BARCLAYS

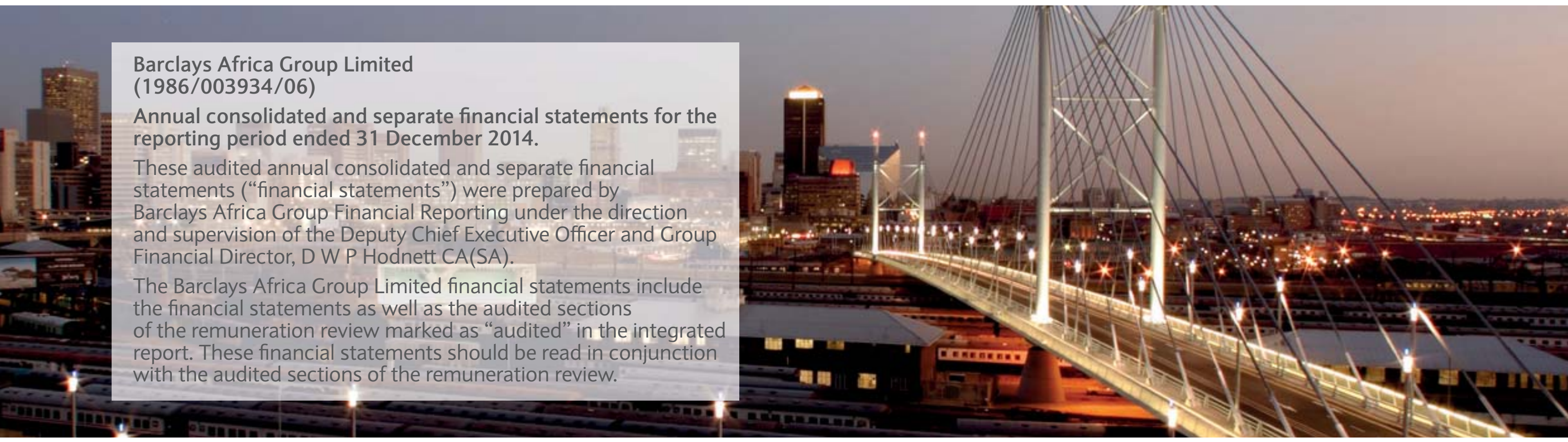
Barclays Africa Group Limited

Annual consolidated and separate financial statements

for the reporting period ended 31 December 2014

Contents

Annual financial statements



Barclays Africa Group Limited
(1986/003934/06)

Annual consolidated and separate financial statements for the reporting period ended 31 December 2014.

These audited annual consolidated and separate financial statements ("financial statements") were prepared by Barclays Africa Group Financial Reporting under the direction and supervision of the Deputy Chief Executive Officer and Group Financial Director, D W P Hodnett CA(SA).

The Barclays Africa Group Limited financial statements include the financial statements as well as the audited sections of the remuneration review marked as "audited" in the integrated report. These financial statements should be read in conjunction with the audited sections of the remuneration review.

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

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

Information on the membership and composition of the GACC, its terms of reference and its procedures, is set out in the corporate governance statement available on the Group's website[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 Group's board of directors in its terms of reference. During the current reporting period, the GACC undertook the following duties:

In respect of the external auditors and the external audit:

- Nominated PricewaterhouseCoopers Inc. ("PwC") and Ernst & Young Inc. ("EY") as joint external auditors for the current reporting period;
- Recommended to the board, for approval at the annual general meeting in terms of section 61 of the Companies Act, the appointment of PwC and EY as joint external auditors for the 2015 reporting period;
- Ensured the appointment of the external auditors complied with the Companies Act and all other applicable legal and regulatory requirements;
- Reviewed and approved the external audit plan, the budgeted fee for the reporting period and the terms of engagement of the external auditors;
- Reviewed and assessed the quality of the external audit process, including receiving confirmation that there was no restriction on scope or access, and concluded that the process had been satisfactory;
- Reviewed the external auditors' reports and obtained assurances from the external auditors that adequate accounting records were maintained at all times;
- Ensured that adequate time was set aside for private discussions with the external auditors;
- Confirmed that the external auditors would attend and address queries at any general shareholders meeting;
- Reviewed and approved the Group's policy on non-audit services to be provided by the external auditors during the reporting period;
- Approved proposed contracts with the external auditors for the provision of non-audit services falling within the scope of the policy concerning non-audit services;
- Reviewed and approved the fees charged by the external auditors relating to the provision of non-audit services;
- Considered whether any reportable irregularities were identified and reported by the external auditors in terms of the Auditing Profession Act, No. 26 of 2005, and determined that there were no such reportable irregularities; and
- Reviewed the findings and recommendations of the external auditors and confirmed that no unresolved issues of concern exist between the Group and the external auditors in relation to the Group or any of its business units and subsidiaries.

In respect of the financial statements and accounting practices:

- Confirmed the use of the going-concern basis as appropriate for the preparation of the interim financial results and annual financial statements;
- Reviewed 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 standards, 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 Stock Exchange News Services announcement ("SENS") issued on the Johannesburg Stock Exchange on 30 July 2014 and 3 March 2015. The reporting changes in the SENS dealt with the impact of the amendments to IAS 32 Financial Instruments: Presentation ("IAS 32") relating to offsetting of financial assets and liabilities and internal accounting policy changes. These changes affected the comparatives for the 2012 and 2013 reporting periods and the interim results at 30 June 2014. 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 Reporting Guides;

Note

[1]The Barclays Africa Group Limited website can be accessed at www.barclaysafrica.com.

Activities of the GACC *(continued)*

- Reviewed the interim and final dividend proposals for approval by the board;
- Reviewed the solvency and liquidity tests undertaken for specific transactions and dividend declarations;
- Reviewed significant accounting and reporting issues, including complex or unusual transactions, sustainability of the control environment; significant judgemental areas, and recent professional and regulatory pronouncements, and ascertained their impact on the financial statements;
- Considered the accounting policies, practices and internal controls of the Group. 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; and
- Reviewed significant matters which are not a normal part of the Group's business, but which are referred to the committee by the board or management.

