271	—	584
Fee and commission income	—	(480)	—	(491)
Fee and commission expense	—	(16)	—	—
Gains and losses from banking and trading activities	—	2 020	—	(1 653)
Gains and losses from investing activities	—	1	—	(1)
Other operating income	—	(22)	—	(20)
Operating expenditure/(recovered expenses)	(112)	(503)	—	(483)

Note

[1] Debit amounts are shown as positive, credit amounts are shown as negative.

42. Related parties *(continued)*

42.3 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.

			Bank	
Name	**Nature of business**	**Country of incorporation**	**2016 % holding**	2015 % holding
Absa Capital Representative Office Nigeria Limited	Representative office to facilitate trade and obtain market share in Nigeria.	Nigeria	**100**	100
Absa Technology Finance Solutions Proprietary Limited	Financial broker/executive finance company.	South Africa	**100**	100
Absa Vehicle and Management Solutions Proprietary Limited	Operates as a fleet manager providing financial, leasing, maintenance and management services.	South Africa	**100**	100
Alberton Industrial Properties Proprietary Limited	Obtains loans from the Bank to finance Devco subsidiaries.	South Africa	**100**	100
United Towers Proprietary Limited	Investment in and issuance of preference shares.	South Africa	**100**	100
Structured entities				
Absa Bond Fund	Fund used to invest in unit trusts.	South Africa	**n/a**	n/a
Absa Foundation Trust	Fund used to invest in unit trusts. Provides funding for community upliftment. It receives a percentage of the Group's dividends which it distributes to identified community-related projects.	South Africa	**n/a**	n/a
Home Obligor Mortgages Enhanced Securities (RF) Limited	Securitisation vehicle for Absa Home Loans division.	South Africa	**n/a**	n/a
Impumelelo CP Note Programme 1 (RF) Limited	Special purpose, bankruptcy-remote company incorporated for the purpose of issuing Absa Bank guaranteed Commercial	South Africa	**n/a**	
Maravedi Financial Services – Life Cell	Credit life insurance.	South Africa	**n/a**	n/a

A full list of subsidiaries and consolidated SEs is available, on request, at the registered address of the Bank.

42.4 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 and from the protective rights of non-controlling interests.

Regulatory requirements

The Bank's banking and insurance 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 minimum amount of RC required to be maintained by the Bank was **R53,5bn** (2015: R48,4bn).

Contractual requirements

Certain of the Bank's securitisation and SEs 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 2016 was **R7bn** and **R6,9bn** respectively (2015: R4bn and R3,8bn respectively).

42. Related parties (continued)

42.5 *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 and the pension funds of other subsidiaries. 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:

	Bank		
	2016		
	Associates and joint ventures Rm	Retirement benefit fund Rm	Total Rm
Value of defined benefit pension fund investments managed by the Bank	—	9 556	9 556
Value of Absa defined contribution pension fund investments managed by the Bank	—	17 546	17 546
Value of Barclays Africa Group Limited shares held by defined benefit pension fund	—	34	34
Value of other Barclays Africa Group Limited securities held by defined benefit pension fund	—	107	107
Statement of financial position			
Other assets	—	466	466
Loans and advances to customers (refer to note 8)	20 183	—	20 183
Other liabilities	—	—	—
Statement of comprehensive income			
Interest and similar income	1 481	923	2 404
Interest expense and similar charges	—	(878)	(878)
Fee and commission income	9 352	—	9 352
Fee and commission expense	123	—	123
Current service costs (refer to note 37)	—	(30)	(30)
Staff Costs (Contributions to Absa Pension Fund)	—	(749)	(749)
Operating expenses	586	—	586

	2015		
	Associates and joint ventures Rm	Retirement benefit fund Rm	Total Rm
Value of defined benefit pension fund investments managed by the Bank	—	9 333	9 333
Value of Absa defined contribution pension fund investments managed by the Bank	—	17 008	17 008
Value of Barclays Africa Group Limited shares held by defined benefit pension fund	—	40	40
Value of other Barclays Africa Group Limited securities held by defined benefit pension fund	—	79	79
Statement of financial position			
Other assets	—	466	466
Loans and advances to customers (refer to note 8)	17 079	—	17 079
Statement of comprehensive income			
Interest and similar income	(981)	(710)	(1 691)
Interest expense and similar charges	19	674	693
Net fee and commission income	11	—	11
Operating expenses	1	—	1
Current service costs (refer to note 37)	—	48	48
Staff Costs (Contributions to Absa Pension Fund)	—	765	765

42. Related parties *(continued)*

42.5 *Associates, joint ventures and retirement benefit fund (continued)*

The information provided below 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.

		Bank	
Name	Nature of business	**2016 Ownership %**	2015 Ownership %
Equity-accounted associates			
SBV Services Proprietary Limited	Cash transportation services.	**25**	25
The Document Exchange Association	Facilitates the electronic exchange of documents between the banks.	**25**	33
The South African Bankers Services Company Proprietary Limited	Automatic clearing house.	**23**	23
Equity-accounted joint ventures			
FFS Finance South Africa Proprietary Limited	Provides financing solutions to Ford Motor Company customers.	**50**	50
Integrated Processing Solutions Proprietary Limited	Joint venture with Standard Bank Group Limited involved in cheque processing activities.	**50**	50
MAN Financial Services (S.A.)Proprietary Limited	Joint venture with MAN Financial Services GmbH for financing of trucks and buses.	**50**	50
Associates and joint ventures designated at fair value through profit or loss	Various.	**Various**	Various

All associates and joint ventures are incorporated in South Africa.

A full list of associates and joint ventures is available, on request, at the registered address of the Bank.

SBV Services Proprietary Limited and The South Africa Bankers Services Company Proprietary Limted have a reporting period of 30 June 2016.

43. Structured entities

Exchange traded funds

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 unrealised 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 SEs 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.

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 SEs, 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 Bank 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 bankrupt remote SEs 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 Bank 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 SEs despite not being contractually obliged to do so:

			Bank	
Name	**Nature of support**	**Reason for providing support**	**2016 Rm**	2015 Rm
The Absa Foundation Trust	Donation	The trust was constituted to fund community upliftment and social welfare programmes.	**75**	71

The Bank has consolidated the Absa Foundation Trust since 2006.

The Bank intends to provide financial support to the Absa Foundation Trust in 2017.

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.

	Bank					
	2016					
	Preference funding vehicles Rm	Structured investment vehicles Rm	Securitisation vehicles Rm	Exchange-traded funds Rm	Funding vehicles Rm	Total Rm
Assets						
Trading portfolio assets	—	—	—	—	—	—
Investment securities	—	421	31	780	—	1 232
Debt securities	—	421	31	—	—	452
Equity securities	—	—	—	780	—	780
Loans and advances to customers	9 632	—	2 169	—	520	12 321
Derivatives held for trading	—	—	1	—	—	1
Interest rate derivatives (carrying value)	—	—	1	—	—	1
Interest rate derivatives (notional value)	—	—	971	—	—	971
Undrawn liquidity facilities and financial guarantees (notional value)[1]	—	—	508	—	—	508
	9 632	421	2 709	780	520	14 062
Liabilities						
Derivatives held for trading	—	—	1	—	—	1
Interest rate derivatives (carrying value)	—	—	1	—	—	1
Interest rate derivatives (notional value)	—	—	404	—	—	404
Deposits due to customers	—	—	1 187	—	—	1 187
	—	—	1 188	—	—	1 188
Maximum exposure to loss[2]	9 632	421	2 709	780	520	14 062
Total size of entities[3]	54 403	565	4 811	28 686	520	88 985

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 assets.

[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.

43. Structured entities *(continued)*

43.2 *Unconsolidated structured entities (continued)*

	Bank					
	2015					
	Preference funding vehicles Rm	Structured investment vehicles Rm	Securitisation vehicles Rm	Exchange-traded funds Rm	Funding vehicles Rm	Total Rm
Assets						
Trading portfolio assets	—	—	920	—	—	920
Investment securities	—	136	187	1 184	—	1 507
Debt securities	—	—	187	1 184	—	1 371
Equity securities	—	136	—	—	—	136
Loans and advances to customers	9 566	—	1 860	—	546	11 972
Derivatives held for trading	—	—	13	—	—	13
Interest rate derivatives (carrying value)	—	—	13	—	—	13
Interest rate derivatives (notional value)	—	—	340	—	—	340
Undrawn liquidity facilities and financial guarantees (notional value)[1]	—	—	400	—	—	400
	9 566	136	3 380	1 184	546	14 812
Liabilities						
Derivatives held for trading	—	—	49	—	—	49
Interest rate derivatives (carrying value)	—	—	49	—	—	49
Interest rate derivatives (notional value)	—	—	1 359	—	—	1 359
Deposits due to customers	—	—	1 606	—	—	1 606
	—	—	1 655	—	—	1 655
Maximum exposure to loss[2]	9 566	136	3 380	1 184	546	14 812
Total size of entities[3]	61 603	1 410	5 153	32 098	546	100 810

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

	Bank			
	2016		2015	
	Losses recognised in profit or loss		Losses recognised in profit or loss	
	Derivatives Rm	**Impairment losses Rm**	Derivatives Rm	Impairment losses Rm
Preference funding vehicle	**—**	**15**	—	—

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 assets.

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.

43. Structured entities *(continued)*

43.3 *Sponsored entities*

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:

	Bank	
	2016 Rm	2015 Rm
Loans and advances	—	1 500

	Bank	
	2016 Unaudited Rm	2015 Unaudited Rm
44. Assets under management and administration		
Alternative asset management and exchange-traded funds	**28 464**	30 797
Other	**2 365**	—
Portfolio management	**2 796**	3 474
Unit trusts	**1 842**	2 455
	35 467	36 726

	Bank	
	2016 Rm	2015 Rm
45. Financial guarantee contracts		
Financial guarantee contracts	**10**	24

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.

	Bank	
	2016 Rm	2015 Rm
46. Commitments		
Authorised capital expenditure		
Contracted but not provided for	**509**	591

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.

Operating lease payments due		
No later than one year	**947**	758
Later than one year and no later than five years	**2 367**	1 742
Later than five years	**1 195**	956
	4 509	3 456

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 Bank.

Leases are negotiated for an average term of three to five years and rentals are renegotiated annually.

Sponsorship payments due		
No later than one year	**84**	147
Later than one year and no later than five years	**20**	177
	104	324

The Bank has sponsorship commitments in respect of sports, arts and culture sponsorships.

	Bank	
	2016 **Rm**	2015 Rm
47. Contingencies		
Guarantees	**30 469**	31 266
Irrecoverable debt facilities	**122 958**	138 807
Letters of credit	**4 645**	6 319
Other	**135**	21
	158 207	176 413

Guarantees includes performance and payment guarantee contracts.

IIrrevocable facilities are commitments to extend credit where the Bank does not have the right to 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.

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 unlawfully, and that the Bank was privy to such conduct. They have instituted proceedings against the Bank for damages for an amount of R1 387m. Although Pinnacle Point Holding's claim has been withdrawn, the second to fifth plaintiff's claims remain and will proceed to trial.
- Ayanda Collective Investment Scheme (the Scheme): Absa Capital Investor Services was the trustee of Ayanda Collective Investment Scheme, in which Corporate Money Managers (CMM) managed a portfolio of assets within the Scheme. The joint curators of the CMM group of companies and the Altron Pension Fund (an investor in the fund) allege that the defendants caused damages to them 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, in respect of which they seek payment of R1 157m.

The Bank is engaged in various other legal, competition and regulatory matters both in South Africa and a number of other jurisdictions. It is involved in legal proceedings 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.

47. Contingencies *(continued)*

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.

Absa Bank Limited, a subsidiary of Barclays Africa Group Limited, has identified potentially fraudulent activity by certain of its customers using import advance payments for imports in 2014 and 2015 to effect foreign exchange transfers from South Africa to beneficiary accounts located in East Asia, UK, Europe and the US. As a result, the Bank has been conducting a review of relevant activity, processes, systems and controls. The Bank is keeping relevant authorities informed as to the status of this matter and is providing information to these authorities as part of its on-going cooperation. It is not currently possible to estimate the financial impact of the actions described on the Bank, if any.

In February 2017 the South African Competition Commission (SACC) referred Absa Bank Limited, among other banks, to the Competition Tribunal to be prosecuted for breaches of South African competition law related to Foreign Exchange trading of South African Rand. The SACC found from its investigation that, between 2007 - 2013, the respondents had engaged in various forms of collusive behaviour. Absa Bank Limited and its parent Barclays PLC brought the conduct to the attention of the SACC under its leniency programme and have cooperated with, and will continue to cooperate with, the SACC in relation to this matter. The SACC is therefore not seeking an order from the Tribunal to impose any administrative fine on Absa Bank Limited.

Income taxes

The Bank is subject to income taxes in numerous jurisdictions and the calculation of the Bank's tax charge and worldwide provisions 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 anticipated tax audit issues based on estimates of whether additional taxes will be due after taking into account expert 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 asset and liabilities in the reporting period which such determination is made. These risks are managed in accordance with the Bank's Tax Risk Framework.

	Bank	
	2016 Rm	2015 Rm
48. Cash and cash equivalents		
Cash, cash balances and balances with central banks[1]	**9 661**	8 607
Loans and advances to banks[2]	**2 755**	5 767
	12 416	14 374

Notes

[1] Includes coins and bank notes.

[2] Includes call advances, which are used as working capital for the Bank.

	Bank 2016 Rm	Bank 2015 Rm
49. Deferred cash and share-based payments		
Share-based payments expense	**469**	422
Equity-settled arrangements		
Barclays Africa Group Limited Long-Term Incentive Plan (LTIP)	**29**	—
Barclays Africa Group Limited Joiners Share Value Plan (JSVP)	**22**	(17)
Barclays Africa Group Limited Share Value Plan (SVP)	**201**	141
Barclays Africa Group Limited Share Incentive Awards (SIA)	**52**	35
Barclays Africa Group Limited Retention Share Value Plan (SVP Cliff)	**107**	48
Cash-settled arrangements:		
Barclays Africa Group Limited Deferred Award Plan (DAP)	**—**	(92)
Barclays Africa Group Limited Long-Term Incentive Plan (LTIP)	**11**	13
Barclays Africa Group Limited Phantom Joiners Share Award Plan (JSAP)	**1**	7
Barclays Africa Group Limited Joiners Share Value Plan (JSVP)	**5**	86
Barclays Africa Group Limited Share Value Plan (SVP)	**9**	110
Barclays Africa Group Limited Share Incentive Awards (SIA)	**—**	23
Barclays Africa Group Limited Retention Share Value Plan (SVP Cliff)	**25**	76
Barclays Africa Group Limited Role Based Pay (RBP)	**6**	10
Other cash-settled arrangements	**1**	(18)
Deferred cash payments		
Barclays Africa Group Limited Cash Value Plan (CVP)	**174**	127
Total deferred cash and share-based payments (refer to note 31)	**643**	549
Total carrying amount of liabilities for cash-settled arrangements (refer to note 18)	**361**	361
Total carrying amount of equity settled share based payment arrangement	**713**	547

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 participants 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 participants 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% of the participants 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 **R0,3m** (2015: R1,2m) expense being recorded.

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

For part of 2015 the Bank entered into forward contracts referencing the number of Barclays Africa Group Limited shares in order 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 31 December 2015.

Included in the share-based payments expense are hedging gains of **Rnil** (2015: R96,1m) for Share Value Plan.

Barclays Africa Group Limited Long-Term Incentive Plan

Qualifying participants of the Long-Term Incentive Plan (LTIP) 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 Bank. 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. Dividends accumulate and are reinvested over the period.

Barclays Africa Group Limited Deferred Award Plan

The Deferred Award Plan (DAP) was a cash-settled share-based payment arrangement that was fully exercised in 2015. The DAP awards (and any associated notional dividends) were awarded at no cost to the participants. The awards vested 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 was paid to the participants was 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 were met. If the Bank failed to meet the minimum performance criteria, the awards made in that tranche were forfeited in total. Dividends accumulated over the vesting period and were paid at maturity.

49. Deferred cash and share-based payments *(continued)*

Barclays Africa Group Limited Phantom Joiners Share Award Plan

The Phantom Joiners Share Award Plan (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 phantom 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 Joiners Share Value Plan (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.

Barclays Africa Group Limited Share Value Plan

The Share Value Plan (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 Bank retains the obligation to settle in cash, certain historic SVP awards that were not converted to equity-awards in 2015. 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 Bank 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 Share Incentive Award (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 Share Value Retention Plan (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 Bank retains the obligation to settle in cash, certain historic SVP Cliff awards that were not converted to equity-awards in 2015. 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 Bank 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 Role Based Pay (RBP) is a cash settled share scheme for Code staff. It limits the maximum level of variable compensation that may be paid to certain employees to 1x fixed pay, or 2x fixed pay with shareholder approval. The cash element will be paid at the same time as salary and the share element will be delivered quarterly, with the shares subject to a holding period. Dividends accumulate and are reinvested over the period.

49. Deferred cash and share-based payments *(continued)*

	Number of awards '000											
	2016						2015					
	Opening balance	**Effect of conversion**	**Granted/ (transferred)**	**For-feited**	**Exer-cised**	**Closing balance**	Opening balance	Effect of conversion	Granted/ (transferred)	For-feited	Exer-cised	Closing balance
Equity-settled:												
LTIP	**—**	**—**	**4 631**	**—**	**—**	**4 631**	—	—	—	—	—	—
JSAP	**18**	**—**	**—**	**(3)**	**(14)**	**1**	—	18	—	—	—	18
JSVP	**458**	**(2)**	**115**	**(12)**	**(299)**	**260**	—	382	76	—	—	458
SVP	**2 302**	**131**	**1 500**	**(155)**	**(1 171)**	**2 607**	—	1 022	1 359	(75)	(4)	2 302
SIA	**346**	**—**	**427**	**—**	**(319)**	**454**	—	—	346	—	—	346
SVP Cliff	**2 026**	**145**	**(137)**	**(144)**	**(12)**	**1 878**	—	1 710	349	(33)	—	2 026
Cash-settled:												
DAP	**—**	**—**	**—**	**—**	**—**	**—**	537	—	—	(5)	(532)	—
LTIP	**1 033**	**—**	**(92)**	**(420)**	**(318)**	**203**	1 564	—	28	(525)	(34)	1 033
JSAP	**—**	**—**	**—**	**—**	**—**	**—**	130	(18)	(7)	—	(105)	—
JSVP	**31**	**2**	**(15)**	**(2)**	**(13)**	**3**	623	(382)	174	(72)	(312)	31
SVP	**427**	**(131)**	**(50)**	**(4)**	**(151)**	**91**	2 464	(1 022)	(9)	(58)	(948)	427
SIA	**—**	**—**	**—**	**—**	**—**	**—**	218	—	(15)	—	(203)	—
SVP Cliff	**119**	**(145)**	**273**	**(8)**	**—**	**239**	1 963	(1 710)	—	(122)	(12)	119
RBP	**70**	**—**	**22**	**—**	**(16)**	**76**	42	—	36	—	(8)	70

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.

	Weighted average share price at the exercise date (Rands)		Weighted average contractual life of awards outstanding (years)		Weighted average fair value of options granted during the period (Rands)	
	2016	2015	**2016**	2015	**2016**	2015
Equity-settled:						
LTIP	**—**	—	**2,70**	—	**148,90**	—
JSAP	**143,68**	—	**0,25**	0,78	**174,98**	174,98
JSVP	**174,77**	—	**1,48**	1,44	**167,13**	175,54
SVP	**174,09**	—	**2,00**	1,78	**160,23**	182,86
SIA	**145,97**	—	**0,67**	0,67	**145,97**	173,76
SVP Cliff	**174,98**	—	**0,82**	1,48	**165,96**	177,85
Cash-settled:						
DAP	**—**	190,93	**—**	—	**—**	—
LTIP	**143,92**	179,62	**0,74**	0,74	**148,90**	155,19
JSAP	**—**	178,71	**—**	—	**—**	—
JSVP	**160,76**	171,47	**1,45**	1,72	**168,60**	158,07
SVP	**142,01**	187,67	**0,17**	0,23	**132,46**	142,86
SIA	**—**	172,35	**—**	—	**—**	—
SVP Cliff	**—**	189,15	**0,16**	1,17	**129,30**	129,30
RBP	**157,44**	176,99	**2,76**	3,08	**167,27**	167,27

Future cash flow effects associated with equity settled share based payments	**Within 1 year**	**From 1 year to 5 years**	**More than 5 years**	**Total**
Estimate of amount expected to be transferred to tax authorities	**262**	472	**—**	734

The estimates provided above indicate the amounts which are expected to be transferred to tax authorities relating to the employees' tax obligations on equity schemes which have been granted but which vest in future periods. The amounts were estimated based on the number of awards expected to vest, the share price as at year end and an estimate of the average applicable employee effective tax rate.

Deferred cash

Barclays Africa Group Limited Cash Value Plan

The Cash Value Plan (CVP) is a deferred cash settled payment arrangement. The award will vest in three equal tranches over a period of three years, subject to the Rules which includes a ten percent service credit for the third anniversary of the CVP award date. The service credit for awards granted in 2016 is **10%** (2015: 10%) of the initial value of the award that vests.

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50. Acquisitions of businesses and other similar transactions

50.1 Acquisitions and disposals of businesses during the current reporting period

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

50.2 Acquisitions and disposals of businesses during the previous 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%, and a business combination in terms of IFRS 3. The profit share to which the Bank is entitled is 74%. The acquisition occurred on 18 November 2015. A bargain purchase amount of R4m was recognised in the statement of comprehensive income.

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

	2015 Fair value recognised on acquisition Rm
Consideration at November 2015:	
Cash	14
Total consideration	14
Recognised amounts of identifiable assets acquired and liabilities	
Other assets	5
Investment properties	292
Other liabilities	(1)
Deferred tax liabilities	(4)
Loans from subsidiaries	(176)
Loans from Absa Group companies	(90)
Total identifiable net assets	26
Total non-controlling interest	(8)
Goodwill/(bargain purchase)	(4)
Total	14

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:

	Bank **2016** **Rm**	 2015 Rm
Summary of net cash outflow due to acquisitions	—	14

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.
    - 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 business portfolio changes have impacted the financial results for the comparative periods ended 31 December 2015:

- Statutory liquid assets allocations in loan portfolios that were moved from Wealth to RBB in previous reporting periods were reassessed and resulted in the restatement of interest expense and similar charges of R6m between Wealth and RBB.
- The Bank refined its transfer pricing and allocation of endowment methodologies, resulting in a restatement of net interest income of R22m from Wealth to RBB.
- The Bank reassessed its cost allocation methodology, resulting in the restatements of operating expenses of R328m from CIB (R38m) and Head Office, Treasury and other operations (R290m) to RBB.
- Interest rates on internal cash balances were aligned to market-related rates, resulting in a restatement of net interest income of R41m from CIB to Head Office, Treasury and other operations.
- Certain shared services operations that were previously conducted by RBB were transferred to Head office, Treasury and other operations, resulting in a restatement of net interest expenses of R7m and operating expenses of R311m.
- Africa Corporate Development (previously reported in CIB Private Equity) was moved from CIB to Head Office, Treasury and other operations to better align the management thereof. This resulted in a restatement of operating expenses of R4m between these segments.
- Cheque income and the associated costs were moved from CIB to RBB to better align the ownership of the product and the management thereof. This resulted in a restatement between CIB and RBB of fee and commission income of R36m as well as Operating expenses of R21m.
- Integrated Processing Solutions was moved from RBB to Head office, Treasury and other operations to better align the ownership of the investment and the management thereof and resulted in a restatement of Investments in associates and joint ventures of R32m between these segments.

51. Segment report *(continued)*

	RBB		CIB	
	2016	2015[5]	**2016**	2015[5]
Statement of comprehensive income (Rm)				
Net interest income	**24 306**	23 398	**5 764**	4 948
Net interest income – external	**34 421**	32 022	**5 936**	3 075
Net interest income – internal	**(10 115)**	(8 624)	**(172)**	1 873
Non-interest income	**15 441**	14 745	**3 940**	3 703
Non-interest income – external	**14 653**	14 010	**10 075**	5 522
Non-interest income – internal	**788**	735	**(6 135)**	(1 819)
Total income	**39 747**	38 143	**9 704**	8 651
Impairment losses on loans and advances	**(5 375)**	(4 764)	**(1 019)**	(356)
Operating income before operating expenses	**34 372**	33 379	**8 685**	8 295
Operating expenses	**(22 495)**	(21 145)	**(5 247)**	(5 234)
Depreciation and amortisation	**(338)**	(303)	**(13)**	(22)
Other operating expenses	**(22 157)**	(20 842)	**(5 234)**	(5 212)
Other operating expenses	**(487)**	(186)	**(116)**	(118)
Other impairments	**(270)**	29	**—**	—
Indirect taxation	**(217)**	(215)	**(116)**	(118)
Share of post-tax results of associates and joint ventures	**134**	123	**14**	8
Operating profit before income tax	**11 524**	12 171	**3 336**	2 951
Taxation expense	**(3 227)**	(3 400)	**(519)**	(505)
Profit for the reporting period	**8 297**	8 771	**2 817**	2 446
Profit attributable to:				
Ordinary equity holders	**8 053**	8 563	**2 701**	2 339
Non-controlling interest - ordinary shares	**15**	—	**—**	—
Non-controlling interest - preference shares	**230**	208	**116**	107
	8 298	8 771	**2 817**	2 446
Headline earnings	**8 266**	8 608	**2 701**	2 338
Operating performance (%)				
Net interest margin on average interest-bearing assets[3]	**3,74**	3,76	**1,76**	1,71
Credit loss ratio[2,3]	**1,21**	1,09	**0,46**	0,20
Non-interest income as a % of revenue[4]	**38,8**	38,7	**40,6**	42,8
Income growth[4]	**4**	5	**12**	5
Operating expenses growth[4]	**6**	3	**0**	7
Cost-to-income ratio	**56,6**	55,4	**54,1**	60,5
Statement of financial position (Rm)				
Loans and advances to customers	**432 766**	425 870	**191 571**	170 081
Loans and advances to banks	**6 126**	4 987	**33 627**	43 586
Investment securities	**42 132**	42 507	**23 606**	19 525
Other assets	**234 999**	231 379	**229 299**	256 137
Total assets	**716 023**	704 743	**478 103**	489 329
Deposits due to customers	**285 737**	276 111	**174 347**	178 080
Debt securities in issue	**—**	—	**14 477**	16 877
Other liabilities	**420 853**	418 726	**285 694**	290 633
Total liabilities	**706 590**	694 837	**474 518**	485 590
Financial performance (%)				
Return on average risk-weighted assets[3]	**2,73**	2,91	**1,64**	1,59
Return on average assets[3]	**1,18**	1,28	**0,54**	0,54

Notes

1 Head Office, Treasury and other operations do not represent a reportable segment, but the reconciliation to the Bank in terms of IFRS 8.
2 The calculation of the credit loss ratio was amended to include impairment losses on loans and advances for the reporting period and dividing it by total gross loans and advances to customers and banks (calculated on a daily weighted average), resulting in a restatement of comparative credit loss ratios.
3 These ratios are unaudited.
4 These ratios have been calculated by management based on extracted audited information contained in the annual financial statements.
5 These numbers have been restated, refer to note 51.1.