In respect of internal control and internal audit:

- Reviewed and approved the Internal Audit ("IA") charter;
- Reviewed the current reporting period internal audit plan, including the adequacy of IA's skills, resources and budget. This included a review of IA's cyclical plans over a three-year period to ensure adequate coverage of divisions, geography and key operating controls;
- Reviewed the scope, nature and effectiveness of the work of IA and the performance of IA 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 internal audit plan;
- Reviewed reports from IA 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 IA;
- Considered a review by the external auditors, which concluded that there are adequate bases for external audit to place reliance on the work of IA;
- An independent review of the IA function is performed at least every five years. The last review was conducted by KPMG in 2013. Additionally, regular internal quality reviews by IA staff and Barclays Group IA were performed during the year which proved satisfactory IA performance;
- Considered a special report on the fraud risk management capability across the Group;
- Considered and reviewed the adequacy of skills of resources and budget available to IA;
- Assessed the adequacy and effectiveness of IA performance; and
- Considered a detailed assessment of the business continuity management ("BCM") programme across the Group. The assessment of the BCM programme included all subsidiaries across the Group including those in Rest of Africa and highlighted key focus areas for remediation. The GACC will continue to monitor the BCM programme enhancements and the finalisation of the BCM maturity plans to improve and standardise BCM programmes across the Rest of Africa.

IA continues to review the Group'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, IA 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 IA, management have completed corrective actions, or are in the process of implementing corrections. Progress is tracked to completion by IA.

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

- Reviewed and approved the Group compliance monitoring plan, compliance methodology and structure, the Group compliance coverage plan and the Group compliance charter;
- Reviewed compliance practices and procedures for enabling the directors of the Group to discharge their regulatory responsibilities;
- Considered whether the Group's systems and processes appropriately reflect the current legal and regulatory environment, and how changes in laws and regulations are monitored and operationalised in this context;
- Recommended the Banks Act, No. 94 of 1990 ("the Banks Act"), section 64B(2)(e) statement to the Directors Affairs Committee for review and to the board for approval;
- Considered compliance with Regulation 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 Group to comply with applicable laws, rules, codes and standards;

Activities of the GACC *(continued)*

- Reviewed the relationship and material communications with the Group's regulators;
- 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;
- 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 Compliance;
- Ensured 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 Group, the content or auditing of the Group's financial statements, the internal financial controls of the Group 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 securities law, fiduciary duties, other similar violations and claims against the Group;
- Together with the Group Risk and Capital Management Committee ("GRCMC"), oversaw the plan and progress of management in improving compliance in respect of Know Your Customer, Anti-Money Laundering and Sanctions ("KAMLS") requirements;
- Received confirmation that all matters that are significant to Barclays PLC (designated Control Issues of Group Level Significance (CIGLS)) are reported in a timely manner to the relevant Barclays PLC governance structures;
- Reviewed all possibilities of compliance-related fines and implemented improvement in KAMLS compliance;
- Reviewed and monitored the Group'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. The GACC also reviewed and monitored the Group's approach to and compliance with Turnbull attestation;
- Reviewed, on a regular basis, the SOX control environment and monitored its alignment with the risk and control assessments;
- Reviewed the Africa Compliance Plan and Resourcing Report, as well as the Africa Compliance Monitoring Plans; and
- Reviewed the Group Compliance report on the overall status of compliance in the Group and any significant breakdowns that caused or could cause material loss or penalty.

In respect of risk management:

- Reviewed the reports identifying significant 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;
- Monitored the status and results of the Group key risks self-assessments, including the combined assurance assessments and the risk and control assessments;
- Reviewed the risk management report for the interim and year-end reporting periods;
- Monitored governance around the combined assurance framework, including the status of the combined assurance model; and
- Reviewed reports issued in terms of the combined assurance framework for the Group. The GACC determined that the process coordinating all assurance activities is appropriate to address the significant risks facing the Group for each principal risk and business area. The framework is owned and managed by Group Risk with IA being an integral part of the process.

In respect of integrated reporting:

- Reviewed feedback on the Group's 2013 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
- The Disclosure Committee ("DC") 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 Johannesburg Stock Exchange ("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, D W P Hodnett, 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 Group.

Independence of the external auditors

The GACC is satisfied that PwC and EY are independent of the Group. 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 Group;
- 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
- Received a letter of confirmation from each of the joint External Auditors that they meet all the requirements for independence and report thereon to the JSE by way of confirmation in the GACC Report 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, in all aspects, the financial and internal controls are adequate and that no material breakdowns took place that resulted in material loss to the Group.

The GACC reviewed the financial statements and recommended them for approval to the board on 3 March 2015.

On behalf of the GACC

C Beggs

Chairman of the GACC

Johannesburg
3 March 2015

Statement of directors' responsibilities in relation to financial statements

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

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 Group and of Barclays Africa Group Limited ("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 the following responsibilities:

- All directors and senior management develop an environment whereby all directors and employees endeavour to maintain the highest ethical standards in ensuring the Group'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 assets are safeguarded and the risk of error, fraud or loss is reduced in a cost-effective manner. These controls, contained in established policies and procedures, include the proper delegation of responsibilities and authorities within a clearly defined framework, effective accounting procedures and adequate segregation of duties.
- The board and management identify all key areas of risk across the Group 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 Group's internal audit and compliance functions, which operate unimpeded and independently from operational management and have unrestricted access to the 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 reviews reports on the principal risk areas and is responsible for approving the principal risk control frameworks. The GACC is satisfied that the external auditors are independent.
- The Group 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 Group and the Company have been prepared in accordance with the provisions of the Companies Act and the Banks Act, 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 Group and the Company will not be going concerns in the reporting period ahead, and these financial statements have accordingly been prepared on this basis.