Wealth 2016	Wealth 2015[5]	Head Office, Treasury and other operations[1] 2016	Head Office, Treasury and other operations[1] 2015[5]	Bank 2016	Bank 2015[5]
291	277	(1 552)	(1 099)	28 809	27 524
287	237	(11 876)	(8 585)	28 768	26 749
4	40	10 324	7 486	41	775
158	169	453	(65)	19 992	18 552
152	166	(3 385)	(3 312)	21 495	16 386
6	3	3 838	3 247	(1 503)	2 166
449	446	(1 099)	(1 164)	48 801	46 076
(10)	5	(4)	2	(6 408)	(5 113)
439	451	(1 103)	(1 162)	42 393	40 963
(595)	(566)	812	555	(27 525)	(26 390)
—	(1)	(1 281)	(1 046)	(1 632)	(1 372)
(595)	(565)	2 093	1 601	(25 893)	(25 018)
(3)	(6)	(969)	(689)	(1 575)	(999)
—	—	(307)	14	(577)	43
(3)	(6)	(662)	(703)	(998)	(1 042)
—	—	(30)	5	118	136
(159)	(121)	(1 290)	(1 291)	13 411	13 710
45	34	223	208	(3 478)	(3 663)
(114)	(87)	(1 067)	(1 083)	9 933	10 047
(120)	(93)	(1 066)	(1 083)	9 568	9 726
—	—	—	—	15	—
5	6	—	—	351	321
(115)	(87)	(1 066)	(1 083)	9 934	10 047
(120)	(93)	(1 069)	(1 196)	9 778	9 657
n/a	n/a	n/a	n/a	3,91	3,91
0,18	(0,09)	n/a	n/a	0,93	0,79
35,21	37,88	n/a	n/a	40,97	40,27
0,60	1,00	n/a	n/a	5,91	3,94
5,24	8,74	n/a	n/a	4,30	4,27
132,51	126,67	n/a	n/a	56,40	57,28
5 660	5 350	649	701	630 646	602 002
—	—	(457)	10 012	39 296	58 585
298	287	18 138	10 746	84 174	73 065
350	132	(300 453)	(285 159)	164 195	202 489
6 308	5 769	(282 123)	(263 700)	918 311	936 141
5 144	5 160	99 584	101 299	564 812	560 650
—	—	125 096	111 576	139 573	128 453
1 270	691	(563 191)	(523 509)	144 626	186 541
6 414	5 851	(338 511)	(310 634)	849 011	875 644
n/a	n/a	n/a	n/a	1,96	2,03
(1,76)	(1,40)	n/a	n/a	1,06	1,11

51. Segment report *(continued)*

	Retail Banking South Africa	
	2016 Rm	2015[5] Rm
Statement of comprehensive income		
Net interest income	**18 196**	17 628
Net interest income-external	**31 996**	29 694
Net interest income-internal	**(13 800)**	(12 066)
Non-interest income	**12 038**	11 540
Non-interest income-external	**11 253**	10 805
Non-interest income-internal	**785**	735
Total income	**30 234**	29 168
Impairment losses on loans and advances	**(4 794)**	(4 219)
Operating income before operating expenditure	**25 440**	24 949
Operating expenses	**(16 737)**	(15 711)
Depreciation and amortisation	**(319)**	(303)
Other operating expenses	**(16 418)**	(15 408)
Other operating expenses	**(472)**	(189)
Other impairments	**(283)**	—
Indirect taxation	**(189)**	(189)
Share of post-tax results of associates and joint ventures	**134**	123
Operating profit before income tax	**8 365**	9 172
Taxation expense	**(2 357)**	(2 548)
Profit for the reporting period	**6 008**	6 624
Profit attributable to:		
Ordinary equity holders	**5 834**	6 465
Non-controlling interest – ordinary shares	**—**	—
Non-controlling interest – preference shares	**176**	159
	6 010	6 624
Headline earnings	**6 112**	6 452
Operating performance (%)		
Net interest margin on average interest-bearing assets[3]	**3,34**	3.37
Credit loss ratio[2,3]	**1,27**	1.13
Non-interest income as % of income[4]	**39,82**	39.5
Income growth[4]	**3,65**	5
Cost growth[4]	**6,53**	2
Cost-to-income ratio	**55,36**	53.9
Statement of financial position (Rm)		
Loans and advances to customers	**362 730**	362 302
Loans and advances to banks	**6 126**	4 981
Investment securities	**31 921**	32 284
Other assets	**201 225**	190 318
Total assets	**602 002**	589 885
Deposits due to customers	**176 953**	166 015
Debt securities in issue	**—**	—
Other liabilities	**417 847**	416 108
Total liabilities	**594 800**	582 123
Financial performance (%)		
Return on average risk-weighted assets[3]	**2,28**	2,84
Return on average assets[3]	**1,04**	1,15

Notes
1 These numbers include the Namibia Representative office included in the RBB rest of Africa segment.
2 The calculation of the credit loss ratio was amended to include impairment losses on loans and advances for the reporting period and dividing it by total gross loans and advances to customers and banks (calculated on a daily weighted average), resulting in a restatement of comparative credit loss ratios.
3 These ratios are unaudited.
4 These ratios have been calculated by management based on extracted audited information contained in the annual financial statements.
5 These numbers have been restated, refer to note 51.1.

Business Banking South Africa[1]		Total RBB	
2016 Rm	2015[5] Rm	**2016 Rm**	2015[5] Rm
6 110	5 770	**24 306**	23 398
2 425	2 328	**34 421**	32 022
3 685	3 442	**(10 115)**	(8 624)
3 403	3 205	**15 441**	14 745
3 400	3 205	**14 653**	14 010
3	—	**788**	735
9 513	8 975	**39 747**	38 143
(581)	(545)	**(5 375)**	(4 764)
8 932	8 430	**34 372**	33 379
(5 758)	(5 434)	**(22 495)**	(21 145)
(19)	—	**(338)**	(303)
(5 739)	(5 434)	**(22 157)**	(20 842)
(15)	3	**(487)**	(186)
13	29	**(270)**	29
(28)	(26)	**(217)**	(215)
—	—	**134**	123
3 159	2 999	**11 524**	12 171
(870)	(852)	**(3 227)**	(3 400)
2 289	2 147	**8 297**	8 771
2 219	2 098	**8 053**	8 563
15	—	**15**	—
54	49	**230**	208
2 288	2 147	**8 298**	8 608
2 154	2 156	**8 266**	8 596
5,85	5.82	**3,74**	3,76
0,85	0.85	**1,21**	1,13
35,77	35.7	**38,85**	38,7
6,01	3	**4,21**	5
5,96	7	**6,38**	3
60,53	60.6	**56,59**	55,4
70 036	63 568	**432 766**	425 870
—	6	**6 126**	4 987
10 211	10 223	**42 132**	42 507
33 774	41 061	**234 999**	231 379
114 021	114 858	**716 023**	704 743
108 784	110 096	**285 737**	276 111
—	—	**—**	—
3 006	2 618	**420 853**	418 726
111 790	112 714	**706 590**	694 837
3,02	3,13	**2,73**	2,91
1,88	1,88	**1,18**	1,28

52. Derivatives

52.1 *Derivative financial instruments*

Derivative financial instruments are entered into in the normal course of business to manage various financial risks.

The derivative instrument contract 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 or hedges of net investments in foreign operations. 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 include mutual funds, hedge funds, indices and multi-asset portfolios as underlying.

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

	Bank					
	2016			2015		
	Assets	Liabilities	Notional contract amount	Assets	Liabilities	Notional contract amount
Derivatives held for trading	45 017	(40 716)	5 245 158	77 537	(86 325)	4 821 700
Derivatives designated as hedging instruments	1 734	(2 054)	166 994	2 216	(4 531)	176 419
Total derivatives	46 751	(42 770)	5 412 152	79 753	(90 856)	4 998 119

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:

	Bank					
	2016			2015		
	Assets	Liabilities	Notional contract amount	Assets	Liabilities	Notional contract amount
Foreign exchange derivatives	15 121	(13 995)	608 971	26 996	(28 180)	878 769
Forwards	1 349	(873)	29 075	1 664	(2 760)	36 740
Futures	0	—	213 162	0	—	138 941
Swaps	13 215	(12 504)	338 551	22 661	(23 694)	604 247
Options	557	(618)	28 183	2 671	(1 726)	98 841
Interest rate derivatives	27 325	(24 304)	4 498 864	47 249	(53 310)	3 735 135
Forwards	1 011	(1 030)	3 006 259	1 628	(1 772)	2 244 296
Futures	—	—	35 759	52	(64)	37 565
Swaps	26 296	(23 247)	1 450 754	45 238	(51 116)	1 294 415
Options	18	(27)	6 092	331	(358)	158 859
Other – OTC	—	—	—	—	—	—
Other – exchange traded	—	—	—	—	—	—
Equity derivatives	1 593	(1 365)	114 215	2 161	(3 825)	166 366
Forwards	472	(231)	3 263	339	(1 275)	8 849
Futures	0	—	49 914	25	(54)	73 539
Swaps	374	(330)	9 279	256	(997)	19 213
Options	747	(802)	17 109	685	(1 418)	25 920
Options – exchange traded	0	—	26 838	4	—	30 839
Other – OTC	—	(2)	7 812	852	(81)	8 006
Commodity derivatives	794	(816)	12 790	223	(117)	11 866
Forwards	369	(418)	11 291	66	(22)	10 651
Swaps	92	(55)	605	116	(58)	958
Options	333	(343)	894	41	(37)	257
Credit derivatives						
Default swaps	184	(236)	10 318	908	(893)	29 564
Derivatives held for trading	45 017	(40 716)	5 245 158	77 537	(86 325)	4 821 700
Note		17			17	

Forwards, swaps and options in the table above have been traded on a bilateral OTC basis, unless specified otherwise. Futures in the table above have been traded on authorised exchanges.

52. Derivatives *(continued)*

52.5 Derivatives designated as hedging instruments – detail by market and instrument type

	2016			2015		
	Assets Rm	Liabilities Rm	Notional contract amount Rm	Assets Rm	Liabilities Rm	Notional contract amount Rm
Interest rate derivatives	1 734	(1 963)	165 931	2 216	(4 531)	176 419
Swaps – cash flow hedges	627	(700)	125 684	192	(2 827)	133 155
Swaps – fair value hedges	1 107	(1 263)	40 247	2 024	(1 704)	43 264
Foreign exchange derivatives						
FEC's – cash flow hedges	—	(91)	1 063	—	—	—
	1 734	(2 054)	166 994	2 216	(4 531)	176 419
Notes:		17			17	

52.6 Derivatives designated as cash flow hedging instruments and hedges of net investment in foreign operations

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 the floating future cash flows.

The Bank's cash flow hedging instruments for foreign currency risk consist of foreign exchange contracts to protect the Bank against the potential cash flow variability that results from exposure to mainly IT-related transactions in foreign currency.

Net gains/(losses) on cash flow hedges were recycled from other comprehensive income to profit or loss:

	Bank	
	2016 Rm	2015 Rm
Interest and similar income (refer to note 25)		
Interest rate risk	268	1 111
Interest expense and similar charges (refer to note 26)		
Interest rate risk	(8)	135
Other operating income		
Hedges of net investments in foreign operations	85	—
Operating expenditure		
Foreign currency risk	5	—
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:		
Gains and (losses) from banking and trading activities (refer to note 28)		
Interest rate risk	(53)	(188)

52. Derivatives *(continued)*

52.6 *Derivatives designated as cash flow hedging instruments and hedges of net investment in foreign operations (continued)*

The Bank has hedged forecast cash flows, which primarily vary with interest rates. These cash flows are expected to impact the statement of comprehensive income in future financial periods as shown in the following table. 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:

	Bank						
	2016						
	Less than 1 year Rm	**1 – 2 years Rm**	**2 – 3 years Rm**	**3 – 4 years Rm**	**4 – 5 years Rm**	**More than 5 years Rm**	**Total Rm**
Forecast receivable cash flow							
Interest rate risk	**337**	**205**	**103**	**11**	**—**	**—**	**656**
Forecast payable cash flow	**(309)**	**(189)**	**(124)**	**(118)**	**(106)**	**(62)**	**(908)**
Interest rate risk	**(263)**	**(140)**	**(124)**	**(118)**	**(106)**	**(62)**	**(813)**
Foreign currency risk	**(46)**	**(49)**	**—**	**—**	**—**	**—**	**(95)**

	2015						
	Less than 1 year Rm	1 – 2 years Rm	2 – 3 years Rm	3 – 4 years Rm	4 – 5 years Rm	More than 5 years Rm	Total Rm
Forecast receivable cash flow							
Interest rate risk	199	9	—	—	—	—	208
Forecast payable cash flow							
Interest rate risk	(127)	(890)	(803)	(606)	(321)	(114)	(2 861)

52.7 *Derivatives designated as cash flow hedging instruments to protect against equity price risk*

In the prior reporting period 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 were referenced to the market price of Barclays Africa Group Limited's shares. These hedges were all closed out by 2015 year-end.

The following net gains/(losses) on cash flow hedges were recycled from other comprehensive income to profit or loss:

	Bank	
	2016 Rm	2015 Rm
Operating expenses – staff costs – share-based payments	**—**	96

The spot element of the forward contracts that were designated as hedging instruments were 100% effective during the prior periods and therefore no ineffectiveness was recognised in profit or loss.

52. Derivatives *(continued)*

52.8 *Derivatives designated as fair value hedging instruments to protect against interest rate and exchange rate risk*

Fair value hedges are used by the Bank to protect against changes in the 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:

	Bank	
	2016 Rm	2015 Rm
Financial assets – fair value hedges		
Gains/(losses) on hedged items (assets) (refer to note 25)	**1 340**	(1 591)
(Losses)/gains on hedging instruments (assets) (refer to note 25)	**(2 171)**	1 444
Interest expense on hedging instruments (refer to note 25)	**(186)**	(265)
Financial liabilities – fair value hedges		
(Losses)/gains on hedged items (liabilities) (refer to note 26)	**(1 506)**	582
Gains/(losses) on hedging instruments (liabilities) (refer to note 26)	**863**	(842)
Interest income on hedging instruments (refer to note 26)	**36**	144
Movement in fair value that was recognised in profit or loss in relation to hedge ineffectiveness is:		
Gains and losses from banking and trading activities (refer to note 28)	**(37)**	38

52.9 *Counterparty netting and collateral*

Derivative assets subject to counterparty netting agreements amounted to **R43 279m** (2015: R76 478m). Additionally, the Bank held **R2 810m** (2015: R6 330m) 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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53. Consolidated statement of financial position summary – IAS 39 classification

	2016 Fair value through profit or loss Designated at fair value Rm	Held for trading Rm	Hedging instruments Rm	Total Rm
Assets				
Cash, cash balances and balances with central banks	—	—	—	—
Investment securities	24 427	—	—	24 427
Loans and advances to banks	19 857	—	—	19 857
Trading portfolio assets	—	72 904	—	72 904
Hedging portfolio assets[2]	—	—	1 734	1 734
Other financial assets	—	—	—	—
Loans and advances to customers	24 077	—	—	24 077
Loans to Group companies	—	—	—	—
Assets outside the scope of IAS 39	—	—	—	—
	68 361	72 904	1 734	142 999
Liabilities				
Deposits from banks	17 634	—	—	17 634
Trading portfolio liabilities	—	42 503	—	42 503
Hedging portfolio liabilities[3]	—	—	2 054	2 054
Other liabilities	—	—	—	—
Deposits due to customers	17 163	—	—	17 163
Debt securities in issue	5 667	—	—	5 667
Borrowed funds	—	—	—	—
Liabilities outside the scope of IAS 39	—	—	—	—
	40 464	42 503	2 054	85 021

	2015 Fair value through profit or loss Designated at fair value Rm	Held for trading Rm	Hedging instruments Rm	Total
Assets				
Cash, cash balances and balances with central banks	1	—	—	1
Investment securities	19 697	—	—	19 697
Loans and advances to banks	24 328	—	—	24 328
Trading portfolio assets	—	114 450	—	114 450
Hedging portfolio assets[2]	—	—	2 216	2 216
Other assets	17	—	—	17
Loans and advances to customers	29 423	—	—	29 423
Loans to Group companies	—	—	—	—
Assets outside the scope of IAS 39	—	—	—	—
	73 466	114 450	2 216	190 132
Liabilities				
Deposits from banks	16 632	—	—	16 632
Trading portfolio liabilities	—	87 567	—	87 567
Hedging portfolio liabilities[3]	—	—	4 531	4 531
Other financial liabilities	—	—	—	—
Deposits due to customers	17 811	—	—	17 811
Debt securities in issue	6 723	—	—	6 723
Borrowed funds	—	—	—	—
Liabilities outside the scope of IAS 39	—	—	—	—
	41 166	87 567	4 531	133 264

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 **R627m** (2015: R192m) and **R1 107m** (2015: R2 024m) that have been designated as cash flow and fair value hedging instruments respectively.

[3] Includes derivative liabilities to the amount of **R790m** (2015: R2 827m) and **R1 263m** (2015: R1 704m) 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 consolidated financial statements

for the reporting period ended 31 December

2016

Available-for-sale Designated as available-for-sale Rm	Available-for-sale Hedged items[4] Rm	Available-for-sale Total Rm	Amortised cost Designated at amortised cost Rm	Amortised cost Hedged items[4] Rm	Amortised cost Total Rm	Assets/liabilities outside the scope of IAS 39[1] Rm	Total assets and liabilities Rm
—	—	—	28 252	—	28 252	—	28 252
31 984	27 763	59 747	—	—	—	—	84 174
—	—	—	19 439	—	19 439	—	39 296
—	—	—	—	—	—	1 485	74 389
—	—	—	—	—	—	—	1 734
—	—	—	14 822	—	14 822	1 823	16 645
—	—	—	606 567	2	606 569	—	630 646
—	—	—	25 794	—	25 794	—	25 794
—	—	—	—	—	—	17 381	17 381
31 984	27 763	59 747	694 874	2	694 876	20 689	918 311
—	—	—	42 514	—	42 514	—	60 148
—	—	—	—	—	—	—	42 503
—	—	—	—	—	—	—	2 054
—	—	—	19 039	—	19 039	2 111	21 150
—	—	—	547 649	—	547 649	—	564 812
—	—	—	123 308	10 598	133 906	—	139 573
—	—	—	6 977	8 702	15 679	—	15 679
—	—	—	—	—	—	3 093	3 093
—	—	—	739 487	19 300	758 787	5 204	849 012

2015

Available-for-sale Designated as available-for-sale Rm	Available-for-sale Hedged items[4] Rm	Available-for-sale Total	Amortised cost Designated at amortised cost Rm	Amortised cost Hedged items[3] Rm	Amortised cost Total	Assets/liabilities outside the scope of IAS 39[1] Rm	Total assets and liabilities Rm
—	—	—	26 100	—	26 100	—	26 101
15 088	38 280	53 368	—	—	—	—	73 065
—	—	—	34 257	—	34 257	—	58 585
—	—	—	—	—	—	2 005	116 455
—	—	—	—	—	—	—	2 216
—	—	—	17 354	—	17 354	1 469	18 840
—	—	—	572 472	107	572 579	—	602 002
—	—	—	23 850	—	23 850	—	23 850
—	—	—	—	—	—	15 027	15 027
15 088	38 280	53 368	674 033	107	674 140	18 501	936 141
—	—	—	44 394	—	44 394	—	61 026
—	—	—	—	—	—	—	87 567
—	—	—	—	—	—	—	4 531
—	—	—	16 346	—	16 346	1 960	18 306
—	—	—	542 839	—	542 839	—	560 650
—	—	—	109 906	11 824	121 730	—	128 453
—	—	—	6 857	6 097	12 954	—	12 954
—	—	—	—	—	—	2 157	2 157
—	—	—	720 342	17 921	738 263	4 117	875 644

54. Fair value disclosures

54.1 Assets and liabilities held at fair value

The following table 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.

	Bank							
	2016				2015			
Recurring fair value measurements	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Financial assets								
Cash, cash balances and balances with central banks	—	—	—	—	—	1	—	1
Investment securities	50 909	32 203	1 062	84 174	46 507	25 273	1 285	73 065
Loans and advances to banks	—	19 286	571	19 857	—	22 219	2 109	24 328
Trading and hedging portfolio assets	16 360	56 773	1 505	74 638	20 083	95 168	1 415	116 666
Debt instruments	15 417	2 573	1 324	19 314	18 674	7 957	897	27 528
Derivative assets	—	46 570	181	46 751	—	79 235	518	79 753
Commodity derivatives	—	794	—	794	—	223	—	223
Credit derivatives	—	70	114	184	—	885	23	908
Equity derivatives	—	1 526	67	1 593	—	2 118	43	2 161
Foreign exchange derivatives	—	15 121	—	15 121	—	26 996	—	26 996
Interest rate derivatives	—	29 059	—	29 059	—	49 013	452	49 465
Equity instruments	943	—	—	943	1 409	—	—	1 409
Money market assets	—	7 630	—	7 630	—	7 976	—	7 976
Other assets	—	—	—	—	—	—	17	17
Loans and advances to customers	—	19 187	4 890	24 077	3	21 909	7 511	29 423
Total financial assets	67 269	127 449	8 028	202 746	66 593	164 570	12 337	243 500
Financial liabilities								
Deposits from banks	—	17 634	—	17 634	—	16 625	7	16 632
Trading and hedging portfolio liabilities	1 786	42 464	307	44 557	1 242	90 640	216	92 098
Derivative liabilities	—	42 464	307	42 771	—	90 640	216	90 856
Commodity derivatives	—	872	—	872	—	440	—	440
Credit derivatives	—	135	101	236	—	879	14	893
Equity derivatives	—	1 306	59	1 365	—	3 768	57	3 825
Foreign exchange derivatives	—	13 996	—	13 996	—	28 193	—	28 193
Interest rate derivatives	—	26 155	147	26 302	—	57 360	145	57 505
Short positions	1 786	—	—	1 786	1 242	—	—	1 242
Deposits due to customers	154	15 870	1 139	17 163	110	15 144	2 557	17 811
Debt securities in issue	412	4 651	604	5 667	678	5 421	624	6 723
Total financial liabilities	2 352	80 619	2 050	85 021	2 030	127 830	3 404	133 264
Non-financial assets								
Commodities	1 485	—	—	1 485	2 005	—	—	2 005
Investment properties	—	—	222	222	—	—	518	518
Non-recurring fair value measurements								
Non-current assets held for sale[1]	—	—	367	367	—	—	109	109
Non-current liabilities held for sale[1]	—	—	9	9	—	—	—	—

Note
[1] Includes certain items classified in terms of the requirement 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:

	Bank				
	2016				
	Trading and hedging portfolio assets Rm	Other assets Rm	Loans and advances to customers Rm	Loans and advances to banks Rm	Investment securities Rm
Opening balance at the beginning of the reporting period	**1 415**	**17**	**7 511**	**2 109**	**1 285**
Net interest income	**—**	**—**	**297**	**—**	**56**
Gains and losses from banking and trading activities	**116**	**—**	**—**	**(139)**	**16**
Gains and losses from investment activities	**—**	**—**	**—**	**—**	**—**
Purchases	**1 308**	**—**	**—**	**70**	**2**
Sales	**(1 334)**	**(17)**	**(1 956)**	**(1 469)**	**(147)**
Movement in other comprehensive income	**—**	**—**	**—**	**—**	**4**
Issues	**—**	**—**	**—**	**—**	**—**
Settlements	**—**	**—**	**—**	**—**	**—**
Transferred to/(from)	**—**	**—**	**—**	**—**	**—**
Movement in/(out of) Level 3	**—**	**—**	**(962)**	**—**	**(154)**
Closing balance at the end of the reporting period	**1 505**	**—**	**4 890**	**571**	**1 062**

	2015				
	Trading and hedging portfolio assets Rm	Other assets Rm	Loans and advances to customers Rm	Loans and advances to banks Rm	Investment securities Rm
Opening balance at the beginning of the reporting period	1 151	17	4 731	—	2 316
Net interest income	—	—	488	—	78
Gains and losses from banking and trading activities	331	—	—	—	—
Gains and losses from investment activities	—	—	—	(18)	14
Purchases	16	—	5 108	2 127	14
Sales	(83)	—	(2 816)	—	(1 172)
Movement in other comprehensive income	—	—	—	—	35
Issues	—	—	—	—	—
Settlements	—	—	—	—	—
Transferred to/(from)	—	—	—	—	—
Movement in/(out of) Level 3	—	—	—	—	—
Closing balance at the end of the reporting period	1 415	17	7 511	2 109	1 285

54.2 Significant transfers between levels

During the 2016 and 2015 reporting periods, transfers between levels occurred because of changes in the observability of valuation inputs, in some instances owing to changes in the level of market activity.

These transfers have been reflected as if they had taken place at the beginning of the year.

Bank

2016

	Investment properties Rm	Total assets at fair value Rm	Deposits from banks Rm	Trading and hedging portfolio liabilities Rm	Deposits due to customers Rm	Debt securities in issue Rm	Total liabilities at fair value Rm
	518	12 855	7	216	2 557	624	3 404
	61	414	—	—	—	—	—
	—	(7)	—	91	—	—	91
	—	—	—	—	139	(9)	130
	—	1 380	—	—	—	—	—
	(65)	(4 986)	—	—	—	—	—
	—	4	—	—	—	—	—
	—	—	—	—	1 953	—	1 953
	—	—	(7)	—	(3 510)	(11)	(3 528)
	(292)	(292)	—	—	—	—	—
	—	(1 116)	—	—	—	—	—
	222	8 252	—	307	1 139	604	2 050

2015

	Investment properties Rm	Total assets at fair value Rm	Deposits from banks Rm	Trading and hedging portfolio liabilities Rm	Deposits due to customers Rm	Debt securities in issue Rm	Total liabilities at fair value Rm
	252	8 467	—	320	5 530	42	5 892
	—	566	—	—	—	—	—
	—	331	—	(21)	—	—	(21)
	4	—	—	—	132	172	304
	294	7 559	—	—	—	—	—
	(32)	(4 103)	—	—	—	—	—
	—	35	—	—	—	—	—
	—	—	7	—	3 112	410	3 529
	—	—	—	(83)	(3 265)	—	(3 348)
	—	—	—	—	—	—	—
	—	—	—	—	(2 952)	—	(2 952)
	518	12 855	7	216	2 557	624	3 404

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:

	Bank					
	2016					
	Trading and hedging portfolio assets Rm	**Loans and advances to customers Rm**	**Investment securities Rm**	**Investment properties Rm**	**Non-current assets held for sale Rm**	**Total assets at fair value Rm**
Gains and losses from banking and trading activities	**(22)**	**39**	**9**	**—**	**—**	**26**
	2015					
	Trading and hedging portfolio assets Rm	Loans and advances to customers Rm	Investment securities Rm	Investment properties Rm	Non-current assets held for sale Rm	Total assets at fair value Rm
Gains and losses from banking and trading activities	96	(28)	48	—	—	116

	Bank				
	2016				
	Trading and hedging portfolio liabilities Rm	**Other liabilities Rm**	**Deposits due to customers Rm**	**Debt securities in issue Rm**	**Total liabilities at fair value Rm**
Gains and losses from banking and trading activities	**(104)**	**—**	**—**	**—**	**(104)**
	2015				
	Trading and hedging portfolio liabilities Rm	Other liabilities Rm	Deposits due to customers Rm	Debt securities in issue Rm	Total liabilities at fair value Rm
Gains and losses from banking and trading activities	79	—	—	—	79

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 possible alternative valuations. The assets and liabilities that most impact this sensitivity analysis are those with 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:

Significant unobservable parameter	Positive/(negative) variance applied to parameters
Credit spreads	100/(100) bps
Volatilities	10/(10)%
Basis curves	100/(100) bps
Yield curves and repo curves	100/(100) bps
Future earnings and marketability discounts	15/(15)%
Funding spreads	100/(100) bps

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 of the asset or liability by more than 10% or the underlying value of the affected item.

This is demonstrated by the following sensitivity analysis which includes reasonable range of possible outcomes:

		2016	
		Potential effect recorded in profit and loss	**Potential effect recorded directly in equity**
	Significant unobservable parameters	**Favourable/(Unfavourable) Rm**	**Favourable/(Unfavourable) Rm**
Deposits due to customers	**BAGL/Absa funding spread**	**—/—**	**—/—**
Investment securities	**Risks adjustment yield curves, future earnings and marketability discount**	**13/14**	**31/33**
Loans and advances to customers	**Credit spreads**	**72/71**	**—/—**
Other assets	**Credit spreads**	**—/—**	**—/—**
Trading and hedging portfolio assets	**Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads**	**175/175**	**—/—**
Trading and hedging portfolio liabilities	**Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads**	**36/36**	**—/—**
Other liabilities	**Volatility, credit spreads**	**—/—**	**—/—**
		296/296	**31/33**

		2015	
		Potential effect recorded in profit or loss	Potential effect recorded directly in equity
	Significant unobservable parameters	Favourable/(Unfavourable) Rm	Favourable/(Unfavourable) Rm
Deposits due to customers	BAGL/Absa funding spread	—/—	—/—
Investment securities	Risks adjustment yield curves, future earnings and marketability discount	—/—	—/—
Loans and advances to customers	Credit spreads	235/246	—/—
Other assets	Credit spreads	—/—	—/—
Trading and hedging portfolio assets	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	107/107	—/—
Other liabilities	Volatility, credit spreads	—/—	—/—
Trading and hedging portfolio liabilities	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	15/15	—/—
		357/368	—/—

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 observable inputs been used on initial recognition, less amounts subsequently recognised, is as follows:

	Bank	
	2016 Rm	2015 Rm
Opening balance at the beginning of the reporting period	**(105)**	(52)
New transactions	**(64)**	(91)
Amounts recognised in profit or loss during the reporting period	**30**	38
Closing balance at the end of the reporting period	**(139)**	(105)

54.6 Third-party credit enhancements

There were no significant liabilities measured at fair value and issued with inseparable third-party credit enhancements.

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.

	Bank				
	2016				
	Carrying value Rm	Fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
Financial assets					
Balances with the SARB	18 552	18 552	18 552	—	—
Coins and bank notes	9 662	9 662	9 662	—	—
Money market assets	38	38	38	—	—
Cash, cash balances and balances with central banks	28 252	28 252	28 252	—	—
Loans and advances to banks	19 439	19 439	1 115	17 308	1 016
Other assets	14 822	14 895	9 544	5 085	266
Retail Banking	362 730	362 621	—	—	362 621
Credit cards	27 861	27 861	—	—	27 861
Instalment credit agreements	73 955	73 650	—	—	73 650
Loans to associates and joint ventures	18 933	18 933	—	—	18 933
Mortgages	221 225	221 237	—	—	221 237
Other loans and advances	492	492	—	—	492
Overdrafts	3 947	3 947	—	—	3 947
Personal and term loans	16 317	16 501	—	—	16 501
Business Banking	69 375	68 567	1 238	—	67 329
Mortgages (including CPF)	35 295	35 307	—	—	35 307
Overdrafts[1]	18 426	18 426	1 238	—	17 188
Term loans[1]	15 654	14 834	—	—	14 834
RBB Rest of Africa	557	557	—	—	557
CIB	167 602	167 602	15 588	27 933	124 081
Wealth	5 660	5 660	—	—	5 660
Head Office and other operations	645	645	—	645	—
Loans and advances to customers – net of impairment losses	606 569	605 652	16 826	28 578	560 248
Loans to Group companies	25 794	25 794	—	25 794	—
Total assets	694 876	694 032	55 737	76 765	561 530
Financial liabilities					
Deposits from banks	42 514	42 514	—	42 514	—
Other liabilities	19 039	19 279	7 503	11 194	582
Call deposits	62 270	62 270	15 344	46 926	—
Cheque account deposits	152 474	152 474	152 473	1	—
Credit card deposits	1 906	1 906	1 906	—	—
Fixed deposits	116 049	116 113	415	111 151	4 547
Foreign currency deposits	23 325	23 325	447	22 878	—
Notice deposits	59 358	59 457	1 760	57 697	—
Other deposits	2 059	2 059	1 210	794	55
Saving and transmission deposits	130 208	130 208	128 844	1 364	—
Deposits due to customers	547 649	547 812	302 399	240 811	4 602
Debt securities in issue	133 906	131 329	457	128 083	2 789
Borrowed funds	15 679	15 900	—	15 900	—
Total liabilities	758 787	756 834	310 359	438 502	7 973

Note

[1] Some overdrafts were reallocated to term loans to align to the way the products are utilised by the customers. The restatement effected resulted in a decrease of **R821m** (2015: R555m) in 'Overdrafts' with corresponding increase in 'Term loans'.

54. Fair value disclosures *(continued)*

54.7 Assets and liabilities not held at fair value *(continued)*

	Bank				
	2015				
	Carrying value Rm	Fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
Financial assets					
Balances with the SARB	17 459	17 459	17 459	—	—
Coins and bank notes	8 607	8 607	8 607	—	—
Money market assets	34	34	34	—	—
Cash, cash balances and balances with central banks	26 100	26 100	26 100	—	—
Loans and advances to banks	34 257	34 257	2 014	30 059	2 184
Other assets	17 354	17 354	12 758	3 006	1 590
Retail Banking	362 303	361 273	—	—	361 273
Credit cards	29 515	29 515	—	—	29 515
Instalment credit agreements	72 860	71 798	—	—	71 798
Loans to associates and joint ventures	16 176	16 176	—	—	16 176
Mortgages	225 431	225 441	—	—	225 441
Other loans and advances	343	343	—	—	343
Overdrafts	2 819	2 819	—	—	2 819
Personal and term loans	15 159	15 181	—	—	15 181
Business Banking	63 412	63 440	1 093	—	62 347
Mortgages (including CPF)	30 730	30 742	—	—	30 742
Overdrafts[1]	17 604	17 620	1 093	—	16 527
Term loans[1]	15 078	15 078	—	—	15 078
RBB Rest of Africa	22	22	—	—	22
CIB	140 796	140 796	21 052	34 977	84 767
Wealth	5 350	5 350	—	—	5 350
Head Office and other operations	696	696	—	449	247
Loans and advances to customers – net of impairment losses	572 579	571 577	22 145	35 426	514 006
Loans to Group companies	23 850	23 958	—	23 958	—
Total assets	674 140	673 246	63 017	92 449	517 780
Financial liabilities					
Deposits from banks	44 394	44 394	7 233	36 828	333
Other liabilities	16 346	16 250	6 840	7 895	1 515
Call deposits	72 130	72 130	68 991	3 139	—
Cheque account deposits	150 842	150 842	150 840	2	—
Credit card deposits	2 002	2 002	2 002	—	—
Fixed deposits	118 278	118 390	465	117 915	10
Foreign currency deposits	26 168	26 168	465	25 703	—
Notice deposits	48 954	48 963	1 376	47 587	—
Other deposits	1 943	1 943	1 209	—	734
Saving and transmission deposits	122 522	122 522	120 899	1 623	—
Deposits due to customers	542 839	542 960	346 247	195 969	744
Debt securities in issue	121 730	119 153	157	116 900	2 096
Borrowed funds	12 954	13 323	—	13 323	—
Total liabilities	738 263	736 080	360 477	370 915	4 688

Note

[1] Some overdrafts were reallocated to term loans to align to the way the products are utilised by the customers.The restatement effected resulted in a decrease of **R821m** (2015: R555m) in 'Overdrafts' with corresponding increase in 'Term loans'.

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.

	Bank		Credit risk mitigation	
	2016 Rm	2015 Rm	**2016 Rm**	2015 Rm
Assets				
Investment securities	**24 427**	18 315	**—**	—
Loans and advances to banks	**19 857**	24 328	**18 768**	20 933
Other assets	**—**	17	**—**	—
Loans and advances to customers	**24 077**	29 423	**16 201**	21 028
	68 361	72 083	**34 969**	41 961

The Bank utilised credit derivatives and credit linked notes as a mechanism to hedge its exposure to credit risk for financial intruments designated at fair value through profit or loss.

Contractual obligation at maturity of financial liabilities designated at fair value through profit and loss

The following table represents the carrying amount of financial liabilities designated at fair value through profit and loss and the amount that the Bank is contractually required to pay to the holder of the obligation at maturity.

	Bank			
	2016		2015	
	Carrying value Rm	**Contractual obligation Rm**	Carrying value Rm	Contractual obligation Rm
Liabilities				
Deposits from banks	**17 634**	**19 402**	16 632	19 957
Deposits due to customers	**17 163**	**20 496**	17 811	17 811
Debt securities in issue	**5 667**	**7 155**	6 723	7 596
	40 464	**47 053**	41 166	45 364

(Increase)/Decrease in fair value attributable to changes in own credit risk during the reporting period

	Bank	
	2016 Rm	2015 Rm
Liabilities		
Deposits from banks and customers	**(12)**	130
Cumulative adjustment in fair value attributable to changes in own risk		
Liabilities		
Deposits from banks and customers	**105**	93

The following approaches are used in determining changes in fair value due to changes in credit risk for deposits from banks and customers designated at fair value through profit or loss:

- The carrying amount reflects the effect on fair value of changes in own credit spreads derived from observable market data, such as funding issued by the Bank. Most market parameters are either directly observable or are implied by 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 in the execution of the Bank's strategy. It is essential that the business growth strategy is supported by an effective Enterprise Risk Management Framework (ERMF). Risk culture is closely aligned to that of the business. The Risk Function retains independence in analysis and decision-making.

The approach to managing risk is outlined in the ERMF, which provides the basis for setting policies and standards, and establishing the appropriate risk practices throughout the Bank. It defines the risk management process and sets out the activities, tools, techniques and organisational arrangements to ensure that material risks can be identified and managed. It also ensures that appropriate responses are in place to protect the Bank and prevent detriment to its stakeholders.

The ERMF includes those risks taken by the Group that are foreseeable, and material enough to merit establishing specific group-wide control frameworks. These are known as key risks and are grouped into five principal risks.

The three lines of defence operating model, which has been defined in the ERMF, enables the appropriate assignment of risk management activities between those parties that:

- Originate and own risk, and implement controls (first line);
- Oversee and challenge the first line, providing independent risk management activity and support controls (second line); and
- Provide assurance that risk processes are fit for purpose, and that they are being carried out as intended (third line).

The ERMF enables businesses and functions to be organised along the three lines by formalising independence and challenge, whilst promoting collaboration and the flow of information between all areas.

The ERMF is reviewed and approved annually by the Board.

Future priorities

- Regularly review and alter risk appetite (where appropriate) to take account of global and local macroeconomic deterioration.
- Increase focus on governance and model risk across the Bank.
- Continue to focus on technology, fraud (including cybercrime) and anti-money laundering.
- Enhance conduct risk management controls, tools and reporting.
- Increase focus on data initiatives, including those arising from regulations (e.g. BCBS 239, and IFRS 9).
- Continue to enhance our scenario development and stress testing processes.
- Embedment of Insurance Risk as a Principal Risk.
- Embed enhanced Risk Measurement tools and models to include more extensive use of Economic Capital metrics

Credit risk

The risk of financial loss should the Bank's customers, clients or market counterparties fail to fulfil their contractual obligations due to a borrower, counterparty to a derivative transaction, or an issuer of debt securities defaulting on its contractual obligations.

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, which has been reviewed and strengthened. Key indicators and triggers have been developed to serve as an early warning system. The indicators include, inter alia, economic indices directly correlated with risk measures and key financial indicators. The indicators and triggers have been implemented at the Bank, Business Unit, and product levels, and are regularly monitored by management and reported to the Bank Risk and Capital Management Committee (GRCMC) on a quarterly basis.

Stress testing

Stress testing is a key element of the Bank's integrated planning and risk management processes. 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 its internal and regulatory capital requirements including the setting of capital and liquidity buffers.

The GRCMC exercises governance oversight and approval authority over stress testing results.

56. Risk management *(continued)*

56.2 Credit risk

Performance (unaudited)

- **Loans and advances:** Growth in loans and advances to customers moderated to 5,0%. In South Africa, solid growth was seen in the Business Bank and Corporate and Investment Bank portfolios, while the Retail portfolio remained overall flat. Notably, the home loans portfolio decreased by 0,72% during the year.
- **RWA Impairments:** The credit loss ratio deteriorated to **0,93 bps** (December 2015: 0,79 bps). The retail credit impairment charge increased to **R4 793m** (December 2015: R4 219m) due to deterioration across most retail portfolios in South Africa. The deterioration in retail credit performance in South Africa can be ascribed to increased pressure on consumers as a result of the weakening macroeconomic environment. The wholesale credit impairment charge increased to **R1 611m** (December 2015: R897m) due to new single name impairments in CIB and Business Bank.
- **Non-performing loans (NPLs):** The balance of Retail NPLs increased by 13,9% due to higher roll into late arrears. The balance of Wholesale NPLs increased by 54,3% due to new defaults in the Consumer Sector. NPLs as a percentage of gross loans and advances increased to **3,4%** (December 2015: 2,9%) as a result of the higher NPL balances and restrained book growth. The NPL coverage ratio increased overall to **3,5%** (December 2015: 2,9%).
- **Performing Coverage:** Performing coverage increased further to **0,69%** (December 2015: 0,63%) due to increased early arrears against the backdrop of the increasingly challenging macroeconomic environment in which the bank operates.
- **EAD/PD/LGD:** PDs in the Retail portfolios increased, while LGDs decreased as a result of new model implementations across all Retail portfolios. EAD growth in Retail IRB portfolios is due to new EAD model implementations and reclassification of SME Corporates to SME Retail, while growth in Wholesale IRB portfolios is due to growth in Corporate and Sovereign exposures, offset by a reduction in Bank exposure.
- **RWA as a percentage of EAD:** The result of lower LGD levels in the Retail portfolios and continuing capital optimisation exercises resulted in lower RWA intensity levels.

Future priorities (unaudited)

- Identify and actively manage credit risk trends and opportunities in order to deliver a world class credit risk operation.
- Continue to refine and enhance the embedment of credit risk appetite throughout the group to ensure alignment of business strategy with credit risk appetite.
- Focus on data and systems as enablers of efficient credit risk management.
- Close monitoring of the macroeconomic environment and emerging risks, and implementation of agreed management actions when required.

56. Risk management *(continued)*

56.2 *Credit risk* (continued)

The following table analyses financial asset between those that are neither past due nor impaired and those that are past due and/or impaired. Past due/impaired assets are further analysed in the tables that follow.

Maximum exposure to credit risk

	Bank				
	2016				
		Neither past due nor impaired[1]			
	Gross maximum exposure Rm	DG1 – 11 Rm	DG12 – 19 Rm	DG20 – 21 Rm	Total past due and/or impaired loans Rm
Balances with the SARB	18 552	18 552	—	—	—
Money market assets	39	39	—	—	—
Cash, cash balances and balances with central banks (refer to note 2)	18 591	18 591	—	—	—
Government bonds	46 780	46 780	—	—	—
Other	13 069	13 069	—	—	—
Treasury bills	23 106	23 106	—	—	—
Investment securities (refer to note 3)	82 955	82 955	—	—	—
Loans and advances to banks (refer to note 4)	39 296	28 085	11 163	48	—
Debt instruments	19 314	19 314	—	—	—
Derivative assets	46 751	44 624	2 125	2	—
Money market assets	7 630	7 351	124	155	—
Trading and hedging portfolio assets (refer to note 5)	73 695	71 289	2 249	157	—
Accounts receivable	11 343	10 448	895	—	—
Settlement accounts	3 480	3 466	14	—	—
Other assets (refer to note 6)	14 823	13 914	909	—	—
RBB	445 093	66 891	306 106	24 384	47 712
Retail Bank South Africa	373 102	54 165	254 854	22 463	41 620
Credit cards	31 376	3 349	13 664	7 661	6 702
Instalment credit agreements	75 615	6 766	57 296	5 996	5 557
Loans to associates and joint ventures	18 933	18 933	—	—	—
Mortgages	224 530	23 185	170 096	5 607	25 642
Other loans and advances	492	86	376	30	—
Overdrafts	4 143	1 002	2 493	194	454
Personal and term loans	18 013	844	10 929	2 975	3 265
Business Banking	71 434	12 169	51 252	1 921	6 092
Mortgages (including CPF)	36 113	7 970	25 039	930	2 174
Overdrafts	19 213	1 794	14 760	582	2 077
Term loans	16 108	2 405	11 453	409	1 841
RBB ROA	557	557	—	—	—
CIB	193 378	151 061	39 068	983	2 266
Wealth	5 731	1 366	4 051	192	122
Head office and other operations	654	654	—	—	—
Loans and advances to customers (refer to note 8)	644 856	219 972	349 225	25 559	50 100
Loans and advances to Group companies (refer to note 10)	25 794	25 794	—	—	—
Total gross maximum exposure to credit risk	900 010				
Impairments raised (refer to note 9)	(14 210)				
Total net exposure to credit risk as disclosed on the statement of financial position	885 800				
Assets not subject to credit risk	32 511				
Total assets per the statement of financial position	918 311				

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)

	Bank				
	2015[1]				
		Neither past due nor impaired[2]			
	Gross maximum exposure Rm	DG1 – 11 Rm	DG12 – 19 Rm	DG20 – 21 Rm	Total past due and/or impaired loans Rm
Balances with the SARB	17 459	17 459	—	—	—
Money market assets	35	35	—	—	—
Cash, cash balances and balances with central banks (refer to note 2)	17 494	17 494	—	—	—
Government bonds	45 577	45 577	—	—	—
Other	5 975	5 975	—	—	—
Treasury bills	19 924	19 924	—	—	—
Investment securities (refer to note 3)	71 476	71 476	—	—	—
Loans and advances to banks (refer to note 4)	58 585	46 495	12 090	—	—
Debt instruments	27 528	27 528	—	—	—
Derivative assets	79 753	77 859	1 894	—	—
Money market assets	7 976	7 265	711	—	—
Trading and hedging portfolio assets (refer to note 5)[2]	115 257	112 652	2 605	—	—
Accounts receivable	10 172	10 166	—	6	—
Settlement accounts	7 200	6 474	726	—	—
Other assets (refer to note 6)	17 372	16 640	726	6	—
RBB	437 049	134 000	235 031	22 114	45 904
Retail Banking	371 668	118 782	192 665	20 124	40 097
Credit cards	32 847	3 800	10 581	11 583	6 883
Instalment credit agreements	74 028	13 926	53 267	1 987	4 848
Loans to associates and joint ventures	16 176	16 176	—	—	—
Mortgages	228 721	80 922	117 986	4 748	25 065
Other loans and advances	343	82	249	12	—
Overdrafts	2 953	537	2 070	2	344
Personal and term loans	16 600	3 339	8 512	1 792	2 957
Business Banking	65 358	15 195	42 366	1 990	5 807
Mortgages (including CPF)	31 636	6 885	20 793	1 240	2 718
Overdrafts[3]	18 249	3 974	12 357	421	1 497
Term loans[3]	15 473	4 336	9 216	329	1 592
RBB Rest of Africa	23	23	—	—	—
CIB	170 833	127 914	39 348	1 686	1 885
Wealth	5 415	678	4 141	114	482
Head office and other operations	700	700	—	—	—
Loans and advances to customers (refer to note 8)	613 997	263 292	278 520	23 914	48 271
Loans and advances to Group companies (refer to note 10)	23 850	23 850	—	—	—
Total gross maximum exposure to credit risk	918 031				
Impairments raised (refer to note 9)	(11 995)				
Total net exposure to credit risk as disclosed on the statement of financial position	906 036				
Assets not subject to credit risk	30 105				
Total assets per the statement of financial position	936 141				

Notes
1 Refer to note 1.2 for DG bucket definitions.
2 In the current reporting period, the Bank has aggregated the hedging portfolio derivative asset balances and the comparatives have been restated accordingly.
3 Some overdrafts were reallocated to term loans to align to the way the products are utilised by the customers, resulting in a restatement of the comparatives. The restatement was effected as follows: a decrease of R555m in the Overdrafts gross maximum exposures causing a decrease of R469m and R86 in the DG1-11 and DG 12-19 categories respectively; an increase of R555m in the Term loans gross maximum exposures causing an increase of R469m and R86 in the DG1-11 and DG 12-19 categories respectively.

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.

	Bank	
	2016 Rm	2015 Rm
Financial guarantee contracts (refer to note 45)	**10**	24
Guarantees (refer to note 47)	**30 469**	31 266
Irrevocable debt facilities (refer to note 47)	**122 958**	138 807
Letters of credit (refer to note 47)	**4 645**	6 319
Other (refer to note 47)	**135**	21
	158 217	176 437

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.

	Bank 2016				
Geographical concentration of risk	**Asia, Americas and Australia Rm**	**Europe[1] Rm**	**Rest of Africa Rm**	**South Africa Rm**	**Total exposure Rm**
On-statement of financial position exposure					
Cash, cash balances and balances with central banks	—	—	—	18 591	18 591
Investment securities	3 978	1 728	—	77 249	82 955
Loans and advances to banks	6 016	21 133	4 235	7 912	39 296
Trading portfolio assets	162	19 035	1 650	51 114	71 961
Hedging portfolio assets	28	571	—	1 135	1 734
Other assets	195	272	425	13 931	14 823
Loans and advances to customers	3 417	9 307	5 141	612 781	630 646
Loans and advances to Group companies	—	—	—	25 794	25 794
Subject to credit risk	13 796	52 046	11 451	808 507	885 800
Off-statement of financial position exposures					
Financial guarantee contracts	—	—	—	10	10
Guarantees	429	737	754	28 549	30 469
Irrevocable debt facilities	—	—	—	122 958	122 958
Letters of credit	1 307	1 459	1 768	111	4 645
Other	—	—	—	135	135
Subject to credit risk	1 736	2 196	2 522	151 763	158 217

Amounts presented in the above table are presented net of impairments, where relevant.

Note
[1] Included within the balance in respect of Europe are exposures facing Barclays PLC.

56. Risk management *(continued)*

56.2 Credit risk (continued)

Geographical concentration of risk	Bank 2015 Asia, Americas and Australia Rm	Europe[1] Rm	Rest of Africa Rm	South Africa Rm	Total exposure Rm
On-statement of financial position exposure					
Cash, cash balances and balances with central banks	34	—	—	17 460	17 494
Investment securities	1 402	2 834	—	67 240	71 476
Loans and advances to banks	12 756	28 908	5 169	11 752	58 585
Trading portfolio assets	164	51 661	2 514	58 702	113 041
Hedging portfolio assets	34	857	—	1 325	2 216
Other assets	—	778	—	16 594	17 372
Loans and advances to customers	2 796	4 663	6 848	587 695	602 002
Loans and advances to Group companies	—	—	—	23 850	23 850
Subject to credit risk	17 186	89 701	14 531	784 618	906 036
Off-statement of financial position exposures					
Financial guarantee contracts	—	—	—	24	24
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

Amounts presented in the above table are presented net of impairments, where relevant.

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 1.2.1.

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 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 fixed charges over property.
- Cash collateral.
- Other forms including master netting agreements, put options, and highly liquid securities held under reverse repo agreements.

Note
[1] Included within the balance in respect of Europe are exposures facing Barclays PLC.