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

The directors' report on pages 7 to 10, the annual financial statements of the Group and the Company as well as the remuneration review in the integrated report 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
3 March 2015

Company Secretary's certificate to the shareholders of Barclays Africa Group Limited

In accordance with the provisions of the Companies Act, I certify that, in respect of the year ended 31 December 2014, 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
3 March 2015

Independent auditors' report to the shareholders of Barclays Africa Group Limited

We have audited the consolidated and separate financial statements of Barclays Africa Group Limited, set out on pages 11 to 193, which comprise the statements of financial position as at 31 December 2014, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information and those sections marked as "audited" in the remuneration report, but excludes the sections marked as "unaudited" in notes 51, 58, 63 and annexure A.

Directors' responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

Opinion

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

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 31 December 2014, we have read the Directors' report, the Group Audit and Compliance Committee report and the Company Secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

PricewaterhouseCoopers Inc.

Director: J P Bennett
Registered Auditor

2 Eglin Road, Sunninghill

Ernst & Young Inc.

Director: E L Pera
Registered Auditor

102 Rivonia Road
Sandton

Johannesburg
2 March 2015

General information and nature of activities

The Group, which has a primary listing on the JSE, is incorporated and domiciled in South Africa and provides retail, business, corporate, investment banking, financial services and wealth management products and services. The Group operates in 12 African countries and employs 41 644 people. The address of the registered office of the Group is the 7th floor, Barclays Towers West, 15 Troye Street, Johannesburg, 2001.

The Group's 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 Group is one of South Africa's largest financial services organisations, serving retail, business and corporate customers and clients in Africa.

The Group has majority stakes in banks in Botswana, Ghana, Kenya, Mauritius, Mozambique, South Africa, Seychelles, Tanzania, Uganda and Zambia. There are also representative offices in Namibia and Nigeria as well as bancassurance operations in Botswana, Mozambique, South Africa and Zambia.

The Group 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 board, on 3 March 2015.

The financial statements presents the financial positions, results of operations and cash flows for the Group and the Company for the reporting period ended 31 December 2014.

Group Audit and Compliance Committee report

Refer to page 1.

Group results

Main business and operations

The Group recorded an increase of 10% in headline earnings to **R13 032m** (2013: R11 843m) for the reporting period. Headline earnings per share ("HEPS") increased by 10% to **1 538,4 cents** (2013: 1 397,7 cents) and diluted HEPS by 10% to **1 537,5 cents** (2013: 1 396,6 cents).

Some comparative information contained in this set of financial statements has been restated, refer to note 1.21 of the accounting policies for further details.

Headline earnings was derived from the following activities:

	Group	
	2014 Rm	2013 Rm
Retail and Business Banking ("RBB")	**8 316**	7 618
Retail Banking South Africa	**5 529**	5 160
Home Loans	**1 813**	1 016
Vehicle and Asset Finance	**1 169**	1 130
Card	**1 644**	1 980
Personal Loans	**434**	359
Transactional and deposits	**2 843**	2 840
Other	**(2 374)**	(2 165)
Business Banking South Africa	**2 002**	1 492
RBB Rest of Africa	**785**	966
Corporate and Investment Bank ("CIB")	**3 887**	3 348
Wealth, Investment Management and Insurance ("WIMI")	**1 383**	1 420
Head Office and other operations	**(554)**	(543)
Headline earnings (refer to note 43)	**13 032**	11 843

Directors

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

C Beggs[1]
P A Clackson[2,7]
Y Z Cuba[1]
A B Darko[1,6] (appointed 1 October 2014)
D W P Hodnett[3] (Financial Director/ Deputy Chief Executive Officer)
M J Husain[1]
W E Lucas-Bull[7] (Group Chairman)
P B Matlare[1]
M S Merson[2,7] (appointed 1 January 2014)
T S Munday[1] (Lead independent director)
F Okomo-Okello[1,4] (appointed 1 October 2014)
S G Pretorius[1] (resigned 31 October 2014)
M Ramos[3] (Chief Executive Officer)
A V Vaswani[5,7]

Re-election of retiring directors

In line with international best practice, the Group 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"). Currently, no director is required to retire in terms of this requirement.

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

Shareholder information

	2014 Number of shares	2014 %	2013 Number of shares	2013 %
Public and non-public shareholders				
Public	**318 542 473**	**37,6**	318 982 577	37,6
Non-public	**529 208 206**	**62,4**	528 768 102	62,4
• Barclays Bank PLC (UK)	**528 315 581**	**62,3**	528 315 581	62,3
• treasury shares[8]	**880 000**	**0,1**	437 896	0,1
• directors	**12 625**	**0,0**	14 625	0,0
Total	**847 750 679**	**100,0**	847 750 679	100,0

Notes

[1]Independent non-executive director.
[2]British.
[3]Executive director.
[4]Kenyan.
[5]Singaporean.
[6]Ghanaian.
[7]Non-executive director.
[8]**880 000** shares held by Absa Life (Pty) Ltd entities (2013: 380 000) and **nil** (2013: 57 896) held by the Share Incentive Trust.

Directors' interests in the Company ordinary shares

The directors' interests in the issued ordinary shares of the Company as at the reporting date are disclosed in the following table.

	Direct number of shares Beneficial		Indirect number of shares Beneficial		Total direct and indirect number of shares Beneficial	
	2014	2013	**2014**	2013	**2014**	2013
Present directors						
C Beggs	**2 000**	2 000	**—**	—	**2 000**	2 000
Y Z Cuba	**1 000**	1 000	**—**	—	**1 000**	1 000
M J Husain	**1 000**	1 000	**—**	—	**1 000**	1 000
W E Lucas-Bull	**1 000**	1 000	**4 625**	4 625	**5 625**	5 625
T S Munday	**1 000**	1 000	**2 000**	2 000	**3 000**	3 000
	6 000	6 000	**6 625**	6 625	**12 625**	12 625
Past directors						
R Le Blanc (resigned 31 December 2013)	**—**	1 000	**—**	—	**—**	1 000
S G Pretorius (resigned 31 October 2014)	**—**	1 000	**—**	—	**—**	1 000
	6 000	8 000	**6 625**	6 625	**12 625**	14 625

There was no movement in shareholding between the reporting date and the date of approval of the financial statements.