56. Risk management *(continued)*

56.2 *Credit risk (continued)*

Analysis of credit risk mitigation and collateral	Gross maximum exposure Rm	Guarantees, credit insurance and credit derivatives Rm	Physical collateral Rm	Cash collateral Rm	Other Rm	Unsecured Rm
	Bank					
	2016					
Loans and advances to banks (refer to note 4)	39 296	7	—	—	20 413	18 876
Debt instruments	19 314	—	—	—	—	19 314
Derivative assets	46 751	—	—	2 810	35 340	8 601
Money market assets	7 630	—	—	—	—	7 630
Trading and hedging portfolio assets (refer to note 5)	73 695	—	—	2 810	35 340	35 545
Accounts receivable	11 343	—	—	3	—	11 340
Settlement accounts	3 480	—	—	—	—	3 480
Other assets (refer to note 6)	14 823	—	—	3	—	14 820
RBB	445 093	103	340 657	1 040	36	103 257
Retail Bank	373 102	2	289 920	58	—	83 122
Credit cards	31 376	2	63	41	—	31 270
Instalment credit agreements	75 615	—	75 598	17	—	—
Loans to associates and joint ventures	18 933	—	—	—	—	18 933
Mortgages	224 530	—	214 259	—	—	10 271
Other loans and advances	492	—	—	—	—	492
Overdrafts	4 143	—	—	—	—	4 143
Personal and term loans	18 013	—	—	—	—	18 013
Business Bank	71 434	101	50 268	982	6	20 077
Mortgages (including CPF)	36 113	13	32 629	18	2	3 451
Overdrafts	19 213	71	8 319	756	3	10 064
Term loans	16 108	17	9 320	208	1	6 562
RBB Rest of Africa	557	—	469	—	30	58
CIB	193 378	3 423	12 805	166	38 224	138 760
Wealth	5 731	—	939	—	—	4 792
Head office and other operations	654	—	—	—	—	654
Loans and advances to customers (refer to note 8)	644 856	3 526	354 401	1 206	38 260	247 463

For financial assets not listed in the table above, no credit mitigation or collateral was held during the reporting period.

56. Risk management *(continued)*

56.2 Credit risk *(continued)*

	Bank					
	2015					
Analysis of credit risk mitigation and collateral	Gross maximum exposure Rm	Guarantees, credit insurance and credit derivatives Rm	Physical collateral Rm	Cash collateral Rm	Other Rm	Unsecured Rm
Loans and advances to banks (refer to note 4)	58 585	—	—	10	20 997	37 578
Debt instruments	27 528	—	—	—	—	27 528
Derivative assets[1]	79 753	—	—	6 330	62 857	10 566
Money market assets	7 976	—	—	—	—	7 976
Trading portfolio assets (refer to note 5)	115 257	—	—	6 330	62 857	46 070
Accounts receivable	10 172	—	—	—	—	10 172
Settlement accounts	7 200	—	—	—	—	7 200
Other assets (refer to note 6)	17 372	—	—	—	—	17 372
RBB	437 049	163	321 160	1 141	3	114 582
Retail Banking	371 668	2	282 337	45	—	89 284
Credit cards	32 847	2	59	34	—	32 752
Instalment credit agreements	74 028	—	67 165	11	—	6 852
Loans to associates and joint ventures	16 176	—	—	—	—	16 176
Mortgages	228 721	—	215 113	—	—	13 608
Other loans and advances	343	—	—	—	—	343
Overdrafts	2 953	—	—	—	—	2 953
Personal and term loans	16 600	—	—	—	—	16 600
Business Banking	65 358	161	38 800	1 096	3	25 298
Mortgages (including CPF)	31 636	25	24 219	20	—	7 372
Overdrafts[2]	18 249	100	7 297	870	2	9 980
Term loans[2]	15 473	36	7 284	206	1	7 946
RBB Rest of Africa	23	—	23	—	—	—
CIB	170 833	54	8 937	—	39 913	121 929
Wealth	5 415	—	974	—	—	4 441
Head office and other operations	700	—	—	—	—	700
Loans and advances to customers (refer to note 8)	613 997	217	331 071	1 141	39 916	241 652

For financial assets not listed in the table above no credit risk mitigation or collateral was held during the reporting period.

Notes

[1] In the current reporting period, the Group included the effects of master netting arrangements within 'Other'. The Bank accordingly has realigned the comparative disclosures. In addition, the 'Other' collateral of R5 646m, and 'Guarantees, credit insurance and credit derivative' collateral of R125m, have been reclassified to 'Cash' collateral to accordingly reflect the appropriate nature of collateral. The Bank has also aggregated the hedging portfolio derivative asset balances and the comparatives have been restated accordingly.

[2] Some overdrafts were reallocated to term loans to align to the way the products are utilised by the customers, resulting in a restatement of the comparatives. The restatement was effected as follows: a decrease of R555m in the Overdrafts gross maximum exposures causing a decrease of R26m and R109m in the physical collateral and the cash collateral categories respectively; an increase of R555m in the Term loans gross maximum exposures causing an increase of R26m and R109 in the physical collateral and the cash collateral categories respectively.

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:

	Bank	
	2016	2015
	Rm	Rm
Balance at the beginning of the reporting period	**—**	—
Acquisitions	**55**	25
Disposals	**(55)**	(25)
Provisions	**—**	—
Balance at the end of the reporting period	**—**	—

The Bank has optimised the sales strategies of the stock of property in possession (PIP) to manage the inflow in order to minimise financial loss. This has resulted in the book remaining at **Rnil** (2015: Rnil).

The number of properties in possession reduced from 120 properties in the previous reporting period to 115 properties in the current reporting period. The gross PIPS portfolio increased from R37m in the previous reporting period to R62m in the current reporting period. Currently **41%** (2015: 48%) of the current inventory is sold pending registration.

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56. Risk management *(continued)*

56.2 *Credit risk (continued)*

Analysis of past due accounts

The following table demonstrates the maximum exposure to credit risk of financial assets considered past due and/or considered to be impaired.

	Bank					
	2016					
		Past due not impaired Performing loans				
	Total past due and/or impaired loans Rm	Past due up to one month Rm	Past due 1 – 2 months Rm	Past due 2 – 3 months Rm	Past due 3 – 4 months Rm	Past due older than 4 months Rm
RBB	47 712	1 811	226	54	96	47
Retail Banking South Africa	41 620	22	7	2	17	—
Credit cards	6 702	—	—	—	—	—
Instalment credit agreements	5 557	22	7	2	17	—
Loans to associates and joint ventures	—	—	—	—	—	—
Mortgages	25 642	—	—	—	—	—
Other loans and advances	—	—	—	—	—	—
Overdrafts	454	—	—	—	—	—
Personal and term loans	3 265	—	—	—	—	—
Business Bank South Africa	6 092	1 789	219	52	79	47
Mortgages (including CPF)	2 174	372	88	17	—	23
Overdrafts	2 077	738	41	13	36	18
Term loans	1 841	679	90	22	43	6
RBB Rest of Africa	—	—	—	—	—	—
CIB	2 266	—	—	—	—	—
Wealth	122	1	—	—	—	2
Head office and other operations	—	—	—	—	—	—
Loans and advances to customers	50 100	1 812	226	54	96	49

Financial assets not disclosed in the table above did not have any past due accounts.

Bank

2016

Past due not impaired Non-performing loans					Past due and impaired		
Past due up to 1 month Rm	Past due 1 – 2 months Rm	Past due 2 – 3 months Rm	Past due 3 – 4 months Rm	Past due older than 4 months Rm	Performing loans Rm	Non-performing loans Rm	Total non-performing loans Rm
290	48	49	23	348	24 158	20 562	21 320
35	3	—	18	8	23 539	17 969	18 033
—	—	—	—	—	2 701	4 001	4 001
35	3	—	18	8	3 424	2 021	2 085
—	—	—	—	—	—	—	—
—	—	—	—	—	15 722	9 920	9 920
—	—	—	—	—	—	—	—
—	—	—	—	—	234	220	220
—	—	—	—	—	1 458	1 807	1 807
255	45	49	5	340	619	2 593	3 287
129	23	5	—	75	108	1 334	1 566
17	—	10	1	144	302	757	929
109	22	34	4	121	209	502	792
—	—	—	—	—	—	—	—
—	—	—	—	—	—	2 266	2 266
1	—	—	—	25	3	90	116
—	—	—	—	—	—	—	—
291	48	49	23	373	24 161	22 918	23 702

56. Risk management *(continued)*

56.2 Credit risk (continued)

	Bank					
		2015				
		Past due not impaired Performing loans				
	Total past due and/or impaired loans Rm	Past due up to 1 month Rm	Past due 1 – 2 months Rm	Past due 2 – 3 months Rm	Past due 3 – 4 months Rm	Past due older than 4 months Rm
RBB	45 904	922	139	107	22	110
Retail Banking South Africa	40 097	14	3	6	3	—
Credit cards	6 883	—	—	—	—	—
Instalment credit agreements	4 848	14	3	6	3	—
Loans to associates and joint ventures	—	—	—	—	—	—
Mortgages	25 065	—	—	—	—	—
Other loans and advances	—	—	—	—	—	—
Overdrafts	344	—	—	—	—	—
Personal and term loans	2 957	—	—	—	—	—
Business Bank South Africa	5 807	908	136	101	19	110
Mortgages (including CPF)	2 718	403	79	66	4	34
Overdrafts	1 497	134	20	7	6	17
Term loans	1 592	371	37	28	9	59
RBB Rest of Africa	—	—	—	—	—	—
CIB[1]	1 885	—	—	—	—	—
Wealth	482	114	81	68	30	120
Head office and other operations	—	—	—	—	—	—
Loans and advances to customers	48 271	1 036	220	175	52	230

Financial assets not disclosed in the table above did not have any past due accounts.

Notes

[1] In the prior year, an amount of R116m has been reclassified from 'Performing loans' to 'Non-performing loans' for past due and/or impaired loans and advances to customers.

Bank

2015

Past due not impaired Non-performing loans Past due up to one month Rm	Past due 1 – 2 months Rm	Past due 2 – 3 months Rm	Past due 3 – 4 months Rm	Past due older than 4 months Rm	Past due and impaired Performing loans Rm	Past due and impaired Non-performing loans Rm	Total non-performing loans Rm
163	39	13	13	301	24 864	19 211	19 740
7	1	2	—	5	23 636	16 420	16 435
—	—	—	—	—	3 070	3 813	3 813
7	1	2	—	5	3 227	1 580	1 595
—	—	—	—	—	—	—	—
—	—	—	—	—	15 813	9 252	9 252
—	—	—	—	—	—	—	—
—	—	—	—	—	171	173	173
—	—	—	—	—	1 355	1 602	1 602
156	38	11	13	296	1 228	2 791	3 305
72	25	4	6	96	514	1 415	1 618
7	5	2	—	116	351	832	962
77	8	5	7	84	363	544	725
—	—	—	—	—	1 587	298	298
—	—	—	—	—	—	69	69
—	—	—	—	—	—	—	—
163	39	13	13	301	26 451	19 578	20 107

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.

	Bank				
	2016				
		Identified individual impairment		Identified collective impairment	
	Unidentified impairment performing loans Rm	Performing loans Rm	Non-performing loans Rm	Performing loans Rm	Non-performing loans Rm
RBB	(1 577)	(173)	(1 222)	(2 160)	(7 195)
Retail Banking South Africa	(932)	(51)	(188)	(2 133)	(7 068)
Credit cards	(125)	—	—	(471)	(2 919)
Instalment credit agreements	(346)	(51)	(188)	(338)	(737)
Loans to associates and joint ventures	—	—	—	—	—
Mortgages	(360)	—	—	(848)	(2 097)
Other loans and advances	—	—	—	—	—
Overdrafts	(12)	—	—	(42)	(142)
Personal and term loans	(89)	—	—	(434)	(1 173)
Business Banking	(645)	(122)	(1 034)	(27)	(127)
Mortgages (including CPF)	(163)	(11)	(506)	(5)	(29)
Overdrafts	(282)	(70)	(358)	(14)	(63)
Term loans	(200)	(41)	(170)	(8)	(35)
CIB	(624)	—	(1 184)	—	—
Wealth	(12)	(2)	(57)	—	—
Head Office and other operations	(4)	—	—	—	—
Loans and advances to customers	(2 217)	(175)	(2 463)	(2 160)	(7 195)

56. Risk management *(continued)*

56.2 Credit risk *(continued)*

	Bank				
	2015				
		Identified individual impairment		Identified collective impairment	
	Unidentified impairment performing loans Rm	Performing loans Rm	Non-performing loans Rm	Performing loans Rm	Non-performing loans Rm
RBB	(1 308)	(123)	(1 173)	(2 083)	(6 492)
Retail Banking	(767)	(26)	(122)	(2 060)	(6 391)
Credit cards	(125)	—	—	(472)	(2 737)
Instalment credit agreements	(265)	(26)	(122)	(257)	(499)
Mortgages	(284)	—	—	(953)	(2 052)
Other loans and advances	—	—	—	—	—
Overdrafts	(18)	—	—	(17)	(99)
Personal and term loans	(75)	—	—	(361)	(1 004)
Business Banking	(541)	(97)	(1 051)	(23)	(101)
Mortgages (including CPF)	(151)	(32)	(562)	(6)	(24)
Overdrafts	(229)	(28)	(325)	(15)	(45)
Term loans	(161)	(37)	(164)	(2)	(32)
CIB	(424)	(130)	(197)	—	—
Wealth	(32)	—	(33)	—	—
Head Office and other operations	—	—	—	—	—
Loans and advances to customers	(1 764)	(253)	(1 403)	(2 083)	(6 492)

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's earnings or capital being reduced due to the market risk exposure from banking book positions which may arise net of hedging activities.
- **Insurance risk:** the risk that future experiences relating to claims, expenses, policyholder behaviour and investment returns are different from the assumptions made when setting premiums or valuing policyholder liabilities.
- **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 from the banking book activities such as the provision of retail and wholesale banking products and services as well as treasury functions net of hedges.

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.

56. Risk management *(continued)*

56.3 Market risk (continued)

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;
- underwrite risks that are well diversified in terms of types of risk and the level of insured benefits;
- 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.

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 RC calculation purposes, respectively. The VaR internal model has been approved by the SARB to calculate RC for all trading book portfolios in South Africa. 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. General position risk in trading books in the rest of Africa is also capitalised under the regulatory standardised approach.

56. Risk management *(continued)*

56.3 *Market risk* (continued)

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 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-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.

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 regulatory capital (RC) requirement is calculated daily for South Africa 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. 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.

General risk for the region is quantified using standardised rules, specifically for the interest rate and foreign exchange asset classes to which exposures in these entities are limited. In particular, the maturity method is used to quantify general interest rate risk for the rest of Africa.

56. Risk management *(continued)*

56.3 *Market risk (continued)*

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 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 MRC 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 **R25,12m** (2015: R23,20m) for the reporting period, which is an 8% increase on the prior year balance. 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.

	Bank							
	2016				2015			
	Average Rm	**High[1] Rm**	**Low[1] Rm**	**As at the reporting date Rm**	Average Rm	High[1] Rm	Low[1] Rm	As at the reporting date Rm
Interest rate risk	**23,26**	**37,46**	**15,83**	**23,80**	20,41	33,61	13,36	23,95
Foreign exchange risk	**7,97**	**23,30**	**1,70**	**6,51**	6,54	24,26	1,83	5,86
Equity risk	**5,79**	**20,25**	**1,91**	**3,21**	6,23	14,46	1,97	4,92
Commodity risk	**0,45**	**1,75**	**0,02**	**0,66**	0,59	1,76	0,07	0,14
Inflation risk	**10,97**	**32,59**	**4,06**	**8,12**	9,49	24,75	3,14	15,81
Credit spread risk	**7,89**	**16,47**	**5,85**	**6,02**	10,94	15,79	7,27	15,77
Diversification effect	**(31,22)**	**n/a**	**n/a**	**(25,53)**	(31,00)	n/a	n/a	(36,75)
Total DVaR[2]	**25,12**	**48,51**	**14,10**	**22,80**	23,20	39,65	16,98	29,71
Expected shortfall[2]	**39,34**	**83,52**	**21,23**	**33,70**	35,52	61,85	24,58	50,30
Regulatory VaR[3]	**45,55**	**98,46**	**23,91**	**44,56**	39,61	81,15	26,14	47,76
Regulatory SVaR[3]	**84,54**	**144,51**	**50,49**	**50,49**	62,79	125,17	31,36	89,97

Notes

[1] The high (and low) DVaR figures reported for each category did not necessarily occur on the same day as the high (and low) total DVaR. Consequently, a diversification effect number for the high (and low) DVaR figures would not be meaningful and is therefore omitted.

[2] The analysis includes trading books for which internal models approval has been obtained.

[3] Regulatory VaR and sVaR are reported with a one-day holding period at a 99% confidence level. Consequently these figures are not directly comparable to the 95% risk metrics reported in the rest of the table. The sVaR period is subject to ongoing review for appropriateness.

56. Risk management *(continued)*

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 re-pricing timing differences between assets, liabilities and equity. These risks impact both the earnings and the economic value of the Bank.

Strategy

The Bank's objective for managing interest rate risk in the banking book is to ensure a higher degree of interest rate 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 the local treasury or Bank 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 limit 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 Bank Treasury. Interest rate risk also arises in each of the Rest of Africa treasuries in the normal course of managing the statement of financial position and facilitating customer activity. The risk is managed by the local treasury functions, subject to modest risk limits and other controls.

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. The risk is controlled through book and term limits, funding (hedging) new loans according to the expected behavioural repayment profile and tracking deviations of actual customer behaviour from the expected profile.

Risk measurement

The techniques used to measure and control interest rate risk in the banking book include re-pricing profiles, annual earnings at risk (AEaR), DVaR and tail metrics, economic value of equity (EVE) sensitivity and stress testing.

Re-pricing profiles

With the re-pricing profile, instruments are allocated to time periods with reference to the earlier of the next contractual interest rate re-pricing date and the maturity date. Instruments which have no explicit contractual re-pricing or maturity dates are placed in time buckets based on the most likely re-pricing behaviour. The re-pricing profiles take the assumed behavioural profile of structural product balances into account.

Annual earnings at risk (AEaR)/Net interest income (NII) 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 as appropriate for each business. AEaR is monitored against approved internal limits.

Daily value at risk (DVaR)

The Bank uses a sensitivity-based approach to calculate DVaR at a 95% confidence level for measuring interest rate risk in the banking book. The DVaR is monitored against approved internal limits, and is used as a complementary tool to AEaR. The DVaR is supplemented by non-DVaR, stress and tail metrics.

Economic value of equity (EVE) sensitivity

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.

56. Risk management *(continued)*

56.3 *Market risk* (continued)

Stress testing

Stress testing is tailored to each banking book and consists of a combination of stress scenarios and historical stress movements applied to the respective banking books. Stress testing is carried out by Market Risk to supplement the DVaR and AEaR metrics for South Africa. Stress testing for the Rest of Africa is carried out by Market Risk and the risk functions in each country and has been adopted as one of the primary risk metrics for the Rest of Africa and is monitored against formal internal limits.

Risk control

Market risk is controlled through the use of AEaR, DVaR and stress limits as appropriate and supported by non-DVaR metrics, as well as the monthly monitoring of the risk profiles and EVE sensitivity. Limits are set and monitored in accordance with the limit framework. Limits for AEaR, DVaR and stress are agreed by the GMRC. Compliance with limits is monitored by the respective Rest of Africa market risk team with oversight provided by Market Risk.

Risk reporting

DVaR and supporting metrics are reported daily for Bank Treasury, with the exception of two businesses, where reporting is performed on a monthly basis. The re-pricing profiles, AEaR, EVE sensitivity and stress results are reported monthly for Bank Treasury.

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 re-pricing profile of the book, the potential effect of changes in market interest rates on annual earnings and impact on equity reserves.

Re-pricing profile

The re-pricing profile of the Bank's banking books shows that the banking book remains asset sensitive, as interest-earning assets re-price 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.

	Bank			
	2016			
Expected repricing profile	**On demand – 3 months Rm**	**4 – 6 months Rm**	**7 – 12 months Rm**	**Over 12 months Rm**
Banking book[1]				
Interest rate sensitivity gap	**106 528**	**(10 769)**	**(30 274)**	**(31 712)**
Derivatives[2]	**(109 180)**	**13 817**	**21 169**	**74 194**
Net interest rate sensitivity gap	**(2 652)**	**3 048**	**(9 105)**	**42 482**
Cumulative interest rate gap	**(2 652)**	**396**	**(8 709)**	**33 773**
Cumulative gap as a percentage of the Bank's total assets (%)	**(0,3)**	**0,0**	**(1,0)**	**3,7**

	2015			
Expected repricing profile	On demand – 3 months Rm	4 – 6 months Rm	7 – 12 months Rm	Over 12 months Rm
Banking book[1]				
Interest rate sensitivity gap	96 057	(7 809)	(27 471)	(34 563)
Derivatives[2]	(93 518)	5 293	18 294	69 931
Net interest rate sensitivity gap	2 539	(2 516)	(9 177)	35 368
Cumulative interest rate gap	2 539	23	(9 154)	26 214
Cumulative gap as a percentage of the Bank's total assets (%)	0,3	0,0	(1,0)	2,8

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)

Impact on earnings

The following table shows the impact on AEaR/NII sensitivity 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 **R1,84bn** (31 December 2015: R1,38bn). A similar increase would result in an increase in projected 12-month net interest income of **R1,68bn** (31 December 2015: R1,67bn). AEaR remains at just under 5% of the Bank's net interest income.

Annual earnings at risk for 100 and 200 bps changes in market interest rates

	Bank			
	2016			
	Change in market interest rates			
	200 bps decrease	**100 bps decrease**	**100 bps increase**	**200 bps increase**
Change in projected net interest income (Rm)[1]	**(1 835)**	**(766)**	**840**	**1 681**
Percentage of the Bank's net interest income (%)	**(6,4)**	**(2,7)**	**2,9**	**5,8**
Percentage of the Bank's equity (%)	**(2,6)**	**(1,1)**	**1,2**	**2,4**

	2015			
	Change in market interest rates			
	200 bps decrease	100 bps decrease	100 bps increase	200 bps increase
Change in projected net interest income (Rm)[1]	(1 376)	(701)	865	1 672
Percentage of the Bank's net interest income (%)	(5,0)	(2,5)	3,1	6,1
Percentage of the Bank's equity (%)	(2,3)	(1,2)	1,4	2,8

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
- 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.

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).

56. Risk management *(continued)*

56.3 *Market risk* (continued)

Sensitivity of reserves to market interest rate movements

	Bank					
	2016			2015		
	Impact on equity at the reporting date Rm	**Maximum impact[1,2] Rm**	**Minimum impact[1,2] Rm**	Impact on equity at the reporting date Rm	Maximum impact[1,2] Rm	Minimum impact[1,2] Rm
+ 100 bps parallel move in all yield curves						
Available-for-sale reserve	**(427)**	**(469)**	**(421)**	(444)	(591)	(444)
Cash flow hedging reserve	**(2 348)**	**(2 354)**	**(1 893)**	(2 084)	(2 387)	(2 084)
	(2 776)	**(2 801)**	**(2 342)**	(2 528)	(2 922)	(2 527)
As a percentage of Bank equity (%)	**(4,0)**	**(4,0)**	**(3,4)**	(4,2)	(4,8)	(4,2)
– 100 bps parallel move in all yield curves						
Available-for-sale reserve	**427**	**469**	**421**	444	591	444
Cash flow hedging reserve	**2 348**	**2 354**	**1 893**	2 084	2 387	2 084
	2 776	**2 801**	**2 342**	2 528	2 922	2 527
As a percentage of Bank equity (%)	**4,0**	**4,0**	**3,4**	4,2	4,8	4,2

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.

Functional foreign currency

	Bank	
	2016 Sterling Rm	2015 Sterling Rm
As at reporting period		
Foreign currency net investments	—	1 470
Impact on equity from a 5% currency translation shock	—	74

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).

56. Risk management *(continued)*

56.3 *Market risk (continued)*

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 weaker funding position or shortfall. In these circumstances, the Bank may choose to make additional contributions or be required to make good the shortfall of the plan.

Asset management income 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 the likely volatility in the annual earnings over the next year to reflect the sensitivity of earnings to shocks in financial markets. Bank policy dictates that businesses monitor, report and regularly assess potential hedging strategies relating to this risk. Exposure to this risk currently arises in the Wealth segment.

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.

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 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 principals 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% to 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 by 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.

	Bank									
	2016					2015				
	Impact of a 5% reduction in fair value			Impact of a 5% increase in fair value		Impact of a 5% reduction in fair value			Impact of a 5% increase in fair value	
	Profit or loss Rm	Equity Rm	Fair value Rm	Profit or loss Rm	Equity Rm	Profit or loss Rm	Equity Rm	Fair value Rm	Profit or loss Rm	Equity Rm
Listed equity investments	(25)	(3)	570	25	3	(34)	(3)	735	34	3
Unlisted equity investments	(25)	(8)	649	25	8	(35)	(7)	854	35	7
Total Bank equity investments	**(50)**	**(11)**	**1 219**	**50**	**11**	(69)	(10)	1 589	69	10

The Bank operates a number of pension fund schemes (defined benefit schemes and defined contribution schemes) and post-retirement medical aid plans. The most significant schemes operated by the Bank are the Absa Pension Fund and the BBM Pension Fund. Apart from these, the Bank operates a number of smaller pension and post-retirement medical aid plans. The benefits provided under these schemes, the approach to funding, and the legal basis of the plans reflect their local environments.

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.

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;
- build and maintain adequate liquidity buffers to ensure the bank remains continuously compliant with the liquidity coverage ratio;
- 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 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 Group-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 Group CFP and establish local processes and procedures for managing local liquidity stresses that are consistent with the Group'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.

56. Risk management *(continued)*

56.5 *Liquidity risk (continued)*

Analysis of contractual mismatch

A detailed breakdown of the contractual mismatch position is provided below:

	Bank				
	2016				
Discounted maturity	On demand Rm	Within 1 year Rm	From 1 year to 5 years Rm	More than 5 years Rm	Total Rm
Assets					
Cash, cash balances and balances with central banks	28 252	—	—	—	28 252
Investment securities	445	35 695	11 524	36 510	84 174
Loans and advances to banks	13 425	22 256	2 869	746	39 296
Trading portfolio assets	72 904	—	—	—	72 904
Derivative assets	45 017	—	—	—	45 017
Non-derivative assets	27 887	—	—	—	27 887
Hedging portfolio assets	—	61	622	1 051	1 734
Other financial assets	3 951	10 871	—	—	14 822
Loans and advances to customers	63 622	127 099	224 390	215 535	630 646
Loans to Group companies	9 241	7 058	9 495	—	25 794
Financial assets	191 840	203 040	248 900	253 842	897 622
Non-financial assets					20 689
Total assets					918 311
Liabilities					
Deposits from banks	24 278	29 568	6 131	171	60 148
Trading portfolio liabilities	42 503	—	—	—	42 503
Derivative liabilities	40 716	—	—	—	40 716
Non-derivative liabilities	1 787	—	—	—	1 787
Hedging portfolio liabilities	—	398	568	1 088	2 054
Other financial liabilities	14 425	4 612	—	2	19 039
Deposits due to customers	370 213	162 021	26 996	5 582	564 812
Debt securities in issue	1 051	75 378	52 154	10 990	139 573
Borrowed funds	—	2 840	9 535	3 304	15 679
Financial liabilities	452 470	274 817	95 384	21 137	843 808
Non-financial liabilities					5 204
Total liabilities					849 012
Equity					69 299
Total equity and liabilities					918 311
Net liquidity position of financial instruments	(260 630)	(71 777)	153 516	232 705	53 814

56. Risk management *(continued)*

56.5 *Liquidity risk (continued)*

	Bank				
	2015				
Discounted maturity	On demand Rm	Within 1 year Rm	From 1 year to 5 years Rm	More than 5 years Rm	Total Rm
Assets					
Cash, cash balances and balances with central banks	26 101	—	—	—	26 101
Investment securities	386	23 411	17 010	32 258	73 065
Loans and advances to banks	20 252	30 493	4 499	3 341	58 585
Trading portfolio assets	114 450	—	—	—	114 450
Derivative assets	77 537	—	—	—	77 537
Non-derivative assets	36 913	—	—	—	36 913
Hedging portfolio assets	—	96	360	1 760	2 216
Other financial assets	7 001	10 368	2	—	17 371
Loans and advances to customers	66 727	93 159	217 714	224 402	602 002
Loans to Group companies	13 058	393	10 399	—	23 850
Financial assets	247 975	157 920	249 984	261 761	917 640
Non-financial assets					18 501
Total assets					936 141
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					4 117
Total liabilities					875 644
Equity					60 497
Total liabilities and equity					936 141
Net liquidity position of financial instruments	(249 789)	(96 046)	154 949	236 999	46 113

56. Risk management *(continued)*

56.5 Liquidity risk *(continued)*

Undiscounted maturity (statement of financial position value with impact of future interest)	On demand Rm	Within 1 year Rm	From 1 year to 5 years Rm	More than 5 years Rm	Discount effect Rm	Total Rm
	Bank 2016					
Liabilities						
On-statement of financial position						
Deposits from banks	24 278	29 849	9 567	381	(3 927)	60 148
Trading portfolio liabilities	42 503	—	—	—	—	42 503
Derivative liabilities	40 716	—	—	—	—	40 716
Non-derivative liabilities	1 787	—	—	—	—	1 787
Hedging portfolio liabilities	—	422	814	2 423	(1 605)	2 054
Other financial liabilities	14 425	4 634	—	3	(23)	19 039
Deposits due to customers	370 213	168 013	49 443	12 434	(35 291)	564 812
Debt securities in issue	1 051	79 174	70 142	24 482	(35 276)	139 573
Borrowed funds	—	3 063	13 086	7 361	(7 831)	15 679
Financial liabilities	452 470	285 155	143 052	47 084	(83 953)	843 808
Non-financial liabilities						5 204
Total liabilities						849 012
Off-statement of financial position						
Financial guarantee contracts	10	—	—	—	—	10
Loan commitments	119 446	38 626	—	—	—	158 072

Undiscounted maturity (statement of financial position value with impact of future interest)	On demand Rm	Within 1 year Rm	From 1 year to 5 years Rm	More than 5 years Rm	Discount effect Rm	Total Rm
	Bank 2015					
Liabilities						
On-statement of financial position						
Deposits from banks	23 149	34 865	3 586	920	(1 494)	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	—	246	3 179	3 040	(1 934)	4 531
Other financial liabilities	11 863	4 492	—	3	(12)	16 346
Deposits due to customers	374 868	154 373	31 483	14 379	(14 453)	560 650
Debt securities in issue	317	65 431	64 988	20 637	(22 920)	128 453
Borrowed funds	—	—	12 617	5 012	(4 675)	12 954
Financial liabilities	497 764	259 407	115 853	43 991	(45 488)	871 527
Non-financial liabilities						4 117
Total liabilities						875 644
Off-statement of financial position						
Financial guarantee contracts	24	42	—	—	—	66
Loan commitments	98 697	46 429	—	—	—	145 126

56. Risk management *(continued)*

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.
- 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 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:

- Capital risk appetite;
- the preference of rating agencies for loss absorbing capital;
- stress scenarios;
- current and future Basel III requirements including capital conservation buffer and domestic-systemically important bank buffer; and
- peer analysis.

Capital adequacy ratios (unaudited)

			2016		2015	
Bank	**2016**	2015	**Board target ranges %**	**Minimum regulatory capital requirements %**	Board target ranges %	Minimum regulatory capital requirements %
Capital adequacy ratios (%)						
Common Equity Tier 1	**11,6**	10,3	**9,0 – 10,5**	**6,9**	9,0 – 10,5	6,5
Tier 1	**12,2**	11,0	**10,0 – 11,5**	**8,1**	10,0 – 11,5	8,0
Total	**15,1**	13,6	**12,5 – 14,0**	**10,4**	12,0 – 13,5	10,0
Capital supply and demand for the reporting period (Rm)						
Net generated equity	**5 838**	(232)				
Qualifying capital	**77 769**	66 059				
Total RWA	**515 467**	484 399				

Regulatory capital comprises the following:

Common Equity Tier 1 – ordinary share capital, share premium and retained earnings including reserves, less regulatory deductions.

Tier1 – 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 (2015: 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 occurring between the reporting date of 2016 and the date of authorisation of these summary consolidated interim financial results as defined in 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 Committee's (Remco).

The Remco's mandate is to ensure that reward practices are aligned with shareholder interests, both in the performance of our employees and the values they uphold. The Group strives to promote reward practices that foster sustainable high performance and accordingly, the Group rewards both short and longer term performance. All elements of pay are benchmarked against the market, as well as local and international best practice.

The Remco 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 the function supports, and within the parameters of the pool allocated to the function by the Remco.

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59. Directors' and prescribed officers' remuneration *(continued)*

Combined tables for 2016 total remuneration

	Bank			
	Maria Ramos		David Hodnett	
Executive directors	2016 R	2015 R	2016 R	2015 R
Salary	7 622 073	7 282 552	6 388 552	5 913 471
Role based pay	6 500 000	6 500 000	4 250 000	3 500 000
Medical aid	97 680	89 208	125 664	114 768
Pension	244 599	592 593	226 599	484 593
Other employee benefits	44 960	44 960	39 498	38 480
Total fixed remuneration	14 509 312	14 509 313	11 030 313	10 051 312
Non-deferred cash award	3 000 000	2 740 000	2 900 000	2 600 000
Non-deferred share award	3 000 000	2 740 000	2 900 000	2 600 000
Deferred cash award[1]	4 500 000	4 110 000	4 350 000	3 900 000
Deferred share award[1]	4 500 000	4 110 000	4 350 000	3 900 000
Total variable remuneration	15 000 000	13 700 000	14 500 000	13 000 000
Total remuneration	29 509 312	28 209 313	25 530 313	23 051 312

	Craig Bond		Stephen van Coller[2]	
Prescribed officers	2016 R	2015 R	2016 R	2015 R
Salary	5 668 964	5 452 730	2 730 389	3 558 286
Role based pay	5 000 000	5 000 000	5 250 000	7 000 000
Medical aid	125 664	114 768	104 742	127 548
Pension	220 426	447 556	151 466	296 296
Other employee benefits	36 258	36 258	515 824	27 182
Total fixed remuneration	11 051 312	11 051 312	8 752 421	11 009 312
Non-deferred cash award	1 840 000	2 720 000	—	2 500 000
Non-deferred share award	1 840 000	2 720 000	—	2 500 000
Deferred cash award	2 760 000	4 080 000	—	3 750 000
Deferred share award	2 760 000	4 080 000	—	3 750 000
Total variable remuneration	9 200 000	13 600 000	—	12 500 000
Total remuneration	20 251 312	24 651 312	8 752 421	23 509 312

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. Jason Quinn was appointed to the Board on 1 September 2016. 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 Note that the election between deferred cash award and deferred share award will be made once restrictions are lifted.
2 Resigned effective 30 September 2016. Stephen van Coller's other benefits include leave payouts following his resignation. No amounts were paid as compensation for loss of office.
3 Appointed 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.
4 Resigned effective 30 September 2015.
5 Excludes Jason Quinn for 2015. Jason Quinn was appointed as Financial Director on 1 September 2016 however total remuneration has been calculated from 1 January 2016. His fixed remuneration received as an Executive Director was R1 769 771.

		Bank	
Jason Quinn[5]		Total	
2016 R	2015 R	2016 R	2015 R
3 459 337	n/a	17 469 962	13 196 023
333 333	n/a	11 083 333	10 000 000
84 012	n/a	307 356	203 976
284 843	n/a	756 041	1 077 186
26 495	n/a	110 953	83 440
4 188 020	n/a	29 727 645	24 560 625
1 000 000	n/a	6 900 000	5 340 000
1 000 000	n/a	6 900 000	5 340 000
1 500 000	n/a	10 350 000	8 010 000
1 500 000	n/a	10 350 000	8 010 000
5 000 000	n/a	34 500 000	26 700 000
9 188 020	n/a	64 227 645	51 260 625

Nomkhita Nqweni[3]		Willie Lategan[4]		Total	
2016 R	2015[1] R	2016 R	2015[2] R	2016 R	2015[3] R
4 049 835	3 246 561	n/a	2 679 186	12 449 188	14 936 763
2 500 000	1 166 667	n/a	1 125 000	12 750 000	14 291 667
50 412	46 464	n/a	58 077	280 818	346 857
195 216	271 605	n/a	224 556	567 108	1 240 013
47 182	111 349	n/a	990 782	599 264	1 165 571
6 842 645	4 842 646	n/a	5 077 601	26 646 378	31 980 871
1 300 000	1 060 000	n/a	760 000	3 140 000	7 040 000
1 300 000	1 060 000	n/a	760 000	3 140 000	7 040 000
1 950 000	1 590 000	n/a	1 140 000	4 710 000	10 560 000
1 950 000	1 590 000	n/a	1 140 000	4 710 000	10 560 000
6 500 000	5 300 000	n/a	3 800 000	15 700 000	35 200 000
13 342 645	10 142 646	n/a	8 877 601	42 346 378	67 180 871

59. Directors' and prescribed officers' remuneration *(continued)*

Outstanding share-based long-term incentives

The table below outlines 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.

	Bank 2016			
	Number of shares under award at 1 January 2016	Number of shares awarded during 2016	Share price on award R	Number of shares released during 2016
Executive directors				
Maria Ramos				
Absa long-term incentive Plan 2012-2014	4 746	—	151	4 746
Barclays Africa Long Term Incentive Plan 2013 – 2015	216 029	—	139	59 408
Share Value Plan 2014 – 2016	34 108	—	129	17 054
Share Value Plan 2015 – 2017	45 678	—	189	15 226
Share Value Plan 2016 – 2018	—	56 312	146	—
Role Based Pay March 2014	10 055	—	129	2 513
Role Based Pay June 2014	8 368	—	155	2 092
Role Based Pay September 2014	7 730	—	168	1 932
Role Based Pay December 2014	7 431	—	175	1 857
Role Based Pay March 2015	8 591	—	189	1 718
Role Based Pay June 2015	8 893	—	183	1 778
Role Based Pay September 2015	9 105	—	178	1 821
Role Based Pay December 2015	10 160	—	160	2 032
Role Based Pay March 2016	—	5 566	146	—
Role Based Pay June 2016	—	5 593	145	—
Role Based Pay September 2016	—	5 578	146	—
Role Based Pay December 2016	—	5 117	159	—
Non-deferred share award 2016	—	18 770	146	18 770
Total	370 894	96 936		130 947
David Hodnett				
Absa Long -term incentive Plan 2012 – 2014	2 966	—	151	2 966
Barclays Africa Long Term Incentive Plan 2013 – 2015	108 014	—	139	29 704
Share Value Plan 2013 – 2015	7 262	—	166	7 262
Share Value Plan 2014 – 2016	26 513	—	129	13 256
Share Value Plan 2015 – 2017	42 824	—	189	14 276
Share Value Plan 2016 – 2018	—	53 434	146	—
Non-deferred share award 2016	—	17 811	146	17 811
Total	187 579	71 245		85 275
Jason Quinn[1]				
Absa Long -term incentive Plan 2012 – 2014	2 373	—	151	2 373
Share Value Plan 2013 – 2015	2 663	—	166	2 663
Share Value Plan 2014 – 2016	3 820	—	129	1 910
Share Value Plan 2015 – 2017	4 758	—	189	1 586
Share Value Plan 2016 – 2018	—	5 480	146	—
Retention award 2014	19 494	—	129	—
Non-deferred share award 2016	—	5 480	146	5 480
Total	33 108	10 960		14 012

Note

[1] Jason Quinn's outstanding share-based long-term incentives include awards received prior to being appointed as an Executive Director in 2016.

Market price on release date R	Value of release R	Value of dividend released R	Bank 2016 Number of shares/options lapsed in 2016	Number of shares under award at 31 December 2016	End of performance period	Last scheduled vesting date
145	687 695	99 740	—	—	2014/12/31	2015/06/14
151	8 970 608	6 376 428	**97 213**	**59 408**	2015/12/31	2016/10/01
149	2 539 341	495 539	—	**17 054**	2016/12/31	2017/09/01
149	2 267 151	228 115	—	**30 452**	2017/12/31	2018/09/01
—	—	—	—	**56 312**	2018/12/31	2019/09/01
142	356 871	41 041	—	**7 542**	2019/03/01	2019/03/01
146	305 327	31 791	—	**6 276**	2019/06/01	2019/06/01
149	287 675	37 970	—	**5 798**	2019/09/01	2019/09/01
157	292 125	38 541	—	**5 574**	2019/12/01	2019/12/01
142	243 973	13 491	—	**6 873**	2020/03/01	2020/03/01
146	259 499	26 805	—	**7 115**	2020/06/01	2020/06/01
149	271 147	27 249	—	**7 284**	2020/09/01	2020/09/01
157	319 654	23 125	—	**8 128**	2020/12/01	2020/12/01
—	—	—	—	**5 566**	2020/12/31	2021/12/01
—	—	—	—	**5 593**	2020/12/31	2021/12/01
—	—	—	—	**5 578**	2020/12/31	2021/12/01
—	—	—	—	**5 117**	2020/12/31	2021/12/01
149	2 794 853	202 206	—	—	2016/03/01	2016/09/01
	19 595 919	**7 642 041**	**97 213**	**239 670**		
145	429 773	62 374	—	—	2014/12/31	2015/06/14
151	4 485 304	3 188 214	**48 606**	**29 704**	2015/12/31	2016/10/01
149	1 081 312	347 384	—	—	2015/12/31	2016/03/01
149	1 973 818	385 204	—	**13 257**	2016/12/31	2017/09/01
149	2 125 696	214 118	—	**28 548**	2017/12/31	2018/09/01
—	—	—	—	**53 434**	2018/12/31	2019/09/01
149	2 652 058	191 932	—	—	2016/03/01	2016/09/01
	12 747 961	**4 389 226**	**48 606**	**124 943**		
145	343 848	49 870	—	—	2014/12/31	2016/06/14
142	378 173	87 762	—	—	2015/12/31	2016/03/01
149	284 399	32 609	—	**1 910**	2016/12/31	2017/09/01
149	236 155	23 824	—	**3 172**	2017/12/31	2018/09/01
—	—	—	—	**5 480**	2018/12/31	2019/09/01
—	—	—	—	**19 494**	2016/12/31	2017/03/01
149	815 972	58 964	—	—	2016/03/01	2016/09/01
	2 058 547	**253 029**	**—**	**30 056**		

59. Directors' and prescribed officers' remuneration *(continued)*

Outstanding share-based long-term incentives (continued)

	Bank 2016			
	Number of shares under award at 1 January 2016	Number of shares awarded during 2016	Share price on award R	Number of shares released during 2016
Prescribed officers				
Craig Bond				
Barclays Africa Long-term incentive Plan 2013 – 2015[1]	129 617	—	139	35 645
Share Value Plan 2014 – 2016	32 750	—	129	16 375
Share Value Plan 2015 – 2017	25 377	—	189	8 459
Share Value Plan 2016 – 2018	—	27 950	146	—
Joiners Share Value Plan	48 910	—	156	46 206
Non-deferred share award 2016	—	18 633	146	18 633
Total	236 654	46 583		125 318
Stephen van Coller				
Absa Long -term incentive Plan 2012 – 2014	2 966	—	151	2 966
Barclays Africa Long-term incentive Plan 2013 – 2015[1]	108 014	—	139	29 704
Share Value Plan 2013 – 2015	16 340	—	166	16 340
Share Value Plan 2014 – 2016	33 530	—	129	16 765
Share Value Plan 2015 – 2017	45 996	—	189	15 332
Share Value Plan 2016 – 2018	—	51 380	146	—
Non-deferred share award 2016	—	17 126	146	17 126
Total	206 846	68 506		98 233
Nomkhita Nqweni				
Absa Long -term incentive Plan 2012 – 2014	1 186	—	151	1 186
Barclays Africa Long-term incentive Plan 2013 – 2015[1]	43 205	—	139	11 881
Share Value Plan 2013 – 2015	3 019	—	166	3 019
Share Value Plan 2014 – 2016	9 281	—	129	4 640
Share Value Plan 2015 – 2017	7 613	—	189	2 537
Share Value Plan 2016 – 2018	—	21 784	146	—
Non-deferred share award 2016	—	7 261	146	7 261
Total	64 304	29 045		30 524

			Bank 2016			
Market price on release date R	Value of release R	Value of dividend released R	Number of shares/options lapsed in 2016	Number of shares under award at 31 December 2016	End of performance period	Last scheduled vesting date
151	5 382 395	3 825 887	**58 327**	**35 645**	2015/12/31	2016/10/01
149	2 438 238	475 736	—	**16 375**	2016/12/31	2017/09/01
149	1 259 545	126 863	—	**16 918**	2017/12/31	2018/09/01
—	—	—	—	**27 950**	2018/12/31	2019/09/01
146	6 737 297	1 564 687	—	**2 704**	2016/12/31	2017/03/31
149	2 774 454	200 568	—	—	2016/03/01	2016/09/01
	18 591 929	6 193 741	58 327	99 592		
145	429 773	62 374	—	—	2014/12/31	2015/06/14
151	4 485 304	3 188 214	**48 606**	**29 704**	2015/12/31	2016/10/01
149	2 433 026	781 576	—	—	2015/12/31	2016/03/01
149	2 496 309	487 201	—	**16 765**	2016/12/31	2017/09/01
149	2 282 935	229 902	—	**30 664**	2017/12/31	2018/09/01
—	—	—	—	**51 380**	2018/12/31	2019/09/01
149	2 550 061	184 338	—	—	2016/03/01	2016/09/01
	14 677 408	4 933 605	48 606	128 513		
145	171 851	25 007	—	—	2014/12/31	2015/06/14
151	1 794 031	1 275 346	**19 443**	**11 881**	2015/12/31	2016/10/01
142	428 728	99 833	—	—	2015/12/31	2016/03/01
149	690 896	79 364	—	**4 641**	2016/12/31	2017/09/01
149	377 759	37 970	—	**5 076**	2017/12/31	2018/09/01
—	—	—	—	**21 784**	2018/12/31	2019/09/01
149	1 081 163	78 321	—	—	2016/03/01	2016/09/01
	4 544 428	1 595 841	19 443	43 382		

59. Directors' and prescribed officers' remuneration *(continued)*

Outstanding share-based long-term incentives (continued)

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.

	Bank 2015 Number of shares under award at 1 January 2015	Number of shares awarded during 2015	Share price on award R	Number of shares released during 2015
Executive directors				
Maria Ramos				
Deferred Award Plan 2012 – 2014	31 405			31 405
Absa Long-term incentive Plan 2012 – 2014	79 464		151	4 746
Barclays Africa Long-term incentive Plan 2013 – 2015[1]	216 029		139	
Share Value Plan 2014 – 2016	51 044	78	129	17 014
Share Value Plan 2015 – 2017		45 678	189	
Role based pay March 2014	12 568		129	2 513
Role based pay June 2014	10 460		155	2 092
Role based pay October 2014	9 662		168	1 932
Role based pay December 2014	9 288		175	1 857
Role based pay March 2015		8 591	189	
Role based pay June 2015		8 893	183	
Role based pay September 2015		9 105	178	
Role based pay December 2015		10 160	160	
Non-deferred share award (2015)		15 226	189	15 226
Total	419 920	97 731		76 785
David Hodnett				
Deferred Award Plan 2012 – 2014	12 114			12 114
Absa Long-term incentive Plan 2012 – 2014	49 665		151	2 966
Barclays Africa Long-term incentive Plan 2013 – 2015[1]	108 014		139	
Share Value Plan 2013 – 2015	14 490	17	166	7 245
Share Value Plan 2014 – 2016	39 676	62	129	13 225
Share Value Plan 2015 – 2017		42 824	189	
Non-deferred share award (2015)		14 274	189	14 274
Total	223 959	57 177		49 824
Prescribed officers				
Craig Bond				
Barclays Africa Long-term incentive Plan 2013 – 2015[1]	129 617		139	
Share Value Plan 2014 – 2016	49 011	76	129	16 337
Share Value Plan 2015 – 2017		25 377	189	
Joiners Share Value Plan	94 467	112	156	45 669
Non-deferred share award (2015)		16 918	189	16 918
Total	273 095	42 483		78 924
Stephen van Coller				
Deferred Award Plan 2012 – 2014	20 190			20 190
Absa Long-term incentive Plan 2012 – 2014	49 665		151	2 966
Barclays Africa Long-term incentive Plan 2013 – 2015[1]	108 014		139	
Share Value Plan 2013 – 2015	32 603	38	166	16 301
Share Value Plan 2014 – 2016	50 178	78	129	16 726
Share Value Plan 2015 – 2017		45 996	189	
Non-deferred share award (2015)		15 332	189	15 332
Total	260 650	61 444		71 515
Nomkhita Nqweni				
Deferred Award Plan 2012 – 2014	3 365			3 365
Absa Long-term incentive Plan 2012 – 2014	19 866		151	1 186
Barclays Africa Long-term incentive Plan 2013 – 2015[1]	43 205		139	
Share Value Plan 2013 – 2015	6 038		166	3 019
Share Value Plan 2014 – 2016	13 921		129	4 640
Share Value Plan 2015 – 2017		7 613	189	
Non-deferred share award (2015)		5 075	189	5 075
Total	86 395	12 688		17 285
Willie Lategan				
Deferred Award Plan 2012 – 2014	7 404			7 404
Absa Long-term incentive Plan 2012 – 2014	29 799			1 780
Barclays Africa Long-term incentive Plan 2013 – 2015[1]	54 007			0
Share Value Plan 2013 – 2015	10 506	12	166	5 253
Share Value Plan 2014 – 2016	19 838	32	129	6 612
Share Value Plan 2015 – 2017		9 278	189	
Non-deferred share award (2015)		6 186	189	6 186
Total	121 554	15 508		27 235

Note

[1] 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.

Market price on release date R	Value of release R	Value of dividend released R	Bank 2015 Number of shares/options lapsed in 2015	Number of shares under award at 31 December 2015	End of performance period	Last scheduled vesting date
191	5 996 157	943 405			2014/12/31	2015/02/20
180	852 477		69 972	4 746	2014/12/31	2015/06/14
				216 029	2015/12/31	2016/10/01
172	2 932 363	258 021		34 108	2016/12/31	2017/09/01
				45 678	2017/12/31	2018/09/01
189	475 334	27 570		10 055	2019/03/01	2019/03/01
183	382 250	20 181		8 368	2019/06/01	2019/06/01
172	332 980	9 438		7 730	2019/09/01	2019/09/01
159	295 059	16 375		7 431	2019/12/01	2019/12/01
				8 591	2020/03/01	2020/03/01
				8 893	2020/06/01	2020/06/01
				9 105	2020/09/01	2020/09/01
				10 160	2020/12/01	2020/12/01
172	2 624 201	74 382			2015/09/01	2015/09/01
	13 890 821	1 349 372	69 972	370 894		
191	2 312 926	363 904			2014/12/31	2015/02/20
180	532 753		43 733	2 966	2014/12/31	2015/06/14
				108 014	2015/12/31	2016/10/01
172	1 248 676	248 928		7 262	2015/12/31	2016/03/01
172	2 279 329	200 557		26 513	2016/12/31	2017/09/01
				42 824	2017/12/31	2018/09/01
172	2 460 124	69 731			2015/09/01	2015/09/01
	8 833 808	883 120	43 733	187 579		
				129 617	2015/12/31	2016/10/01
172	2 815 682	247 754		32 750	2016/12/31	2017/09/01
				25 377	2017/12/31	2018/09/01
181	8 280 246	1 049 017		48 910	2016/12/31	2017/03/31
172	2 915 817	82 648			2015/09/01	2015/09/01
	14 011 745	1 379 419		236 654		
191	3 854 877	606 507			2014/12/31	2015/02/20
180	532 753		43 733	2 966	2014/12/31	2015/06/14
				108 014	2015/12/31	2016/10/01
172	2 809 477	560 080		16 340	2015/12/31	2016/03/01
172	2 882 726	253 654		33 530	2016/12/31	2017/09/01
				45 996	2017/12/31	2018/09/01
172	2 642 470	74 900			2015/09/01	2015/09/01
	12 722 303	1 495 141	43 733	206 846		
191	642 479	101 085			2014/12/31	2015/02/20
180	213 029		17 494	1 186	2014/12/31	2015/06/14
				43 205	2015/12/31	2016/10/01
189	571 044	91 928		3 019	2015/12/31	2016/03/01
189	877 656	80 906		9 281	2016/12/31	2017/09/01
				7 613	2017/12/31	2018/09/01
172	874 676	24 792			2015/09/01	2015/09/01
	3 178 884	298 711	17 494	64 304		
191	1 413 646	222 415			2014/12/31	2015/02/20
180	319 724		26 239	1 780	2014/12/31	2015/06/14
				54 007	2015/12/31	2016/10/01
172	905 355	180 485		5 265	2015/12/31	2016/03/01
172	1 139 578	100 272		13 258	2016/12/31	2017/09/01
				9 278	2017/12/31	2018/09/01
172	1 066 157	30 219			2015/09/01	2015/09/01
	4 844 460	533 391	26 239	83 588		

59. Directors' and prescribed officers' remuneration *(continued)*

Outstanding cash-based long-term awards

	Value under award at 1 January 2016 R	Maximum potential value at 1 January 2016 R	Value awarded in the year R	Value released in the year R
Executive directors				
Maria Ramos				
Cash Value Plan 2014 – 2016	4 400 000	5 060 000	—	2 200 000
One Africa Long-term Incentive Plan 2012 – 2014[3]	2 285 714	2 285 714	—	2 285 714
Restricted award 2016[1]	—	—	8 000 000	—
Total	6 685 714	7 345 714	8 000 000	4 485 714
David Hodnett				
Cash Value Plan 2014 – 2016	3 400 000	3 910 000	—	1 700 000
One Africa Long-term Incentive Plan 2012 – 2014[3]	1 428 571	1 428 571	—	1 428 571
Restricted award 2016[1]	—	—	7 000 000	—
Total	4 828 571	5 338 571	7 000 000	3 128 571
Jason Quinn[2]				
Cash Value Plan 2014 – 2016	492 800	566 720	—	246 400
Cash Value Plan 2015 – 2017	900 000	990 000	—	300 000
Cash Value Plan 2016 – 2018	—	—	800 000	—
Restricted award 2016[1]	—	—	3 000 000	—
Total	1 392 800	1 556 720	3 800 000	546 400
Prescribed officers				
Craig Bond				
Cash value plan 2014 – 2016	4 200 000	4 830 000	—	2 100 000
Cash value plan 2015 – 2017	4 800 000	5 280 000	—	1 600 000
Cash Value Plan 2016 – 2018	—	—	4 080 000	—
Restricted award 2016[1]	—	—	3 000 000	—
Total	9 000 000	10 110 000	7 080 000	3 700 000
Stephen van Coller				
Cash Value Plan 2014 – 2016	4 300 000	4 945 000	—	2 150 000
One Africa Long-term Incentive Plan 2012 – 2014[1]	1 428 571	1 428 571	—	1 428 571
Total	5 728 571	6 373 571	—	3 578 571
Nomkhita Nqweni				
Cash Value Plan 2014 – 2016	1 200 000	1 380 000	—	600 000
Cash Value Plan 2015 – 2017	1 440 000	1 584 000	—	480 000
Restricted award 2016[1]	—	—	3 000 000	—
Total	2 640 000	2 964 000	3 000 000	1 080 000

Note

[1] Due to JSE listing restrictions, the 2016 Restricted Award has been made in cash but to be settled as equity (subject to relevant regulatory and JSE listing approvals.