No directors hold any non-beneficial interests in the Company's ordinary shares.

Directors' interests in Absa Bank Limited preference shares

As at the reporting date, no director held any preference shares of Absa Bank Limited.

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.

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

Directors' and prescribed officers' emoluments

The emoluments and services of executive directors are determined by the Group Remuneration and Human Resources Committee ("GRHRC").

Directors' and prescribed officers' emoluments in respect of the Company's executive directors, non-executive directors and prescribed officers are disclosed in the remuneration review.

Subsidiaries, associates and joint ventures

The interests in subsidiaries, associates and joint ventures are set out in note 49 to the consolidated financial statements.

Acquisitions and disposals

Refer to notes 7, 12 and 57 for additional information on the acquisitions and disposals of businesses and other significant assets.

Acquisitions during the current reporting period

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

Other similar transaction: additional interest in a subsidiary

During July 2014, the Group recapitalised Barclays Bank Mozambique S.A. ("BBM"), to address regulatory capital requirements and support BBM's growth ambition. This was achieved by issuing subordinated debt of R516m and a capital injection of R797m. This increased the Group's effective shareholding in BBM to 98%. A 12-month clawback option has been granted to the non-controlling shareholders who were unable to subscribe to the shares had they exercised their right of first refusal. The option grants the non-controlling shareholders the right to purchase their pro rata portion of the shares from the Group at the original issue price plus interest at the market related rate.

Commitments

The South African Reserve Bank ("SARB") announced in August 2014 that African Bank Investments Limited ("ABIL") would be placed under curatorship. A consortium of six South African banks (including Barclays Africa Group Limited) and the Public Investment Corporation ("PIC") have underwritten R5bn respectively. 50% of the amount underwritten by the banks is guaranteed by the SARB, of which Barclays Africa Group Limited contributed R991m (pre the SARB guarantee). In addition, Absa Bank Limited purchased R1,5bn (post haircut) of ABIL investments from the Absa money market fund to ensure its stability after the downgrade of the fund.

Dividends

- On 11 February 2014, a final dividend of 470 cents per ordinary share was announced to ordinary shareholders registered on 4 April 2014.
- On 30 July 2014, an interim dividend of 400 cents per ordinary share was announced to ordinary shareholders registered on 12 September 2014.
- On 2 March 2015, a final dividend of 535 cents per ordinary share was approved. The dividend was announced on 3 March 2015 to ordinary shareholders registered on 17 April 2015. This dividend is payable on 20 April 2015.

Special resolutions

The following special resolutions were passed by the Group's ordinary shareholders at the AGM held on 6 May 2014, 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 2014 to and including the last day of the month preceding the date of the next AGM thereafter.
- **Special resolution number 2 – General repurchases**

  Resolved that the Company or any subsidiary of the Company may, subject to the Companies Act, the Company's MOI, the JSE Listings Requirements and any other stock exchange upon which the securities in the capital of the Company may be quoted or listed from time to time, repurchase ordinary shares issued by the Company, provided that this authority shall be valid only until the date of the next AGM of the Company or for 15 months from the date of the resolution, whichever is the earlier, and may be varied by a special resolution at any general meeting of the Company at any time prior to the AGM.
- **Special resolution number 3 – 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.
- **Special resolution number 4 – Amendment to the Company's MOI**

  Resolved that the Company's MOI be amended to remove cheques as a method of payment of dividends or other cash distributions. Further, resolved to make the primary distribution of all notices and other shareholder communication to be via electronic communication, unless specifically requested in printed form by the shareholder.

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 Group. At the AGM on 19 May 2015, shareholders will be requested to reappoint PwC and EY as auditors of the Group for the 2015 reporting period. J P Bennett and E L Pera will be the individual registered auditors that will undertake the audit.

Authorised and issued share capital

Authorised

The authorised share capital of the Company of **R1 760 935 000** (2013: R1 760 935 000) consists of **880 467 500** (2013: 880 467 500) ordinary shares of R2,00 each.

Issued

The total issued share capital at the reporting date, was made up as follows:

847 750 679 (2013: 847 750 679) ordinary shares of R2,00 each.

No preference shares are currently in issue by the Company.