[2] Jason Quinn's outstanding cash-based long-term awards include awards received prior to being appointed as an Executive Director in 2016.

[3] The remaining value of the One Africa Long-term incentive plan 2012 – 2014 was released in June 2016 as shares.

Bank
2016

Value forfeited in the year R	Grant credit R	Value under award at 31 December 2016 R	Maximum potential value at 31 December 2016 R	End of performance period	Last scheduled vesting date
—	—	2 200 000	2 860 000	2016/12/31	2017/03/01
—	—	—	—	2014/12/31	2016/06/14
—	—	8 000 000	8 000 000	2017/12/31	2018/09/30
—	—	10 200 000	10 860 000		
—	—	1 700 000	2 210 000	2016/12/31	2017/03/01
—	—	—	—	2014/12/31	2016/06/14
—	—	7 000 000	7 000 000	2017/12/31	2018/09/30
—	—	8 700 000	9 210 000		
—	—	246 400	320 320	2016/12/31	2017/03/01
—	—	600 000	690 000	2017/12/31	2018/03/01
—	80 000	800 000	880 000	2018/12/31	2019/03/01
—	—	3 000 000	3 000 000	2017/12/31	2018/09/30
—	80 000	4 646 400	4 890 320		
—	—	2 100 000	2 730 000	2016/12/31	2017/03/01
—	—	3 200 000	3 680 000	2017/12/31	2018/03/01
—	408 000	4 080 000	4 488 000	2018/12/31	2019/03/01
—	—	3 000 000	3 000 000	2017/12/31	2018/09/30
—	408 000	12 380 000	13 898 000		
—	—	2 150 000	2 795 000	2016/12/31	2017/03/01
—	—	—	—	2014/12/31	2016/06/14
—	—	2 150 000	2 795 000		
—	—	600 000	780 000	2016/12/31	2017/03/01
—	—	960 000	1 104 000	2017/12/31	2018/03/01
—	—	3 000 000	3 000 000	2017/12/31	2018/09/30
—	—	4 560 000	4 884 000		

59. Directors' and prescribed officers' remuneration *(continued)*

Outstanding cash-based long-term awards (continued)

	Value under award at 1 January 2015 R	Maximum potential value at 1 January 2015 R	Value awarded in the year R
Executive directors			
Maria Ramos			
Cash Value Plan 2014 – 2016	6 600 000	7 260 000	
One Africa Long-term Incentive Plan 2012 – 2014	4 000 000	20 000 000	
Total	10 600 000	27 260 000	
David Hodnett			
Cash Value Plan 2014 – 2016	5 100 000	5 610 000	
One Africa Long-term Incentive Plan 2012 – 2014	2 500 000	12 500 000	
Total	7 600 000	18 110 000	
Prescribed officers			
Craig Bond			
Cash Value Plan 2014 – 2016	6 300 000	6 930 000	
Cash Value Plan 2015 – 2017			4 800 000
Total	6 300 000	6 930 000	4 800 000
Stephen van Coller			
Cash Value Plan 2014 – 2016	6 450 000	7 095 000	
One Africa Long-term Incentive Plan 2012 – 2014	2 500 000	12 500 000	
Total	8 950 000	19 595 000	
Nomkhita Nqweni			
Cash Value Plan 2014 – 2016	1 800 000	1 980 000	
Cash Value Plan 2015 – 2017			1 440 000
Total	1 800 000	1 980 000	1 440 000
Willie Lategan			
Cash Value Plan 2014 – 2016	2 550 000	2 805 000	
Cash Value Plan 2015 – 2017			1 755 000
One Africa Long-term Incentive Plan 2012 – 2014	1 500 000	7 500 000	
Total	4 050 000	10 305 000	1 755 000

Bank 2015					
Value released in the year R	Value forfeited in the year R	Value under award at 31 December 2015 R	Maximum potential value at 31 December 2015 R	End of performance period	Last scheduled vesting date
2 200 000		4 400 000	5 060 000	2016/12/31	2017/03/01
2 285 714	15 428 572	2 285 714	2 285 714	2014/12/31	2015/06/14
4 485 714	15 428 572	6 685 714	7 345 714		
1 700 000		3 400 000	3 910 000	2016/12/31	2017/03/01
1 428 571	9 642 858	1 428 571	1 428 571	2014/12/31	2015/06/14
3 128 571	9 642 858	4 828 571	5 338 571		
2 100 000		4 200 000	4 830 000	2016/12/31	2017/03/01
		4 800 000	5 280 000	2017/12/31	2018/03/01
2 100 000		9 000 000	10 110 000		
2 150 000		4 300 000	4 945 000	2016/12/31	2017/03/01
1 428 571	9 642 858	1 428 571	1 428 571	2014/12/31	2015/06/14
3 578 571	9 642 858	5 728 571	6 373 571		
600 000		1 200 000	1 380 000	2016/12/31	2017/03/01
		1 440 000	1 584 000	2017/12/31	2018/03/01
600 000		2 640 000	2 964 000		
850 000		1 700 000	1 955 000	2016/12/31	2017/03/01
		1 755 000	1 930 500	2017/12/31	2018/03/01
857 143	5 785 714	857 143	857 143	2014/12/31	2015/06/14
1 707 143	5 785 714	4 312 143	4 742 643		

59. Directors' and prescribed officers' remuneration *(continued)*

Group Chairman and non-executive directors' fees

	Bank 2016					
			Group Subsidiary boards and committees			
	Group Board R	Group Board committees and sub-committees R	Absa Bank R	Absa Financial Services R	Other R	2016 Total R
Colin Beggs[1,2]	518 520	1 710 624	161 187	209 612	140 302	2 740 245
Mohamed Husain[2]	518 520	1 376 010	161 187	—	—	2 055 717
Trevor Munday[2]	518 520	1 551 760	161 187	—	—	2 231 467
Wendy Lucas-Bull (Group Chairman)[3]	5 275 300	—	—	—	—	5 275 300
Yolanda Cuba[2,6]	518 520	467 814	78 921	—	—	1 065 255
Thembisa Skweyiya (formerly T Dingaan)	—	—	322 379	287 853	223 988	834 220
Thoko Mokgosi-Mwantembe[4]	—	—	240 110	—	—	240 110
Paul O'Flaherty	479 662	915 411	148 313	—	—	1 543 386
Tasneem Abdool-Samad[5]	—	—	237 251	277 520	—	514 771
Total	7 829 042	6 021 619	1 510 535	774 985	364 290	16 500 471

	Bank 2015					
			Group Subsidiary boards and committees			
	Group Board R	Group Board committees and sub-committees[5] R	Absa Bank R	Absa Financial Services R	Other R	2015 Total R
Colin Beggs[1,2]	457 496	1 382 877	151 580	66 133	152 575	2 210 661
Mohamed Husain[2]	457 496	1 129 707	151 580	—	—	1 738 783
Trevor Munday[2]	457 496	1 585 545	151 580	—	—	2 194 621
Wendy Lucas-Bull (Chairman)[3]	4 960 800	—	—	—	—	4 960 800
Yolanda Cuba[2,6]	457 496	354 344	151 580	—	—	963 420
Thembisa Dingaan	—	—	303 160	—	84 944	388 104
Thoko Mokgosi-Mwantembe[4]	—	—	303 160	—	—	303 160
Past directors						
Shauket Fakie	—	—	148 665	—	—	148 665
Total	6 790 784	4 452 473	1 361 305	66 133	237 519	12 908 214

Notes

[1] Member of the Group Actuarial Review Committee and AFS Audit Risk and Compliance Committee (under Absa Financial Services); and a Trustee of the Absa Group Pension Fund (reported under Other).

[2] Chairmen of sub-committees receive additional fees.

[3] Fee applicable to the Group Chairman, which covers chairmanship and membership of all Board committees and sub-committees. A decision was taken by the Directors' Affairs Committee in early 2017, to provide the Chairman with compensation, on an equivalent basis to the other members, for ad hoc committee meetings in 2016 relating to the Barclays PLC sell-down. This will be implemented in 2017.

[4] Thoko Mokgosi-Mwantembe resigned 30 September 2016.

[5] Tasneem Abdool-Samad joined 15 May 2016.

[6] Yolanda Cuba resigned from Absa Bank on 30 June 2016.

Company statement of financial position

as at 31 December

	Note	Company 2016 Rm	Company 2015 Rm
Assets			
Cash, cash balances and balances with central banks	2	**28 213**	26 068
Investment securities	3	**83 695**	72 379
Loans and advances to banks	4	**38 278**	57 009
Trading portfolio assets	5	**74 462**	116 455
Hedging portfolio assets	5	**1 734**	2 216
Other assets	6	**16 500**	18 724
Current tax assets		**605**	401
Non-current assets held for sale	7	**—**	109
Loans and advances to customers	8	**623 705**	598 305
Loans to Group companies	10	**31 806**	25 909
Investments in associates and joint ventures	11	**100**	100
Subsidiaries	12	**624**	687
Property and equipment	13	**12 718**	10 945
Goodwill and intangible assets	14	**2 227**	1 917
Deferred tax assets		**2**	—
Total assets		**914 669**	931 224
Liabilities			
Deposits from banks	16	**60 185**	61 026
Trading portfolio liabilities	17	**42 503**	87 567
Hedging portfolio liabilities	17	**2 054**	4 531
Other liabilities	18	**20 912**	17 981
Provisions	19	**1 978**	1 969
Current tax liabilities		**2**	73
Deposits due to customers	20	**565 612**	560 612
Debt securities in issue	21	**138 007**	125 681
Borrowed funds	22	**15 679**	12 954
Deferred tax liabilities	15	**1 017**	104
Total liabilities		**847 949**	872 498
Equity			
Capital and reserves			
Attributable to equity holders of the Company:			
Ordinary share capital	23	**304**	304
Ordinary share premium	23	**24 964**	21 455
Preference share capital	23	**1**	1
Preference share premium	23	**4 643**	4 643
Retained earnings	24	**34 563**	31 178
Other reserves	24	**2 245**	1 145
Total equity		**66 720**	58 726
Total liabilities and equity		**914 669**	931 224

Company statement of comprehensive income

for the reporting period ended 31 December

	Note	Company 2016 Rm	2015 Rm
Net interest income		**28 207**	27 002
Interest and similar income	25	**68 955**	60 296
Interest expense and similar charges	26	**(40 748)**	(33 294)
Non-interest income		**19 692**	19 127
Net fee and commission income		**16 094**	15 672
Fee and commission income	27	**17 553**	16 966
Fee and commission expense	27	**(1 459)**	(1 294)
Gains and losses from banking and trading activities	28	**2 967**	2 097
Gains and losses from investment activities	29	**1**	768
Other operating income	30	**630**	590
Total income		**47 899**	46 129
Impairment losses on loans and advances	9.1	**(6 392)**	(5 099)
Operating income before operating expenditure		**41 507**	41 030
Operating expenditure	31	**(27 396)**	(26 183)
Other expenses		**(1 570)**	(994)
Other impairments	32	**(574)**	48
Indirect taxation	33	**(996)**	(1 042)
Share of post-tax results of associates and joint ventures		**15**	—
Operating profit before income tax		**12 556**	13 853
Taxation expense	34	**(3 435)**	(3 628)
Profit for the reporting period		**9 121**	10 225

Profit attributable to:

	Note	2016 Rm	2015 Rm
Ordinary equity holders		**8 770**	9 904
Preference equity holders		**351**	321
		9 121	10 225

Earnings per share:

	Note	2016 Rm	2015 Rm
Basic earnings per share (cents per share)	35	**2 099,6**	2 466,7
Diluted earnings per share (cents per share)	35	**2 099,6**	2 466,7

Company statement of comprehensive income

for the reporting period ended 31 December

	Note	Company 2016 Rm	Company 2015 Rm
Profit for the reporting period		9 121	10 225
Other comprehensive income			
Items that will not be reclassified to profit or loss		(12)	9
Movement in retirement benefit fund assets and liabilities		(12)	9
(Decrease)/increase in retirement benefit surplus		(17)	12
Deferred tax	15	5	(3)
Items that are or may be subsequently reclassified to profit or loss		932	(2 403)
Movement in foreign currency translation reserve		(448)	145
Differences on translation of foreign operations		(128)	412
Gains released to profit or loss		(320)	(267)
Movement in cash flow hedging reserve		1 726	(2 222)
Fair value (losses)/gains arising during the reporting period		2 714	(2 028)
Amount removed from other comprehensive income and recognised in profit or loss		(314)	(1 058)
Deferred tax	15	(674)	864
Movement in available-for-sale reserve		(346)	(326)
Fair value losses arising during the reporting period		(474)	(671)
Release to profit or loss		(3)	210
Deferred tax	15	131	135
Total comprehensive income for the year		10 041	7 831
Total comprehensive income attributable to:			
Ordinary equity holders		9 690	7 510
Preference equity holders		351	321
		10 041	7 831

Company statement of changes in equity

for the reporting period ended 31 December

Company

2016

	Number of ordinary shares[1] '000	Share capital Rm	Share premium Rm	Preference share capital Rm	Preference share premium Rm
Balance at the beginning of the reporting period	**412 798**	**304**	**21 455**	**1**	**4 643**
Total comprehensive income for the reporting period	—	—	—	—	—
Profit for the reporting period	—	—	—	—	—
Other comprehensive income	—	—	—	—	—
Dividends paid during the reporting period	—	—	—	—	—
Shares issued	18 520	0	3 500	—	—
Purchase of Barclays Africa Group Limited shares in respect of equity-settled share-based payment arrangements	—	—	—	—	—
Transfer of vesting options	—	—	9	—	—
Movement in share-based payment reserve	—	—	—	—	—
Transfer from share-based payments reserve	—	—	—	—	—
Value of employee services	—	—	—	—	—
Conversion from cash-settled, to equity-settled schemes	—	—	—	—	—
Deferred tax	—	—	—	—	—
Balance at the end of the reporting period	**431 318**	**304**	**24 964**	**1**	**4 643**
Note	23	23	23	23	23

2015

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Preference share capital Rm	Preference share premium Rm
Balance at the beginning of the reporting period	396 151	303	16 465	1	4 643
Total comprehensive income for the reporting period	—	—	—	—	—
Profit for the reporting period	—	—	—	—	—
Other comprehensive income	—	—	—	—	—
Dividends paid during the reporting period	—	—	—	—	—
Shares issued	16 647	1	5 000	—	—
Purchase of Barclays Africa Group Limited shares in respect of equity-settled share-based payment arrangements	—	—	(10)	—	—
Movement in share-based payment reserve	—	—	—	—	—
Value of employee services	—	—	—	—	—
Conversion from cash-settled, to equity-settled schemes	—	—	—	—	—
Deferred tax	—	—	—	—	—
Balance at the end of the reporting period	412 798	304	21 455	1	4 643
Note	23	23	23	23	23

Note

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

[1] This includes ordinary shares and 'A' ordinary shares.

Company statement of changes in equity

for the reporting period ended 31 December

Company

2016

	Retained earnings Rm	Total other reserves Rm	Available-for-sale reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Capital reserve Rm	Share-based payment reserve Rm	Total equity Rm
	31 178	1 145	599	(1 871)	448	1 422	547	58 726
	9 109	932	(346)	1 726	(448)	—	—	10 041
	9 121	—	—	—	—	—	—	9 121
	(12)	932	(346)	1 726	(448)	—	—	920
	(5 851)	—	—	—	—	—	—	(5 851)
	—	—	—	—	—	—	—	3 500
	(198)	—	—	—	—	—	—	(198)
	325	—	—	—	—	—	—	334
	—	168	—	—	—	—	168	168
	—	(315)	—	—	—	—	(315)	(315)
	—	411	—	—	—	—	411	411
	—	30	—	—	—	—	30	30
	—	42	—	—	—	—	42	42
	34 563	2 245	253	(145)	—	1 422	715	66 720
			24	24	24	24	24	

2015

	Retained earnings Rm	Total other reserves Rm	Available-for-sale reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Capital reserve Rm	Share-based payment reserve Rm	Total equity Rm
	32 535	3 003	925	351	303	1 422	2	56 950
	10 234	(2 403)	(326)	(2 222)	145	—	—	7 831
	10 225	—	—	—	—	—	—	10 225
	9	(2 403)	(326)	(2 222)	145	—	—	(2 394)
	(11 437)	—	—	—	—	—	—	(11 437)
	—	—	—	—	—	—	—	5 001
	(154)	—	—	—	—	—	—	(164)
	—	545	—	—	—	—	545	545
	—	209	—	—	—	—	209	209
	—	373	—	—	—	—	373	373
	—	(37)	—	—	—	—	(37)	(37)
	31 178	1 145	599	(1 871)	448	1 422	547	58 726
			24	24	24	24	24	

Company statement of cash flows

for the reporting period ended 31 December

	Note	Company 2016 Rm	2015 Rm
Cash flow from operating activities			
Interest received		**69 941**	59 665
Interest paid		**(40 272)**	(35 030)
Fees and commission received		**17 553**	16 966
Fee and commission paid		**(1 459)**	(1 295)
Net trading and other expenses		**(5 818)**	(501)
Cash payments to employees and suppliers		**(25 734)**	(23 726)
Dividends received from banking and trading activities		**56**	80
Income taxes paid		**(3 290)**	(3 864)
Cash flow from operating activities before changes in operating assets and liabilities		**10 977**	12 295
Net (increase)/decrease in trading and hedging portfolio assets		**51 853**	(42 299)
Net increase in loans and advances to customers		**(33 579)**	(50 002)
Net increase in investment securities		**(9 135)**	(2 667)
Net decrease/(increase) in other assets		**11 469**	(28 266)
Net (decrease)/increase in trading and hedging portfolio liabilities		**(47 560)**	45 082
Net increase in amounts due to customers and banks		**2 770**	52 853
Net increase in other liabilities		**15 552**	24 323
Net cash generated from operating activities		**2 347**	11 319
Cash flow from investing activities			
Proceeds from disposal of non-current assets held for sale	7	**109**	141
Purchase of property and equipment	13	**(3 327)**	(3 084)
Proceeds from disposal of properties and equipment	13	**332**	148
Purchase of intangible assets			(827)
Proceeds from disposal of intangible assets	14	**(1 286)**	—
Dividends received from investments in associates and joint ventures		**15**	—
Dividends received from investment activities		**18**	766
Net cash utilised from investing activities		**(4 139)**	(2 856)
Cash flow from financing activities			
Issue of 'A' ordinary shares		**3 500**	5 000
Purchase of Barclays Africa Group Limited shares in respect of equity-settled share-based payment arrangements		**(198)**	(164)
Proceeds from borrowed funds		**2 381**	4 500
Repayment of borrowed funds		**—**	(2 000)
Dividends paid		**(5 851)**	(11 437)
Net cash utilised in financing activities		**(168)**	(4 101)
Net (decrease)/increase in cash and cash equivalents		**(1 960)**	4 362
Cash and cash equivalents at the beginning of the reporting period		**14 376**	10 014
Cash and cash equivalents at the end of the reporting period	40	**12 416**	14 376

1. Accounting policies

The financial statements of Absa Bank Limited (the Company) are prepared according to the same accounting policies used in preparing the consolidated financial statements of the Bank. For detailed accounting policies refer to the Bank's financial statements.

2. Cash, cash balances and balances with central banks

	Company 2016 Rm	Company 2015 Rm
Balances with the SARB	**18 552**	17 459
Coins and bank notes	**9 661**	8 607
Money market assets	**—**	2
	28 213	26 068

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 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.

3. Investment securities

	Company 2016 Rm	Company 2015 Rm
Government bonds	**46 780**	45 577
Listed equity instruments	**111**	68
Other debt securities	**13 067**	5 972
Treasury bills	**23 106**	19 924
Unlisted equity and hybrid instruments	**631**	838
	83 695	72 379

Government bonds valued at **R10 006m** (2015: R9 725m) have been pledged with the SARB.

4. Loans and advances to banks

	Company 2016 Rm	Company 2015 Rm
Loans and advances to banks	**38 278**	57 009

Included above are reverse repurchase agreements of **R18 768m** (2015: R21 324m) and other collateralised loans of **R635m** (2015: R2 252m) relating to securities borrowed.

	Company 2016 Rm	Company 2015 Rm
5. Trading and hedging portfolio assets		
Commodities	**1 485**	2 005
Debt instruments	**19 314**	27 528
Derivative assets	**45 025**	77 537
Commodity derivatives	**794**	223
Credit derivatives	**184**	908
Equity derivatives	**1 593**	2 161
Foreign exchange derivatives	**15 121**	26 996
Interest rate derivatives	**27 333**	47 249
Equity instruments	**1 008**	1 409
Money market assets	**7 630**	7 976
Total trading portfolio assets	**74 462**	116 455
Hedging portfolio assets	**1 734**	2 216
	76 196	118 671

Trading portfolio assets with a carrying values of **R13 820m** (2015: R15 402m) and **R2 649m** (2015: R2 001m) were pledged as security for repurchase and scrip lending agreements respectively. 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.

	Company 2016 Rm	Company 2015 Rm
6. Other assets		
Accounts receivable and prepayments	**12 426**	10 847
Deferred costs	**123**	198
Inventories	**4**	15
Cost	**6**	46
Write-down	**(2)**	(31)
Retirement benefit fund surplus (refer to note 37 of the Bank's financial statements)	**466**	466
Settlement accounts	**3 481**	7 198
	16 500	18 724

	Company 2016 Rm	Company 2015 Rm
7. Non-current assets held for sale		
Balance at the beginning of the reporting period	**109**	250
Disposals	**(109)**	(141)
Balance at the end of the reporting period	**—**	109

The following movements in non-current assets held for sale were effected during the current financial reporting period:
- CPF disposed of an investment security with a carrying value of R15m.
- Head Office disposed of property and equipment with a carrying value of R94m.

The following movements in non-current assets held for sale were effected in the previous financial reporting period:
- CPF disposed of investment securities with a carrying value of R39m.
- Head Office disposed of property and equipment with a carrying value of R102m.

	Note	Company 2016 Rm	Company 2015 Rm
8. Loans and advances to customers			
Corporate overdrafts and specialised finance loans		**8 285**	8 784
Credit cards		**31 376**	32 847
Foreign currency loans		**27 354**	22 419
Instalment credit agreements (refer to note 8.1)		**72 110**	71 261
Gross advances		**89 531**	87 701
Unearned finance charges		**(17 421)**	(16 440)
Loans to associates and joint ventures (refer to note 42.5 of the Bank's financial statements)		**20 183**	17 079
Microloans		**3 544**	2 870
Mortgages		**268 104**	270 062
Other advances		**5 980**	4 831
Overdrafts		**35 945**	31 287
Overnight finance		**15 552**	15 236
Personal and term loans		**31 920**	30 426
Preference shares		**14 081**	12 294
Reverse repurchase agreements (Carries)		**16 116**	20 310
Wholesale overdrafts		**87 160**	70 471
Gross loans and advances to customers		**637 710**	610 177
Impairment losses on loans and advances	9	**(14 005)**	(11 872)
		623 705	598 305

Included above are collateralised loans of **R191m** (2015: R1 086m) 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 working capital solutions and collateralised loans.

	Company 2016 Gross advances Rm	Company 2016 Unearned finance charges Rm	Company 2016 Net advances Rm	Company 2015 Gross advances Rm	Company 2015 Unearned finance charges Rm	Company 2015 Net advances Rm
8.1 Instalment credit						
Maturity analysis						
Less than one year	**27 490**	**(6 977)**	**20 513**	27 911	(6 582)	21 329
Between one and five years	**59 347**	**(10 293)**	**49 054**	57 353	(9 740)	47 613
More than five years	**2 694**	**(151)**	**2 543**	2 437	(118)	2 319
	89 531	**(17 421)**	**72 110**	87 701	(16 440)	71 261

The Company enters into installment 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 installment credit agreements at the reporting date are **R5 962m** (2015: R5 529m).

The accumulated allowance for uncollectible lease payments receivable included in the allowance for impairments at the reporting date is **R1 609m** (2015: R890m).

	Company 2016 Rm	Company 2015 Rm
9. Impairment losses on loans and advances to customers		
Comprising:		
Identified impairments	11 809	10 130
Unidentified impairments	2 196	1 742
	14 005	11 872
Reconciliation of allowances for impairment losses on loans and advances to customers		
Balance at beginning of the reporting period	11 872	12 213
Net present value unwind on non-performing book	(694)	(721)
Amount written-off	(4 389)	(5 479)
Impairment raised – identified	6 779	5 652
Impairment raised – unidentified	437	207
Balance at the end of the reporting period	14 005	11 872
9.1 Statement of comprehensive income charge during the reporting period		
Impairment raised during the reporting period	7 216	5 859
Identified impairments	6 779	5 652
Unidentified impairments	437	207
Recoveries of loans and advances previously written off	(824)	(760)
	6 392	5 099

	Company 2016 Rm	Company 2015 Rm
10. Loans to Group companies		
Fellow subsidiaries	31 806	25 909

	Company 2016 Rm	Company 2015 Rm
11. Investments in associates and joint ventures		
Unlisted investments	100	100
11.1 Movement in the carrying value of associates and joint ventures		
Balance at the beginning of the reporting period	100	100
Balance at the end of the reporting period	100	100

	Company 2016 Rm	Company 2015 Rm
12. Subsidiaries		
Shares at cost[1]	209	211
Loans to subsidiary companies	415	476
	624	687

The decrease in 'Shares at cost' is due to the winding up and deregistration of a subsidiary.

The 'Loans to subsidiary companies' comprise non-interest bearing instruments that are repayable on demand. The decrease in this balance during the current reporting period is due to the settlement of a loan made to a foreign operation.

Refer to note 42.3 and 42.5 in the Bank's financial statements for the list of significant subsidiaries, joint ventures and associates per IAS 27:17(b) requirements.

	Company					
	2016			2015		
	Cost Rm	Accumulated depreciation and/or impairments Rm	Carrying value Rm	Cost Rm	Accumulated depreciation and/or impairments Rm	Carrying value Rm
13. Property and equipment						
Computer equipment	7 007	(3 577)	3 430	6 022	(3 090)	2 932
Freehold property	6 392	(339)	6 053	6 167	(332)	5 835
Furniture and other equipment	5 468	(2 233)	3 235	4 412	(2 234)	2 178
Motor vehicles	2	(2)	—	2	(2)	—
	18 869	(6 151)	12 718	16 603	(5 658)	10 945

	Company 2016				
	Opening balance Rm	Additions Rm	Disposals Rm	Depreciation Rm	Closing balance Rm
Reconciliation of property and equipment					
Computer equipment	2 932	1 225	(12)	(715)	3 430
Freehold property	5 835	372	(139)	(15)	6 053
Furniture and other equipment	2 178	1 730	(160)	(513)	3 235
Motor vehicles	—	—	—	—	—
	10 945	3 327	(311)	(1 243)	12 718
Note				31	

Note

[1] Management has reassessed an amount of R12m that was previously disclosed within "Shares at cost", and has considered presentation of this amount within "Loans to subsidiary companies" to be more appropriate.

13. Property and equipment *(continued)*

Reconciliation of property and equipment

	2015				
	Opening balance Rm	Additions Rm	Disposals Rm	Depreciation Rm	Closing balance Rm
Computer equipment	2 020	1 563	(17)	(634)	2 932
Freehold property	4 954	908	(11)	(16)	5 835
Furniture and other equipment	2 156	614	(92)	(500)	2 178
Motor vehicles	—	—	—	—	—
	9 130	3 085	(120)	(1 150)	10 945
Note				31	

Included in the above additions is **R2 021m** (2015: R286m) that relates to expenditure capitalised to the cost of property and equipment during the course of its construction. During the year under review, an amount of **R961m** (2015: R236m) was transferred from assets under construction and brought into use.

14. Goodwill and intangible assets

	Company					
	2016			2015		
	Cost Rm	**Accumulated amortisation and/or impairments Rm**	**Carrying value Rm**	Cost Rm	Accumulated amortisation and/or impairments Rm	Carrying value Rm
Computer software development costs	**4 289**	**(2 128)**	**2 161**	3 005	(1 472)	1 533
Customer lists and relationships	**410**	**(410)**	**—**	482	(119)	363
Other	**132**	**(66)**	**66**	58	(37)	21
	4 831	**(2 604)**	**2 227**	3 545	(1 628)	1 917

	Company 2016						
	Opening balance Rm	**Additions Rm**	**Disposals Rm**	**Amortisation Rm**	**Impairment charge Rm**	**Transfers Rm**	**Closing balance Rm**
Reconciliation of intangible assets							
Computer software development costs	**1 533**	**1 284**	**—**	**(349)**	**(307)**	**—**	**2 161**
Customer lists and relationships	**363**	**—**	**—**	**(19)**	**(283)**	**(61)**	**—**
Other	**21**	**2**	**—**	**(18)**	**—**	**61**	**66**
	1 917	**1 286**	**—**	**(386)**	**(590)**	**—**	**2 227**
Note				31	32		

14. Goodwill and intangible assets *(continued)*

Reconciliation of intangible assets

	2015						
	Opening balance Rm	Additions Rm	Disposals Rm	Amortisation Rm	Impairment charge Rm	Transfers Rm	Closing balance Rm
Computer software development costs	887	821	—	(175)	—	—	1 533
Customer lists and relationships	395	—	—	(32)	—	—	363
Other	28	6	—	(13)	—	—	21
	1 310	827	—	(220)	—	—	1 917
Note				31	32		

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 **R1 387m** (2015: R691m) relating to assets under construction.

During the current year, two of the Company's intangible assets were impaired. An acquired customer list was fully impaired following an adjustment to the interest rate outlook for the related business. The second impairment relates to the costs previously spent by the Company on the Virtual Bank initiative. In calculating the impairment to be recognised, the Company determined the value in use based on a discounted cash flow methodology.

15. Deferred tax

	Company	
	2016 Rm	2015 Rm
15.1 Reconciliation of net deferred tax liability		
Balance at the beginning of the reporting period	**104**	905
Deferred tax on amounts charged directly to other comprehensive income and equity	**497**	(961)
Charge to profit or loss (refer to note 34)	**420**	154
Tax effect of translation and other differences	**(4)**	6
Balance at the end of the reporting period	**1 017**	104
15.2 Deferred tax liability		
Tax effects of temporary differences between tax and book value for:		
Prepayments, accruals and other provisions[1]	**797**	521
Capital Allowances[1]	**1 005**	562
Cash flow hedge and available for sale reserve[1]	**24**	(517)
Fair value adjustments on financial instruments	**(84)**	86
Impairment of loans and advances	**(479)**	(393)
Lease and rental debtor allowances	**(204)**	(179)
Property allowances	**150**	136
Share-based payments	**(289)**	(264)
Retirement benefit fund assets and liabilities	**97**	152
Net deferred tax liability	**1 017**	104

Notes

[1] 'Capital allowances' have been disaggregated out of 'Prepayments, accruals and other provisions' in both the current (R1 005m) and prior year (R562m) as well as 'Cash flow hedge and available for sale reserve' have been restated out of 'Prepayments, accruals and other provisions' in both the current (R24m) and prior year (-R517m). These restatements to comparatives were done to provide more relevant detail to users of the annual financial statements.

16. Deposits from banks

	Company 2016 Rm	Company 2015 Rm
Call deposits	**5 327**	8 331
Fixed deposits	**18 445**	13 180
Foreign currency deposits	**15 721**	11 325
Notice deposits	**625**	522
Other deposits	**1 135**	5 161
Repurchase agreements	**18 932**	22 507
	60 185	61 026

17. Trading and hedging portfolio liabilities

	Company 2016 Rm	Company 2015 Rm
Derivative liabilities	**40 716**	86 325
Commodity derivatives	**816**	117
Credit derivatives	**236**	893
Equity derivatives	**1 365**	3 825
Foreign exchange derivatives	**13 995**	28 180
Interest rate derivatives	**24 304**	53 310
Short positions	**1 787**	1 242
Total trading portfolio liabilities	**42 503**	87 567
Hedging portfolio liabilities	**2 054**	4 531
	44 557	92 098

18. Other liabilities

	Company 2016 Rm	Company 2015 Rm
Accruals	**1 506**	1 322
Audit fee accrual	**41**	36
Creditors	**8 680**	6 456
Deferred income	**190**	231
Settlement balances	**10 135**	9 575
Share-based payment liability (refer to note 49)	**360**	361
	20 912	17 981

	Company 2016 Staff bonuses and incentive provision Rm	Company 2016 Sundry provisions Rm	Company 2016 Total Rm
19. Provisions			
Balance at the beginning of the reporting period	1 345	624	1 969
Additions	948	228	1 176
Amounts used	(862)	(273)	(1 135)
Reversals	(6)	(26)	(32)
Balance at the end of the reporting period	1 425	553	1 978

Provisions expected to be recovered or settled within no more than 12 months after the reporting date were **R1 552m** (2015: R1 797m).

Sundry provisions include amounts with respect to conduct and fraud cases, litigation and onerous contracts.

20. Deposits due to customers

	Company 2016 Rm	Company 2015 Rm
Call deposits	62 296	72 153
Cheque account deposits	153 657	151 472
Credit card deposits	1 906	2 002
Fixed deposits	128 903	131 167
Foreign currency deposits	23 325	26 168
Notice deposits	59 358	48 954
Other	1 989	1 554
Repurchase agreements	3 970	4 620
Saving and transmission deposits	130 208	122 522
	565 612	560 612

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

	Company 2016 Rm	Company 2015 Rm
Credit linked notes	10 295	11 597
Floating rate notes	60 441	54 721
Negotiable certificates of deposit	43 333	32 842
Other	458	331
Promissory notes	1 171	1 232
Senior notes	22 307	24 703
Structured notes and bonds	2	255
	138 007	125 681

			Company	
			2016	2015
			Rm	Rm

22. Borrowed funds

Subordinated callable notes issued by Absa Bank Limited

The following subordinated debt instruments qualify as Tier 2 capital in terms of Basel III.

Interest rate	***Final maturity date***	***Notes***	**2016 Rm**	2015 Rm
8,295%	21 November 2023	i	**1 188**	1 188
10,28%	3 May 2022	ii	**600**	600
Three-month Johannesburg Interbank Agreed Rate (JIBAR) + 2,10%	3 May 2022	iii	**400**	400
Three-month JIBAR + 1,95%	21 November 2022	iv	**1 805**	1 805
Three-month JIBAR + 2,05%	21 November 2023	v	**2 007**	2 007
Consumer Price Index (CPI) linked notes, fixed at the following coupon rates: 5,50%	7 December 2028	vi	**1 500**	1 500
10,05%	5 February 2025	vii	**807**	807
10,835%	19 November 2024	viii	**130**	130
11.365%	4 September 2025	ix	**508**	508
11.40%	29 September 2025	x	**288**	288
11.74%	20 August 2026	xi	**140**	—
11.81%	3 September 2027	xii	**737**	737
12.43%	5 May 2026	xiii	**200**	—
Three-month Johannesburg Interbank Agreed Rate (JIBAR)				
Three-month JIBAR + 3,30%	19 November 2024	xiv	**370**	370
Three-month JIBAR + 3,50%	5 February 2025	xv	**1 693**	1 693
Three-month JIBAR + 3,50%	4 September 2025	xvi	**437**	437
Three-month JIBAR + 3,60%	3 September 2027	xvii	**30**	30
Three-month JIBAR + 4%	5 May 2026	xviii	**31**	—
Three-month JIBAR + 4%	20 August 2026	xix	**1 510**	—
Three-month JIBAR + 4%	3 November 2026	xx	**500**	—
Accrued interest			**842**	682
Fair value adjustments on total subordinated debt instruments			**(44)**	(228)
			15 679	12 954

i 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 option.

ii. 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 2022. 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.

iii. 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 2022. 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%.

iv 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.

v. 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 2018. 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 2018. If Absa Bank Limited does not exercise the redemption option, there is no step-up in the coupon rate.

vi. 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 2028. If Absa Bank Limited does not exercise the redemption option, a coupon step up of 150 basis points (bps) shall apply.

22. Borrowed funds *(continued)*

vii. 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.

viii. 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 19 November 2019. There is no step-up in the coupon rate if Absa Bank Limited does not exercise the redemption option.

ix. 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.

x. 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.

xi. The 11,74% fixed rate notes may be redeemed in full at the option of Absa Bank Limited on 20 August 2021. Interest is paid semi-annually in arrears on 20 August and 20 February. Absa Bank Limited has an option to exercise the redemption on any interest payment date after 20 August 2021. If Absa Bank Limited does not exercise the redemption option, there is no step-up in the coupon rate.

xii. 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.

xiii. The 12,43% fixed rate notes may be redeemed in full at the option of Absa Bank Limited on 5 May 2021. Interest is paid semi-annually in arrears on 5 May and 5 November. Absa Bank Limited has the option to exercise the redemption on any interest payment date after 5 May 2021. 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 3,30% 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.

xv. 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.

xvi. 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 4 September 2020. If Absa Bank Limited does not exercise the redemption option, there is no step-up in the coupon rate.

xvii. 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 3 September 2022. If Absa Bank Limited does not exercise the redemption option, there is no step-up in the coupon rate.

xviii. The three month JIBAR plus 4% floating rate notes may be redeemed in full at the option of Absa Bank Limited on 5 May 2021. 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 May 2021. If Absa Bank Limited does not exercise the redemption option, there is no step-up in the coupon rate.

xix. The three month JIBAR plus 4% floating rate notes may be redeemed in full at the option of Absa Bank Limited on 20 August 2021. Interest is paid quarterly in arrears on 20 February, 20 May, 20 August and 20 November. Absa Bank Limited has the option to exercise the redemption on any interest payment date after 20 August 2021 .If Absa Bank Limited does not exercise the redemption option, there is no step-up in the coupon rate.

xx. The three month JIBAR plus 4% floating rate notes may be redeemed in full at the option of Absa Bank Limited on 3 November 2021. Interest is paid quarterly in arrears on 3 February, 3 May, 3 August and 3 November. Absa Bank Limited has the option to exercise the redemption on any interest payment date after 3 November 2021. If Absa Bank Limited does not exercise the redemption option, there is no step-up in the coupon rate.

Notes i to vi are listed on the Bond Exchange of South Africa (BESA).

In accordance with its MOI, the borrowing powers of the Company are unlimited.

	Company 2016 Rm	Company 2015 Rm
23. Share capital and premium		
23.1 Ordinary share capital		
Authorised		
320 000 000 (2015: 320 000 000) ordinary shares of R1,00 each	**320**	320
250 000 000 (2015: 250 000 000) 'A' ordinary shares of R0,01 each	**3**	3
	323	323
Issued		
302 609 359 (2015: 302 609 359) ordinary shares of R1,00 each	**303**	303
128 708 264 (2015: 110 188 222) 'A' ordinary shares of R0,01 each	**1**	1
	304	304
Total issued capital		
Share capital	**304**	304
Share premium	**24 964**	21 455
	25 268	21 759

Authorised shares

There were no changes to the 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 AGM of the Company.

Shares issued during the year under review

An additional 18 520 042 'A' ordinary shares were issued during the current reporting period.

Shares issued during the prior year

An additional 16 646 332 'A' ordinary shares were issued during the prior reporting period.

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

	Company 2016 Rm	Company 2015 Rm
23.2 Preference share capital and premium		
Authorised		
30 000 000 (2015: 30 000 000) non-cumulative, non-redeemable listed preference shares of R0,01 each	**1**	1
Issued		
4 944 839 (2015: 4 944 839) non-cumulative, non-redeemable listed preference shares of R0,01 each	**1**	1
Total issued capital		
Share capital	**1**	1
Share premium	**4 643**	4 643
	4 644	4 644

The preference shares have a dividend rate of 70% of the prime overdraft lending rate. The holders of the preference 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 if a resolution is proposed 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 the profit or loss component of the statement of comprehensive income.

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 the profit and loss component of the statement of comprehensive income, 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. If the options lapse before vesting, the related reserve is reversed through the profit and loss component of the statement of comprehensive income.

24.6 Retained earnings

Retained earnings comprises of the cumulative total comprehensive income recognised from inception (reduced by any amounts transferred to a separate reserve), and reduced by dividends paid to date and any total comprehensive income relating to disposed subsidiaries.

	Company 2016 Rm	Company 2015 Rm
25. Interest and similar income		
Interest and similar income is earned from:		
Cash, cash balances and balances with central banks	5	1
Fair value adjustments on hedging instruments	(1 935)	2 365
Investment securities	7 476	3 745
Loans and advances to banks	1 063	676
Loans and advances to customers	60 141	51 490
Corporate overdrafts and specialised finance loans	801	442
Credit cards	5 046	5 106
Foreign currency loans	727	614
Instalment credit agreements	7 682	7 115
Interest on impaired financial assets	694	721
Loans to associates and joint ventures	1 481	1 135
Microloans	823	617
Mortgages	25 150	21 684
Other advances	737	713
Overdrafts	3 780	3 109
Overnight finance	1 350	1 095
Personal and term loans	4 267	3 655
Preference shares	1 002	709
Wholesale overdrafts	6 601	4 775
Other interest	2 205	2 019
	68 955	60 296
Classification of interest and similar income		
Fair value adjustments on amortised cost and available-for-sale financial assets held in a fair value hedging relationship	1 340	(1 591)
Investment securities	1 736	(1 523)
Loans and advances to customers	(396)	(68)
Fair value adjustments on hedging instruments	(1 750)	2 630
Cash flow hedges	268	1 111
Economic hedges	153	75
Fair value hedges	(2 171)	1 444
Interest on financial assets held at amortised cost	69 779	57 036
Interest on financial assets held as available-for-sale	1 188	736
Interest on financial assets designated at fair value through profit or loss	(1 602)	1 485
Fair value hedging instruments	(185)	(265)
Investment securities	1 045	1 623
Loans and advances to customers	(2 462)	127
	68 955	60 296

Interest income on 'other advances' includes items such as interest on factored debtors' books.

Other interest includes items such as overnight interest on contracts for difference as well as interest income on defined benefit plan assets.

	Company 2016 Rm	Company 2015 Rm
26. Interest expense and similar charges		
Interest expense and similar charges are paid on:		
Borrowed funds	1 580	880
Debt securities in issue	10 445	7 347
Deposits due to customers	26 403	23 609
Call deposits	5 019	3 737
Cheque account deposits	3 856	3 861
Credit card deposits	7	8
Fixed deposits	7 597	7 514
Foreign currency deposits	13	37
Notice deposits	4 030	3 194
Other	261	500
Savings and transmission deposits	5 620	4 758
Deposits from banks	2 804	1 292
Call deposits	410	466
Fixed deposits	2 394	815
Foreign currency deposit	—	11
Fair value adjustments on hedging instruments	(891)	573
Other	407	(407)
	40 748	33 294
Classification of interest and similar charges		
Fair value adjustments on amortised cost financial liabilities held in a fair value hedging relationship	1 506	(582)
Borrowed funds	811	153
Debt securities in issue	695	(735)
Fair value adjustments on hedging instruments	(855)	717
Cash flow hedges	8	(135)
Economic hedges	—	10
Fair value hedges	(863)	842
Interest on financial liabilities designated at fair value through profit or loss	(42)	(142)
Debt securities in issue	(6)	2
Fair value hedging instruments	(36)	(144)
Interest on financial liabilities held at amortised cost	40 139	33 301
	40 748	33 294

Other interest and similar charges includes items such as interest expense on the defined benefit liability and overnight interest on contracts for difference.

	Company 2016 Rm	Company 2015 Rm
27. Net fee and commission income		
Asset management and other related fees	**54**	58
Consulting and administration fees	**162**	145
Credit-related fees and commissions	**14 807**	14 314
Cheque accounts	**4 257**	4 110
Credit cards	**2 075**	1 758
Electronic banking	**4 814**	4 707
Other	**1 378**	1 448
Savings accounts	**2 283**	2 291
Insurance commission received	**531**	524
Asset management, markets execution and investment banking fees	**400**	333
Merchant income	**1 471**	1 451
Other	**78**	93
Trust and other fiduciary service fees	**50**	48
Portfolio and other management fees	**38**	35
Trust and estate income	**12**	13
Fee and commission income	**17 553**	16 966
Fee and commission expense	**(1 459)**	(1 294)
Cheque processing fees	**(134)**	(127)
Clearing and settlement charges[1]	**(648)**	(519)
Notification fees[1]	**(202)**	(192)
Other[1]	**(362)**	(332)
Valuation fees	**(113)**	(124)
	16 094	15 672
27.1 Included above are net fees and commissions linked to financial instruments not at fair value		
Cheque accounts	**4 257**	4 110
Credit cards	**2 075**	1 758
Electronic banking	**4 814**	4 707
Other	**1 378**	1 448
Savings accounts	**2 283**	2 291
Fee and commission income	**14 807**	14 314
Fee and commission expense	**(1 149)**	(1 031)
	13 658	13 283

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

Note

[1] The Company has reassessed the presentation of the component net fee and commission expenditure. 'Clearing and settlement charges', and 'Notification fees' are separately presented in the current reporting period. In the previous reporting period, these amounts were included within 'Other fee and commission expense'.

	Company 2016 Rm	Company 2015 Rm
28. Gains and losses from banking and trading activities		
Net losses on investments	(25)	(276)
Debt instruments designated at fair value through profit or loss	(8)	18
Equity instruments designated at fair value through profit or loss	(20)	(84)
Available-for-sale unwind from reserves	3	(210)
Net trading result	2 880	2 343
Net trading income excluding the impact of hedge accounting	2 970	2 493
Ineffective portion of hedges	(90)	(150)
Cash flow hedges	(53)	(188)
Fair value hedges	(37)	38
Other gains	112	30
	2 967	2 097
Net trading result and other gains on financial instruments		
Net trading income excluding the impact of hedging accounting	2 970	2 481
(Losses)/gains on financial instruments designated at fair value through profit or loss	(3 432)	7 362
Net losses on financial assets designated at fair value through profit or loss	(565)	(1 035)
Net (losses)/gains on financial liabilities designated at fair value through profit or loss	(2 867)	8 397
Gains/(losses) on financial instruments held for trading	6 402	(4 881)
Other gains	112	30
Gains on financial instruments designated at fair through profit or loss	60	16
Gains on financial instruments held for trading	52	14

	Company 2016 Rm	Company 2015 Rm
29. Gains and losses from investment activities		
Other gains	1	768

	Company 2016 Rm	Company 2015 Rm
30. Other operating income		
Foreign exchange differences, including amounts recycled from other comprehensive income	314	313
Profit on disposal of property and equipment	—	12
(Loss)/profit on sale of repossessed properties	(25)	12
Gross sales	23	37
Cost of sales	(48)	(25)
Rental income	19	23
Sundry income	322	230
	630	590

'Sundry income' includes service fees levied on asset finance as well as profit on disposal of non-core assets.

	Company 2016 Rm	Company 2015 Rm
31. Operating expenses		
Administration fees	**771**	826
Amortisation of intangible assets (refer to note 14)	**386**	220
Auditors' remuneration	**219**	194
Audit fees – current reporting period	**130**	130
Audit fees – under provision	**7**	8
Audit-related fees	**44**	47
Other services	**38**	9
Cash transportation	**820**	756
Depreciation (refer to note 13)	**1 243**	1 150
Equipment costs	**189**	194
Rentals	**58**	56
Maintenance	**131**	138
Information technology	**2 722**	1 919
Marketing costs	**1 287**	1 447
Operating lease expenses on properties	**1 210**	1 261
Other	**(124)**	7
Printing and stationery	**261**	255
Professional fees	**1 398**	1 520
Property costs	**1 192**	1 066
Staff costs	**15 117**	14 667
Bonuses	**1 362**	1 343
Other	**438**	476
Salaries and current service costs on post-retirement benefits	**12 379**	12 053
Share-based payments (refer to note 49 of the Bank's financial statements)	**643**	549
Training costs	**295**	246
Telephone and postage	**705**	701
	27 396	26 183

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 totaling **R257m** (2015: R234m).

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

	Company 2016 Rm	Company 2015 Rm
Reversal of impairment raised on financial instruments	(12)	(43)
Other	586	(5)
Intangible assets (refer to note 14)	590	—
Subsidiaries	(4)	(5)
	574	(48)

33. Indirect taxation

	Company 2016 Rm	Company 2015 Rm
Training levy	121	118
VAT net of input credits	875	924
	996	1 042

34. Taxation expense

	Company 2016 Rm	Company 2015 Rm
Current		
Foreign taxation	24	60
South African current tax	2 985	3 353
South African current tax – previous reporting period	6	61
	3 015	3 474
Deferred		
Deferred tax (refer to note 15)	420	154
Accelerated wear and tear	148	152
Allowances for loan losses	(86)	(18)
Fair value adjustments	(18)	(37)
Other provisions	453	126
Other temporary differences	(77)	(69)
	3 435	3 628
Reconciliation between operating profit before income tax and the taxation expense		
Operating profit before income tax	12 556	13 853
Share of post-tax results of associates and joint ventures	(15)	—
	12 541	13 853
Tax calculated at a tax rate of 28%	3 511	3 879
Effect of different tax rates in other countries	19	21
Expenses not deductible for tax purposes	148	195
Income not subject to tax	(410)	(564)
Items of a capital nature	170	18
Other	(3)	79
	3 435	3 628

	Company 2016 Rm	Company 2015 Rm
35. Earnings per share		
Basic and diluted earnings per share		
Basic earnings per share is calculated by dividing the profit attributable to ordinary equity holders, obtained from the profit or loss, by the weighted average number of ordinary shares in issue during the reporting period.		
Diluted earnings are determined by adjusting profit or loss attributable to the ordinary equity holders 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 ordinary equity holders of Company	**8 770**	9 904
Weighted average number of ordinary shares in issue (millions)	**417,7**	401,5
Issued shares at the beginning of the reporting period	**412,8**	396,2
Shares issued during the reporting period	**4,9**	5,3
Basic earnings per ordinary share/diluted earnings per ordinary share (cents)	**2 099,6**	2 466,7

	Company 2016 Gross Rm	Company 2016 Net Rm	Company 2015 Gross Rm	Company 2015 Net Rm
36. Headline earnings				
Headline earnings is determined as follows:				
Profit attributable to ordinary equity holders of the Company		**8 770**		9 904
Total headline earnings adjustment:		**271**		(132)
IAS 16 – Profit on disposal of property and equipment	**(22)**	**(16)**	(17)	(12)
IAS 21 – Recycled foreign currency translation reserve	**(320)**	**(297)**	(267)	(267)
IAS 36 – Impairment of investments in subsidiaries (refer to note 32)	**(4)**	**(4)**	(5)	(4)
IAS 36 – impairment of intangible assets (refer to notes 32)	**590**	**590**	—	—
IAS 39 – Release of available-for-sale reserves (refer to note 28)	**(3)**	**(2)**	210	151
Headline earnings/diluted headline earnings		**9 041**		9 772
Headline earnings per ordinary share/diluted headline earning per ordinary share (cents)		**2 164,5**		2 433,9

The net amount is reflected after tax.