Consolidated statement of financial position
as at 31 December

		Group		
	Note	2014 Rm	2013[1] Rm	2012[1] Rm
Assets				
Cash, cash balances and balances with central banks	2	**50 335**	50 130	44 770
Investment securities	3	**85 886**	79 004	80 122
Loans and advances to banks	4	**72 225**	80 622	64 137
Trading portfolio assets	5	**90 498**	88 761	91 282
Hedging portfolio assets	5	**2 350**	3 357	5 456
Other assets	6	**15 514**	15 829	17 579
Current tax assets		**381**	529	376
Non-current assets held for sale	7	**972**	4 814	4 052
Loans and advances to customers	8, 9	**636 326**	606 223	567 247
Reinsurance assets	10	**731**	870	1 003
Investments linked to investment contracts	11	**19 317**	16 134	13 811
Investments in associates and joint ventures	12	**845**	694	569
Investment properties	13	**727**	1 089	1 220
Property and equipment	14	**11 177**	10 679	9 624
Goodwill and intangible assets	15	**3 219**	3 141	3 048
Deferred tax assets	16	**911**	987	644
Total assets		**991 414**	962 863	904 940
Liabilities				
Deposits from banks	17	**52 977**	70 791	45 382
Trading portfolio liabilities	18	**49 772**	52 128	53 360
Hedging portfolio liabilities	18	**2 577**	2 391	3 855
Other liabilities	19	**21 079**	19 775	20 410
Provisions	20	**2 943**	2 460	2 280
Current tax liabilities		**54**	173	29
Non-current liabilities held for sale	7	**372**	1 651	1 480
Deposits due to customers	21	**624 886**	588 897	544 086
Debt securities in issue	22	**106 098**	97 829	106 804
Liabilities under investment contracts	23	**23 299**	19 773	18 768
Policyholder liabilities under insurance contracts	24	**3 871**	3 958	3 550
Borrowed funds	25	**11 208**	16 525	18 777
Deferred tax liabilities	16	**1 333**	1 311	1 714
Total liabilities		**900 469**	877 662	820 495
Equity				
Capital and reserves				
Attributable to ordinary equity holders:				
Share capital	26	**1 694**	1 695	1 694
Share premium	26	**4 548**	4 474	5 336
Retained earnings		**70 237**	64 701	64 898
Other reserves	27	**6 211**	6 447	5 168
		82 690	77 317	77 096
Non-controlling interest – ordinary shares		**3 611**	3 240	2 705
Non-controlling interest – preference shares	28	**4 644**	4 644	4 644
Total equity		**90 945**	85 201	84 445
Total liabilities and equity		**991 414**	962 863	904 940

Note
[1]Restated, refer to note 1.21 for reporting changes.

Consolidated statement of comprehensive income
for the reporting period ended 31 December

	Note	Group 2014 Rm	Group 2013 Rm
Net interest income		**35 601**	32 351
Interest and similar income	29	**65 646**	60 232
Interest expense and similar charges	30	**(30 045)**	(27 881)
Non-interest income		**27 524**	27 055
Net fee and commission income		**18 667**	18 554
Fee and commission income	31	**21 598**	21 348
Fee and commission expense	31	**(2 931)**	(2 794)
Net insurance premium income	32	**6 014**	5 686
Net claims and benefits incurred on insurance contracts	33	**(3 044)**	(2 819)
Changes in investment and insurance contract liabilities	34	**(752)**	(2 457)
Gains and losses from banking and trading activities	35	**4 373**	4 361
Gains and losses from investment activities	36	**1 133**	2 831
Other operating income	37	**1 133**	899
Total income		**63 125**	59 406
Impairment losses on loans and advances	9.1	**(6 290)**	(6 987)
Operating income before operating expenditure		**56 835**	52 419
Operating expenses	38	**(35 848)**	(33 420)
Other expenses		**(1 412)**	(1 033)
Other impairments	39	**(429)**	(33)
Indirect taxation	40	**(983)**	(1 000)
Share of post-tax results of associates and joint ventures	12.1	**142**	130
Operating profit before income tax		**19 717**	18 096
Taxation expense	41	**(5 573)**	(5 222)
Profit for the reporting period		**14 144**	12 874
Profit attributable to:			
Ordinary equity holders		**13 216**	11 981
Non-controlling interest – ordinary shares		**623**	599
Non-controlling interest – preference shares		**305**	294
		14 144	12 874
Earnings per share:			
Basic earnings per share (cents)	42.1	**1 560,1**	1 414,0
Diluted earnings per share (cents)	42.2	**1 559,2**	1 412,9

Consolidated statement of comprehensive income
for the reporting period ended 31 December

	Note	Group 2014 Rm	Group 2013 Rm
Profit for the reporting period		**14 144**	12 874
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Movement in retirement benefit fund assets and liabilities		**62**	(324)
Increase/(decrease) in retirement benefit surplus	44	**149**	(92)
Increase in retirement benefit deficit	44	**(86)**	(229)
Deferred tax	16	**(1)**	(3)
Total items that will not be reclassified to profit or loss		**62**	(324)
Items that are or may be subsequently reclassified to profit or loss			
Movement in foreign currency translation reserve		**(199)**	2 986
Differences in translation of foreign operations		**198**	2 986
Gains released to profit or loss		**(397)**	—
Movement in cash flow hedging reserve		**(251)**	(1 822)
Fair value gains/(losses) arising during the reporting period		**1 094**	(903)
Amount removed from other comprehensive income and recognised in profit or loss		**(1 443)**	(1 629)
Deferred tax	16	**98**	710
Movement in available-for-sale reserve		**(67)**	107
Fair value (losses)/gains arising during the reporting period		**(142)**	131
Amortisation of government bonds – released to profit or loss	35	**44**	10
Deferred tax	16	**31**	(34)
Total items that are or may be subsequently reclassified to profit or loss		**(517)**	1 271
Total comprehensive income for the reporting period		**13 689**	13 821
Total comprehensive income attributable to:			
Ordinary equity holders		**12 682**	12 610
Non-controlling interest – ordinary shares		**702**	917
Non-controlling interest – preference shares		**305**	294
		13 689	13 821

Consolidated statement of changes in equity
for the reporting period ended 31 December

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit risk reserve Rm	Available-for-sale reserve Rm
Balance at the beginning of the reporting period	847 313	1 695	4 474	64 701	6 447	440	979
Total comprehensive income	—	—	—	13 232	(550)	—	(67)
Profit for the period	—	—	—	13 216	—	—	—
Other comprehensive income	—	—	—	16	(550)	—	(67)
Dividends paid	—	—	—	(7 365)	—	—	—
Purchase of Group shares in respect of equity-settled share-based payment arrangements	—	—	(46)	—	—	—	—
Elimination of movement in treasury shares held by Group entities	(443)	(1)	97	—	—	—	—
Movement in share-based payment reserve	—	—	23	—	11	—	—
Transfer from share-based payment reserve	—	—	23	—	(23)	—	—
Value of employee services	—	—	—	—	34	—	—
Movement in general credit risk reserve	—	—	—	(157)	157	157	—
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	(4)	4	—	—
Share of post-tax results of associates and joint ventures	—	—	—	(142)	142	—	—
Disposal of subsidiary[1]	—	—	—	—	—	—	—
Transfer to non-controlling interest	—	—	—	(28)	—	—	—
Balance at the end of the reporting period	846 870	1 694	4 548	70 237	6 211	597	912
Note	26	26	26			27	27

Note

Movements are reflected net of taxation, refer to note 16.

[1]The Group sold its investment in a non-core subsidiary on 2 January 2014 and the subsidiary has been derecognised.

Consolidated statement of changes in equity
for the reporting period ended 31 December

Group

2014

	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Foreign insurance subsidiary regulatory reserve Rm	Share-based payment reserve Rm	Associates' and joint ventures' reserve Rm	Total equity attributable to ordinary equity holders Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Total equity Rm
	604	3 697	16	45	666	77 317	3 240	4 644	85 201
	(251)	(232)	—	—	—	12 682	702	305	13 689
	—	—	—	—	—	13 216	623	305	14 144
	(251)	(232)	—	—	—	(534)	79	—	(455)
	—	—	—	—	—	(7 365)	(311)	(305)	(7 981)
	—	—	—	—	—	(46)	—	—	(46)
	—	—	—	—	—	96	—	—	96
	—	—	—	11	—	34	—	—	34
	—	—	—	(23)	—	—	—	—	—
	—	—	—	34	—	34	—	—	34
	—	—	—	—	—	—	—	—	—
	—	—	4	—	—	—	—	—	—
	—	—		—	142	—	—	—	—
	—	—	—	—	—	—	(48)	—	(48)
	—	—	—	—	—	(28)	28	—	—
	353	3 465	20	56	808	82 690	3 611	4 644	90 945
	27	27	27	27	27			28	

Consolidated statement of changes in equity
for the reporting period ended 31 December

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit risk reserve Rm	Available-for-sale reserve Rm
Balance at the beginning of the reporting period	847 203	1 694	5 336	64 898	5 168	220	872
Total comprehensive income for the reporting period	—	—	—	11 657	953	—	107
Profit for the reporting period	—	—	—	11 981	—	—	—
Other comprehensive income	—	—	—	(324)	953	—	107
Dividends paid during the reporting period	—	—	—	(11 602)	—	—	—
Accounting adjustments related to business combinations under common control[1]	—	—	(443)	—	—	—	—
Purchase of Group shares in respect of equity-settled share-based payment arrangements	0	0	(76)	—	—	—	—
Elimination of the movement in treasury shares held by Group entities	110	1	(280)	—	—	—	—
Movement in share-based payment reserve	—	0	38	—	(27)	—	—
Transfer from share-based payment reserve	—	0	38	—	(38)	—	—
Value of employee services	—	—	—	—	11	—	—
Movement in foreign insurance subsidiary regulatory reserve	—	—	—	(3)	3	—	—
Movement in general credit risk reserve	—	—	—	(220)	220	220	—
Share of post-tax results of associates and joint ventures	—	—	—	(130)	130	—	—
Acquisition of non-controlling interest and related transaction costs[2]	—	—	(2)	101	—	—	—
Transaction costs related to shares issued on the acquisition of Barclays Africa Limited	—	—	(99)	—	—	—	—
Balance at the end of the reporting period	847 313	1 695	4 474	64 701	6 447	440	979
Note	26	26	26			27	27

Notes

All movements are reflected net of taxation, refer to note 16.

[1]The excess of the purchase price over Barclays Africa Group Limited's share of the net assets of Barclays Africa Limited, acquired on 31 July 2013, is accounted for as a deduction against share premium. The purchase price was applied retrospectively, resulting in the deemed excess of the purchase price over the historical carrying values of the underlying net assets of Barclays Africa Limited being similarly included within share premium. This application results in a net movement recognised in share premium for each retrospective reporting period to date of acquisition.

[2]The Group increased its percentage shareholding in National Bank of Commerce Limited ("NBC") from 55% to 66%. The increased shareholding was driven by a rights issue by NBC. The Group exercised its rights, together with a portion of the rights relating to non-controlling shareholders. The shareholders that did not take up their portion of the rights issue were granted a one-year option to acquire the shares from Barclays Africa Group Limited.

Consolidated statement of changes in equity
for the reporting period ended 31 December

Group

2013

Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Foreign insurance subsidiary regulatory reserve Rm	Share-based payment reserve Rm	Associates' and joint ventures' reserve Rm	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest – ordinary shares Rm	Non-controlling interest – preference shares Rm	Total equity Rm
2 426	1 029	13	72	536	77 096	2 705	4 644	84 445
(1 822)	2 668	—	—	—	12 610	917	294	13 821
—	—	—	—	—	11 981	599	294	12 874
(1 822)	2 668	—	—	—	629	318	—	947
—	—	—	—	—	(11 602)	(346)	(294)	(12 242)
—	—	—	—	—	(443)	—	—	(443)
—	—	—	—	—	(76)	—	—	(76)
—	—	—	—	—	(279)	—	—	(279)
—	—	—	(27)	—	11	—	—	11
—	—	—	(38)	—	—	—	—	—
—	—	—	11	—	11	—	—	11
—	—	3	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	130	—	—	—	—
—	—	—	—	—	99	(36)	—	63
—	—	—	—	—	(99)	—	—	(99)
604	3 697	16	45	666	77 317	3 240	4 644	85 201
27	27	27	27	27			28	