	Company 2016 Rm	Company 2015 Rm
37. Dividends per share		
Dividends declared to ordinary equity holders		
Interim dividend (29 July 2015: 631,07 cents)	—	2 500
Special dividend **(6 December 2016: 476.12 cents)(10 June 2016: 363,37 cents)** (30 September 2015: 745,15 cents)(31 July 2015: 504,86 cents)	3 500	5 000
Final dividend **(23 February 2017: 486,88017 cents)**(1 March 2016: 484,49896 cents)	2 100	2 000
	5 600	9 500
Dividends declared to preference equity holders		
Interim dividend **(29 July 2016: 3 696,57534 cents)**(29 July 2015: 3 282,8082 cents)	183	162
Final dividend (23 February 2017: 3 644,79452 cents)**(1 March 2016: 3 395,47945 cents)**	180	168
	363	330
Dividends paid to ordinary equity holders		
Final dividend **(1 March 2016: 484,49896 cents)**(3 March 2015: 912,78268 cents)	2 000	3 616
Interim dividend (29 July 2015: 631,07 cents)	—	2 500
Special dividend **(6 December 2016: 476.12 cents)(10 June 2016: 363,37 cents)** (30 September 2015: 745,15 cents)(31 July 2015: 504,86 cents)	3 500	5 000
	5 500	11 116
Dividends paid to preference equity holders		
Final dividend **(1 March 2016: 3 395,47945 cents)**(3 March 2015: 3 210,8904 cents)	168	159
Interim dividend **(29 July 2016: 3 696,57534 cents)**(29 July 2015: 3 282,8082 cents)	183	162
	351	321

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*

Company 2016	Carrying amount of transferred assets Rm	Carrying amount of associated liabilities Rm	Fair value of transferred assets Rm	Fair value of associated liabilities Rm	Net fair value Rm
Loans and advances to customers	38 033	(124)	38 033	(124)	37 909

Company 2015	Carrying amount of transferred assets Rm	Carrying amount of associated liabilities Rm	Fair value of transferred assets Rm	Fair value of associated liabilities Rm	Net fair value Rm
Loans and advances to customers	14 802	—	14 802	—	14 802

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 Company.

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.

	Company 2016 Rm	Company 2015 Rm

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*

	2016 Rm	2015 Rm
Balances		
Deposits from banks	**(691)**	(3 508)
Transactions		
Dividends paid	**5 500**	11 116

39.2 *Balance and transactions with subsidiaries*

The following are balances with and transactions entered into with, subsidiaries:

	2016 Rm	2015 Rm
Balances		
Loans to Group companies	**6 012**	2 059
Subsidiary shares	**624**	687
Transactions		
Interest and similar income	**(110)**	(68)
Net fee and commission income	**0**	(2)
Gains and losses from banking and trading activities	**2**	—
Operating expenditure/(recovered expenses)	**45**	39
Dividends paid	**—**	764

Various terms and conditions are agreed upon, taking into account transfer pricing and relevant tax requirements.

39.3 *Balances and transactions with fellow subsidiaries*

	2016 Rm	2015 Rm
Balances		
Cash, cash balances and balances with central banks	**(0)**	1
Loans and advances to banks	**698**	260
Other assets	**263**	—
Trading portfolio assets	**8**	18
Loans to Absa Group Companies	**25 794**	23 850
Deposits from banks	**(9 086)**	(2 029)
Borrowed funds	**(7 547)**	(5 125)
Trading portfolio liabilities	**(36)**	(268)
Transactions		
Interest and similar income	**(1 260)**	(1 268)
Interest expense and similar charges	**1 263**	584
Net fee and commission income	**(496)**	(491)
Gains and losses from banking and trading activities	**2 020**	(1 653)
Gains and losses from investment activities	**1**	(1)
Other operating income	**(22)**	(20)
Operating expenditure/(recovered expenses)	**(570)**	(524)

	Company	
	2016 (unaudited) Rm	2015 (unaudited) Rm
40. Assets under management and administration		
Other	**2 365**	—
Portfolio management	**2 796**	3 474
Unit trusts	**1 842**	2 455
	7 003	5 929

	Company	
	2016 Rm	2015 Rm
41. Financial guarantee contracts		
Financial guarantee contracts	**746**	758

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.

	Company	
	2016 Rm	2015 Rm
42. Commitments		
Authorised capital expenditure		
Contracted but not provided for	**509**	591

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		
No later than one year	**947**	758
Later than one year and no later than five years	**2 367**	1 742
Later than five years	**1 195**	956
	4 509	3 456

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		
No later than one year	**84**	147
Later than one year and no later than five years	**20**	177
	104	324

The Company has sponsorship commitments in respect of sports, arts and culture sponsorships.

	Company 2016 Rm	Company 2015 Rm
43. Contingencies		
Guarantees	**30 469**	31 266
Irrevocable debt facilities	**122 958**	138 807
Letters of credit	**4 645**	6 319
Other	**135**	21
	158 207	176 413

Guarantees include performance guarantee contracts and payment guarantee contracts.

Irrevocable debt facilities are commitments to extend credit where the Company does not have the right to 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.

	Company 2016 Rm	Company 2015 Rm
44. Cash and cash equivalents		
Cash, cash balances and balances with central banks[1]	**9 661**	8 608
Loans and advances to banks[2]	**2 755**	5 768
	12 416	14 376

Notes
[1] Includes coins and bank notes.
[2] Includes call advances, which are used as working capital for the Bank.

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45. Consolidated statement of financial position summary – IAS 39 classification

	2016 Fair value through profit or loss			
	Designated at fair value Rm	Held for trading Rm	Hedging instruments Rm	Total
Assets				
Cash, cash balances and balances with central banks	—	—	—	—
Investment securities	23 968	—	—	23 968
Loans and advances to banks	19 857	—	—	19 857
Trading portfolio assets	—	72 977	—	72 977
Hedging portfolio assets[2]	—	—	1 734	1 734
Other financial assets	—	—	—	—
Loans and advances to customers	24 076	—	—	24 076
Loans to Group companies	—	—	—	—
Assets outside the scope of IAS 39	—	—	—	—
	67 901	72 977	1 734	142 612
Liabilities				
Deposits from banks	17 672	—	—	17 672
Trading portfolio liabilities	—	42 503	—	42 503
Hedging portfolio liabilities[3]	—	—	2 054	2 054
Other financial liabilities	—	—	—	—
Deposits due to customers	17 163	—	—	17 163
Debt securities in issue	5 267	—	—	5 267
Borrowed funds	—	—	—	—
Liabilities outside the scope of IAS 39	—	—	—	—
	40 102	42 503	2 054	84 659

	2015 Fair value through profit or loss			
	Designated at fair value Rm	Held for trading Rm	Hedging instruments Rm	Total
Assets				
Cash, cash balances and balances with central banks	1	—	—	1
Investment securities	19 030	—	—	19 030
Loans and advances to banks	24 328	—	—	24 328
Trading portfolio assets	—	114 450	—	114 450
Hedging portfolio assets[2]	—	—	2 216	2 216
Other financial assets	17	—	—	17
Loans and advances to customers	28 837	—	—	28 837
Loans to Group companies	—	—	—	—
Assets outside the scope of IAS 39	—	—	—	—
	72 213	114 450	2 216	188 879
Liabilities				
Deposits from banks	16 632	—	—	16 632
Trading portfolio liabilities	—	87 567	—	87 567
Hedging portfolio liabilities[3]	—	—	4 531	4 531
Other financial liabilities	—	—	—	—
Deposits due to customers	17 811	—	—	17 811
Debt securities in issue	6 047	—	—	6 047
Borrowed funds	—	—	—	—
Liabilities outside the scope of IAS 39	—	—	—	—
	40 490	87 567	4 531	132 588

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 **R790m** (2015: R192m) and **R1 263m** (2015: R2 024m) that have been designated as cash flow and fair value hedging instruments respectively.
3 Includes derivative liabilities to the amount of **R627m** (2015: R2 827m) and **R1 107m** (2015: R1 704m) 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.

2016

Available-for-sale: Designated as available-for-sale Rm	Available-for-sale: Hedged items[4] Rm	Available-for-sale: Total Rm	Amortised cost: Designated at amortised cost Rm	Amortised cost: Hedged items[4] Rm	Amortised cost: Total Rm	Assets/liabilities outside the scope of IAS 39[1] Rm	Total assets and liabilities Rm
—	—	—	28 213	—	28 213	—	28 213
31 965	27 762	59 727	—	—	—	—	83 695
—	—	—	18 421	—	18 421	—	38 278
—	—	—	—	—	—	1 485	74 462
—	—	—	—	—	—	—	1 734
—	—	—	14 692	—	14 692	1 807	16 499
—	—	—	599 627	2	599 629	—	623 705
—	—	—	31 806	—	31 806	—	31 806
—	—	—	—	—	—	16 277	16 277
31 965	27 762	59 727	692 759	2	692 761	19 569	914 669
—	—	—	42 513	—	42 513	—	60 185
—	—	—	—	—	—	—	42 503
—	—	—	—	—	—	—	2 054
—	—	—	18 813	—	18 813	2 099	20 912
—	—	—	548 449	—	548 449	—	565 612
—	—	—	122 142	10 598	132 740	—	138 007
—	—	—	6 977	8 702	15 679	—	15 679
—	—	—	—	—	—	2 997	2 997
—	—	—	738 894	19 300	758 194	5 096	847 949

2015

Available-for-sale: Designated as available-for-sale Rm	Available-for-sale: Hedged items[4] Rm	Available-for-sale: Total Rm	Amortised cost: Designated at amortised cost Rm	Amortised cost: Hedged items[4] Rm	Amortised cost: Total Rm	Assets/liabilities outside the scope of IAS 39[1] Rm	Total assets and liabilities Rm
—	—	—	26 067	—	26 067	—	26 068
15 069	38 280	53 349	—	—	—	—	72 379
—	—	—	32 681	—	32 681	—	57 009
—	—	—	—	—	—	2 005	116 455
—	—	—	—	—	—	—	2 216
—	—	—	17 264	—	17 264	1 443	18 724
—	—	—	569 361	107	569 468	—	598 305
—	—	—	25 909	—	25 909	—	25 909
—	—	—	—	—	—	14 159	14 159
15 069	38 280	53 349	671 282	107	671 389	17 607	931 224
—	—	—	44 394	—	44 394	—	61 026
—	—	—	—	—	—	—	87 567
—	—	—	—	—	—	—	4 531
—	—	—	16 029	—	16 029	1 952	17 981
—	—	—	542 801	—	542 801	—	560 612
—	—	—	107 810	11 824	119 634	—	125 681
—	—	—	6 857	6 097	12 954	—	12 954
—	—	—	—	—	—	2 146	2 146
—	—	—	717 891	17 921	735 812	4 098	872 498

46. Fair value disclosures

46.1 Assets and liabilities held at fair value

The following table 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.

	Company							
	2016				2015			
Recurring fair value measurements	**Level 1 Rm**	**Level 2 Rm**	**Level 3 Rm**	**Total Rm**	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Financial assets								
Cash, cash balances and balances with central banks	—	—	—	—	—	1	—	1
Investment securities	50 450	32 181	1 064	83 695	45 840	25 254	1 285	72 379
Loans and advances to banks	—	19 286	571	19 857	—	22 219	2 109	24 328
Trading and hedging portfolio assets	16 425	56 781	1 505	74 711	20 083	95 168	1 415	116 666
Debt instruments	15 417	2 573	1 324	19 314	18 674	7 957	897	27 528
Derivative assets	—	46 578	181	46 759	—	79 235	518	79 753
Commodity derivatives	—	794	—	794	—	223	—	223
Credit derivatives	—	70	114	184	—	885	23	908
Equity derivatives	—	1 526	67	1 593	—	2 118	43	2 161
Foreign exchange derivatives	—	15 121	—	15 121	—	26 996	—	26 996
Interest rate derivatives	—	29 067	—	29 067	—	49 013	452	49 465
Equity instruments	1 008	—	—	1 008	1 409	—	—	1 409
Money market assets	—	7 630	—	7 630	—	7 976	—	7 976
Other assets	—	—	—	—	—	—	17	17
Loans and advances to customers	—	19 186	4 890	24 076	3	21 909	6 925	28 837
Total financial assets	**66 875**	**127 434**	**8 030**	**202 339**	65 926	164 551	11 751	242 228
Financial liabilities								
Deposits from banks	—	17 672	—	17 672	—	16 625	7	16 632
Trading and hedging portfolio liabilities	1 787	42 463	307	44 557	1 242	90 640	216	92 098
Derivative liabilities	—	42 463	307	42 770	—	90 640	216	90 856
Commodity derivatives	—	872	—	872	—	440	—	440
Credit derivatives	—	135	101	236	—	879	14	893
Equity derivatives	—	1 306	59	1 365	—	3 768	57	3 825
Foreign exchange derivatives	—	13 996	—	13 996	—	28 193	—	28 193
Interest rate derivatives	—	26 154	147	26 301	—	57 360	145	57 505
Short positions	1 787	—	—	1 787	1 242	—	—	1 242
Deposits due to customers	154	15 870	1 139	17 163	110	15 144	2 557	17 811
Debt securities in issue	13	4 650	604	5 267	2	5 421	624	6 047
Total financial liabilities	**1 954**	**80 655**	**2 050**	**84 659**	1 354	127 830	3 404	132 588
Non—financial assets								
Commodity derivatives	1 485	—	—	1 485	2 005	—	—	2 005
Non—recurring fair value measurements								
Non—current assets held for sale	—	—	—	—	—	—	109	109

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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:

	Company 2016			
	Trading and hedging portfolio assets Rm	Other assets Rm	Loans and advances to customers Rm	Loans and advances to banks Rm
Opening balance at the beginning of the reporting period	**1 415**	**17**	**6 925**	**2 109**
Net interest income	—	—	298	—
Gains and losses from banking and trading activities	115	—	—	(139)
Gains and losses from investment activities	—	—	—	—
Purchases	1 308	—	—	70
Sales	(1 333)	(17)	(1 371)	(1 469)
Movement in other comprehensive income	—	—	—	—
Issues	—	—	—	—
Settlements	—	—	—	—
Transferred to/(from)	—	—	—	—
Movement in/(out of) Level 3	—	—	(962)	—
Closing balance at the end of the reporting period	**1 505**	**—**	**4 890**	**571**

	2015			
	Trading and hedging portfolio assets Rm	Other assets Rm	Loans and advances to customers Rm	Loans and advances to banks Rm
Opening balance at the beginning of the reporting period	1 151	17	4 145	—
Net interest income	—	—	449	—
Gains and losses from banking and trading activities	332	—	—	—
Gains and losses from investment activities	—	—	—	(18)
Purchases	15	—	5 108	2 127
Sales	(83)	—	(2 777)	—
Movement in other comprehensive income	—	—	—	—
Issues	—	—	—	—
Settlements	—	—	—	—
Transferred to/(from)	—	—	—	—
Movement in/(out of) Level 3	—	—	—	—
Closing balance at the end of the reporting period	1 415	17	6 925	2 109

46.2.1 Significant transfers between levels

During the 2016 and 2015 reporting periods, transfers between levels occurred because of changes in the observability of valuation inputs, in some instances owing to changes in the level of market activity.

Transfers have been reflected as if they had taken place at the beginning of the year.

Company

2016

Investment securities Rm	Total assets at fair value Rm	Deposits from banks Rm	Trading and hedging portfolio liabilities Rm	Deposits due to customers Rm	Debt securities in issue Rm	Total liabilities at fair value Rm
1 285	11 751	7	216	2 557	624	3 404
55	353	—	—	—	—	—
18	(6)	—	91	—	—	91
—	—	—	—	140	(9)	131
2	1 380	—	—	—	—	—
(146)	(4 336)	—	—	—	—	—
4	4	—	—	—	—	—
—	—	—	—	1 953	—	1 953
—	—	(7)	—	(3 511)	(11)	(3 529)
—	—	—	—	—	—	—
(154)	(1 116)	—	—	—	—	—
1 064	8 030	—	307	1 139	604	2 050

2015

Investment securities Rm	Total assets at fair value Rm	Deposits from banks Rm	Trading and hedging portfolio liabilities Rm	Deposits due to customers Rm	Debt securities in issue Rm	Total liabilities at fair value Rm
2 301	7 614	—	320	5 530	42	5 892
78	527	—	—	—	—	—
—	332	—	(21)	—	—	(21)
13	(5)	—	—	132	172	304
14	7 264	—	—	—	—	—
(1 156)	(4 016)	—	—	—	—	—
35	35	—	—	—	—	—
—	—	7	—	3 112	410	3 529
—	—	—	(83)	(3 265)	—	(3 348)
—	—	—	—	—	—	—
—	—	—	—	(2 952)	—	(2 952)
1 285	11 751	7	216	2 557	624	3 404

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:

	Company 2016						
	Trading and hedging portfolio assets Rm	Other assets Rm	Loans and advances to customers Rm	Investment securities Rm	Investment properties Rm	Non—current assets held for sale Rm	Total assets at fair value Rm
Gains and losses from banking and trading activities	**(22)**	**—**	**39**	**9**	**—**	**—**	**26**
	2015						
	Trading and hedging portfolio assets Rm	Other assets Rm	Loans and advances to customers Rm	Investment securities Rm	Investment properties Rm	Non—current assets held for sale Rm	Total assets at fair value Rm
Gains and losses from banking and trading activities	96	—	(28)	48	—	—	116

	Company 2016				
	Trading and hedging portfolio liabilities Rm	Other liabilities Rm	Deposits due to customers Rm	Debt securities in issue Rm	Total liabilities at fair value Rm
Gains and losses from banking and trading activities	**(104)**	**—**	**—**	**—**	**(104)**
	2015				
	Trading and hedging portfolio liabilities Rm	Other liabilities Rm	Deposits due to customers Rm	Debt securities in issue Rm	Total liabilities at fair value Rm
Gains and losses from banking and trading activities	79	—	—	—	79

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 possible alternative valuations. The assets and liabilities that most impact this sensitivity analysis are those with 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:

Significant unobservable parameter	Positive/(negative) variance applied to parameters
Credit spreads	100/(100) bps
Volatilities	10/(10)%
Basis curves	100/(100) bps
Yield curves and repo curves	100/(100) bps
Future earnings and marketability discounts	15/(15)%
Funding spreads	100/(100) bps

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 of the asset or liability by more than 10% or the underlying value of the affected item.

This is demonstrated by the following sensitivity analysis which includes reasonable range of possible outcomes:

46. Fair value disclosures *(continued)*

46.4 Sensitivity analysis of valuations using unobservable inputs (continued)

		2016	
		Potential effect recorded in profit or loss	Potential effect recorded directly in equity
	Significant unobservable parameters	Favourable/(Unfavourable) Rm	Favourable/(Unfavourable) Rm
Deposits due to customers	BAGL/Absa funding spread	**—/—**	**—/—**
Investment securities	Risk adjustment yield curves, future earnings and marketability discount	**13/14**	**31/33**
Loans and advances to customers	Credit spreads	**72/71**	**—/—**
Other assets	Credit spreads	**—/—**	**—/—**
Trading and hedging portfolio assets	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	**175/175**	**—/—**
Trading and hedging portfolio liabilities	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	**36/36**	**—/—**
Other liabilities	Volatility, credit spreads	**—/—**	**—/—**
		296/296	**31/33**

		2015	
		Potential effect recorded in profit or loss	Potential effect recorded directly in equity
	Significant unobservable parameters	Favourable/(Unfavourable) Rm	Favourable/(Unfavourable) Rm
Deposits due to customers	BAGL/Absa funding spread	—/—	—/—
Investment securities	Risk adjustment yield curves, future earnings and marketability discount	—/—	—/—
Loans and advances to customers	Credit spreads	235/246	—/—
Other assets	Credit spreads	—/—	—/—
Trading and hedging portfolio assets	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	107/107	—/—
Trading and hedging portfolio liabilities	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	15/15	—/—
Other liabilities	Volatility, credit spreads	—/—	—/—
		357/368	—/—

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 observable inputs been used on initial recognition, less amounts subsequently recognised, is as follows:

	Company	
	2016 Rm	2015 Rm
Opening balance at the beginning of the reporting period	**(105)**	(52)
New transactions	**(64)**	(91)
Amounts recognised in profit or loss during the reporting period	**30**	38
Closing balance at the end of the reporting period	**(139)**	(105)

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.

46.7 *Assets and liabilities not held at fair value*

The following table summarises the carrying amounts and fair value of those assets and liabilities not held at fair value:

	Company				
	2016				
	Carrying value Rm	Fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
Financial assets					
Balances with the SARB	18 552	18 552	18 552	—	—
Coins and bank notes	9 661	9 661	9 661	—	—
Cash, cash balances and balances with central banks	28 213	28 213	28 213	—	—
Loans and advances to banks	18 421	18 421	2 070	16 351	—
Other assets	14 692	14 765	9 544	5 085	136
Retail Banking South Africa	359 232	362 620	—	—	362 620
Credit cards	27 861	27 861	—	—	27 861
Instalment credit agreements	70 459	73 648	—	—	73 648
Loans to associates and joint ventures	18 933	18 933	—	—	18 933
Mortgages	221 223	221 238	—	—	221 238
Other loans and advances	492	492	—	—	492
Overdrafts	3 947	3 947	—	—	3 947
Personal and term loans	16 317	16 501	—	—	16 501
Business Banking South Africa	69 375	68 567	1 238	—	67 329
Mortgages (including CPF)	35 295	35 307	—	—	35 307
Overdrafts[1]	18 426	18 426	1 238	—	17 188
Term loans[1]	15 654	14 834	—	—	14 834
RBB Rest of Africa	557	557	—	—	557
CIB	164 160	164 160	15 588	27 934	120 638
Wealth	5 660	5 660	—	—	5 660
Head Office and other operations	645	645	—	645	—
Loans and advances to customers net of impairments	599 629	602 209	16 826	28 579	556 804
Loans to Group companies	31 806	31 806	—	31 806	—
Total assets	692 761	695 414	56 653	81 821	556 940
Financial liabilities					
Deposits from banks	42 513	42 513	—	42 513	—
Other liabilities	18 813	19 053	7 510	11 167	376
Call deposits	62 296	62 296	15 371	46 925	—
Cheque account deposits	153 441	153 441	153 440	1	—
Credit card deposits	1 906	1 906	1 906	—	—
Fixed deposits	116 050	116 113	415	111 150	4 548
Foreign currency deposits	23 325	23 325	447	22 878	—
Notice deposits	59 358	59 371	1 674	57 697	—
Other deposits	1 865	1 865	1 205	605	55
Saving and transmission deposits	130 208	130 208	128 844	1 364	—
Deposits due to customers	548 449	548 525	303 302	240 620	4 603
Debt securities in issue	132 740	132 740	457	130 661	1 622
Borrowed funds	15 679	15 900	—	15 900	—
Total liabilities	758 194	758 731	311 269	440 861	6 601

Note

[1] Some overdrafts were reallocated to term loans to align to the way the products are utilised by the customers. The restatement effected resulted in a decrease of **R821m** (2015: R555m) in 'Overdrafts' with corresponding increase in 'Term loans'.

46. Fair value disclosures *(continued)*

46.7 *Assets and liabilities not held at fair value (continued)*

	Company 2015[1]				
	Carrying value Rm	Fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
Financial assets					
Balances with the SARB	17 459	17 459	17 459	—	—
Coins and bank notes	8 608	8 608	8 608	—	—
Cash, cash balances and balances with central banks	26 067	26 067	26 067	—	—
Loans and advances to banks	32 681	32 681	1 504	30 560	617
Other assets	17 264	17 264	12 758	2 997	1 509
Retail Banking	359 450	358 420	—	—	358 420
Credit cards	29 514	29 514	—	—	29 514
Instalment credit agreements	70 014	68 952	—	—	68 952
Loans to associates and joint ventures	16 176	16 176	—	—	16 176
Mortgages	225 424	225 434	—	—	225 434
Other loans and advances	343	343	—	—	343
Overdrafts	2 819	2 819	—	—	2 819
Personal and term loans	15 160	15 182	—	—	15 182
Business Banking	63 412	63 440	1 093	—	62 347
Mortgages (including CPF)	30 730	30 742	—	—	30 742
Overdrafts[1]	17 604	17 620	1 093	—	16 527
Term loans[1]	15 078	15 078	—	—	15 078
RBB Rest of Africa	22	22	—	—	22
CIB	140 538	140 538	21 013	34 913	84 612
Wealth	5 350	5 350	—	—	5 350
Head Office and other operations	696	696	—	449	247
Loans and advances to customers net of impairments	569 468	568 466	22 106	35 362	510 998
Loans to Group companies	25 909	26 016	—	26 016	—
Total assets	671 389	670 494	62 435	94 935	513 124
Financial liabilities					
Deposits from banks	44 394	44 394	7 233	36 828	333
Other liabilities	16 029	15 934	6 664	7 734	1 536
Call deposits	72 153	72 153	68 991	3 162	—
Cheque account deposits	151 350	151 350	151 348	2	—
Credit card deposits	2 002	2 002	2 002	—	—
Fixed deposits	118 279	118 390	465	117 915	10
Foreign currency deposits	26 168	26 168	465	25 703	—
Notice deposits	48 954	48 963	1 376	47 587	—
Other deposits	1 373	1 373	1 194	179	—
Saving and transmission deposits	122 522	122 522	120 899	1 623	—
Deposits due to customers	542 801	542 921	346 740	196 171	10
Debt securities in issue	119 634	117 057	157	116 900	—
Borrowed funds	12 954	13 323	—	13 323	—
Total liabilities	735 812	733 629	360 794	370 956	1 879

Note
[1] Some overdrafts were reallocated to term loans to align to the way the products are utilised by the customers. The restatement effected resulted in a decrease of **R821m** (2015: R555m) in 'Overdrafts' with corresponding increase in 'Term loans'.

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 49 in the Bank's financial statements.

53. Share-based payments

Refer to note 51 in the Bank's financial statements.

54. Credit risk of financial instruments designated at fair value

Refer to note 56 in the Bank's financial statements.

55. 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 of the Bank's financial statements for detailed risk management disclosures.

56. 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.

57. Events after the reporting period

The directors are not aware of any events occurring between the reporting date of 2016 and the date of authorisation of these summary consolidated interim financial results as defined in IAS 10 – Events after the Reporting Period (IAS 10).