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

	Note	Group 2014 Rm	Group 2013[1] Rm
Cash flow from operating activities			
Interest, fee and commission income		**85 981**	81 587
Interest, fee and commission expense		**(34 145)**	(29 672)
Insurance premiums and claims		**2 213**	421
Net trading and other expenses		**(442)**	(945)
Cash payments to employees and suppliers		**(32 827)**	(30 667)
Dividends received from banking and trading activities		**80**	100
Income taxes paid		**(5 324)**	(5 222)
Cash flow from operating activities before changes in operating assets and liabilities		**15 536**	15 602
Net decrease in trading and hedging portfolio assets		**4 250**	9 234
Net (increase) in loans and advances to customers		**(35 209)**	(41 368)
Net decrease/(increase) in other assets		**10 975**	(17 832)
Net (increase)/decrease in investment securities		**(2 918)**	2 323
Net decrease in insurance and investment contracts		**2 422**	1 467
Net decrease in trading and hedging portfolio liabilities		**(2 076)**	(2 761)
Net increase in amounts due to customers and banks		**15 577**	64 797
Net increase/(decrease) in other liabilities		**9 676**	(11 104)
Net cash generated from operating activities		**18 233**	20 358
Cash flow from investing activities			
Proceeds from disposal of non-current assets held for sale		**269**	70
Net decrease in investments linked to investment contracts		**(2 905)**	(1 651)
Dividends received from investments linked to investment contracts		**283**	221
(Acquisition)/disposal of associates and joint ventures, net of cash		**(11)**	3
Purchase of investment properties	13	**(11)**	(9)
Proceeds from disposal of investment properties	13	**3**	6
Purchase of property and equipment	14	**(2 744)**	(3 357)
Proceeds from disposal of property and equipment		**367**	662
Purchase of intangible assets	15	**(720)**	(624)
Proceeds from disposal of intangible assets		**7**	215
Acquisition and disposal of businesses and other similar transactions, net of cash		**—**	300
Net cash utilised in investing activities		**(5 462)**	(4 164)
Cash flow from financing activities			
Elimination of treasury shares		**96**	(279)
Purchase of Group shares in respect of equity-settled share-based payment arrangements		**(46)**	(76)
Proceeds from borrowed funds		**531**	—
Proceeds from ordinary share options exercised by non-controlling shareholders		**—**	65
Transaction costs related to shares issued on the acquisition of Barclays Africa Limited		**—**	(101)
Repayment of borrowed funds		**(4 966)**	(1 886)
Dividends paid		**(7 670)**	(12 339)
Net cash utilised in financing activities		**(12 055)**	(14 616)
Net increase in cash and cash equivalents		**716**	1 578
Cash and cash equivalents at the beginning of the reporting period		**15 854**	13 985
Effect of foreign exchange rate movements on cash and cash equivalents		**56**	291
Cash and cash equivalents at the end of the reporting period	55	**16 626**	15 854

Note
[1]Restated, refer to note 1.21 for reporting changes.

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 IFRS, interpretations issued by the IFRS Interpretations Committee ("IFRS-IC"), 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 1.22 for new standards and interpretations not yet adopted.

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

Investment Entities (amendments to IFRS 10 Consolidated Financial Statements ("IFRS 10"), IFRS 12 Disclosures of Interests in Other Entities ("IFRS 12") and IAS 27 Separate Financial Statements ("IAS 27"))

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss.

These amendments have no impact to the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

Offsetting Financial Assets and Financial Liabilities (amendments to IAS 32 Financial Instruments: Presentation ("IAS 32))

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting.

The amendments have resulted in certain financial instruments positions (i.e. loans and advances to banks, trading portfolio assets, loans and advances to customers, deposits from banks, deposits due to customers and trading portfolio liabilities) no longer being off set on the face of the statement of financial position. Refer to note 1.21 for reporting changes.

Novation of Derivatives and Continuation of Hedge Accounting (amendments to IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"))

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria.

These amendments have no impact to the Group as the Group has not novated derivative contracts during the current or prior reporting periods.

Recoverable Amount Disclosures for Non-Financial Assets (amendments to IAS 36 Impairment of Assets ("IAS 36"))

These amendments remove the unintended consequences of IFRS 13 Fair Value Measurement ("IFRS 13") on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units ("CGUs") for which an impairment loss has been recognised or reversed during the reporting period.

These amendments had no impact on the consolidated financial results as impairment losses recognised were determined based on value in use rather than fair value less costs of disposal.

IFRIC 21 Levies

The interpretation clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, no liability is recognised before the specified minimum threshold is reached.

The interpretation had no impact on the financial statements as levies 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. Refer to note 1.21 for details of accounting policy changes during the reporting period. 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 Group.

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

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

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.

1.2.1 Approach to credit risk and impairment of loans and advances

The Group has an established governance process with respect to its approach to credit risk and any resultant impairment of loans and advances. The governance process includes the existence of Retail and Wholesale Credit Risk Technical Committees, 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 Post Model Adjustment Committee approves post model adjustments as well as any capital adjustments applied to models. Furthermore, model related adjustments and changes that result in a change in impairment of over £3m must be approved by the Barclays Africa Group Chief Risk Officer. Retail impairment allowances are subject to quarterly impairment adequacy reviews and approval by the Retail Impairment Adequacy Forum. Wholesale impairment allowances are subject to monthly impairment adequacy reviews and approval by the Wholesale Governance Forum.

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

Approach to credit modelling/internal ratings

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

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

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

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

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

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

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

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

- Credit approval: PD models are used in the approval process in both retail and wholesale portfolios. In high-volume retail portfolios, application and behaviour scorecards are frequently used as decision-making tools. In wholesale and retail portfolios, PD models are used to direct applications to an appropriate credit sanctioning level.
- Credit grading: to provide a common measure of risk across the Group, wholesale and retail credit grading employs a 21-point scale of default probabilities.
- Risk-reward and pricing: PD, EAD and LGD metrics are used to assess the profitability of deals and portfolios and to allow for risk-adjusted pricing and strategy decisions.
- Risk appetite: measures of expected loss ("EL") and the potential volatility of loss are used in the Group's risk appetite framework.
- Impairment calculation: under IAS 39, many of the collective impairment estimates incorporate the use of the Group's PD and LGD models, adjusted as necessary.
- Collections and recoveries: model outputs are used to identify segments of the portfolio where collection and recovery efforts should be prioritised.

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

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

- EC calculations: most EC calculations use the same PD and EAD inputs as the RC process. The EC process also uses the same underlying LGD model outputs as used in RC calculations, but does not incorporate the same economic downturn adjustment used in RC calculations.
- Risk management information: Group Risk and the business units generate risk reports to inform senior management on issues such as business performance, risk appetite and consumption of EC. Model outputs are used as key indicators in these reports.

Retail portfolio

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

- Internal risk estimates of PD, EAD and LGD are grounded in historical experience, incorporating all relevant material and available data, information and methods. Both the historical observation periods and default definitions used are consistent with regulatory requirements.
- For each product, PDs are assigned at account level by calibrating the raw behavioural model scores/ratings to the observed long-run average default rate for each pool.
- For each product, EADs are assigned to each account based on the EAD pool to which the account has been assigned. EAD estimates incorporate all relevant data and information including account balances as well as utilised and unutilised limits, if present.
- The mortgage loan PD model was recalibrated and implemented in January 2013. Subsequently new group requirements came into effect and the mortgage Basel model suite was and should be implemented during the first quarter of 2014 once approved through the appropriate governance process. The remaining products will be redeveloped sequentially in terms of materiality.
- To ensure the effectiveness of the validation process, an independent review is performed annually. Models are approved by the Retail Credit Transactional Risk Committee (“RCTRC”) and the most material models require approval by the Models Committee (“MC”).
- LGDs are estimated for each product and assigned at account level, based on the LGD pool to which the account has been assigned. Calibration data on historically defaulted accounts includes observed EADs, recovery strategies, cure and write-off rates. The models also make use of suitable risk drivers such as loan-to-value (“LTV”), which are updated monthly.
- Models are independently reviewed on an annual basis and when new models have been developed or changes occur to models. In addition, a process is in place to perform post model adjustments as needed or when management applies its discretion.

Wholesale portfolio

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

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

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

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

To ensure the effectiveness of the validation process, an independent review is performed annually. Models are approved at the Wholesale Credit Risk Management Committee (“WCRMC”), and the most material models require approval by the MC.

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

Assessment of credit risk

The assessment of credit risk relies heavily on quantitative models and tools which, to a large degree, have been developed internally and are supplemented by vendor solutions. The following sections provide an overview of the aforesaid concepts and their use in the assessment of credit risk across the Group’s portfolios.

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

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

Probability of default

The Group uses two types of PDs, namely:

- TTC PD, which reflects the Group'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 Group's decision-making processes and several types of rating approaches are employed across the Group.

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

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

Default grade definitions

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

Exposure at default

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

Loss given default

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

Approach to impairment of loans and advances

The Group'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 Group 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 Group 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 Group 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.

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

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

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 Group's position relative to other claimants. Two key aspects in the cash flow calculation are the valuation of all security and the timing of all asset realisations, after allowing for all collection and recovery costs. These characteristics are relevant to the estimation of future cash flows for such groups of assets, being indicative of the counterparty's ability to pay amounts due under the contractual terms of the assets.

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

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

The replacement of IAS 39 with IFRS 9 Financial Instruments ("IFRS 9") will have a significant impact on the Group'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.

Identified impairments on financial assets

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

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

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

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

Assets are only written off once all necessary procedures have been completed and the amount of loss has been determined. Recoveries of amounts previously written off are reversed and accordingly decrease the amount of the reported impairment charge in the statement of comprehensive income. Refer to notes 9 and 63.2.

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

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

1.2.2 Goodwill impairment

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

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

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

  Growth rates in the impairment calculations range from **2%** to **4%** (2013: 5% to 6%) and projected cash flow periods range from **5 years** (2013: 5 years).

- The discount rate used to discount the future expected cash flows is based on the Group'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 range of discount rates used in the impairment calculations is **12,07%** – **12,33%** (2013: 11,87% – 12,13%).

Note 15 includes details of the amount recognised by the Group 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 Group's fair value information to independent market or other financial institutions. Assumption changes and different valuation methodologies can have a significant impact on fair values which are based on unobservable inputs.

Valuation inputs

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

Quoted market prices – Level 1

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

Valuation technique using observable inputs – Level 2

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

A valuation input is considered observable if it can be directly observed from transactions in an active market, or if there is compelling external evidence demonstrating an executable exit price.

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.

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

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

Fair value measurement and valuation processes

Financial assets and financial liabilities

The Group 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 Group's investment properties is determined through valuations performed by external independent valuators. When the Group'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 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 Group 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 Group 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 Group'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/liability	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 and/or Exchange Traded Fund ("ETF") models	Spot prices of physical or futures, interest rates and/or volatility
Credit derivatives	Discounted cash flow and/or credit default swap (hazard rate) models	Interest rates, recovery rates, credit spreads and/or quanto ratios
Equity derivatives	Discounted cash flow, option pricing and/or 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	2014 Range of estimates utilised for the unobservable inputs	2013 Range of estimates utilised for the unobservable inputs
Loans and advances to customers	Discounted cash flow and/or dividend yield models	Credit spreads	0,96% to 3,99%	1,35% to 7,5%
Investment securities and investments linked to investment contracts	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 rates between 9,1% and 17,9%, comparator multiples between 5 and 6	Discount rates between 9,7% and 18%, comparator multiples between 5,5 and 6,1
Trading and hedging portfolio assets and liabilities				
Debt instruments	Discounted cash flow models	Credit spreads	0,9% to 3,5%	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 13,45%	0% to 3,5%
Equity derivatives	Discounted cash flow, option pricing and/or futures pricing models	Volatility and/or dividend streams (greater than 3 years)	18,16% to 48,20%	16,9% to 37,2%
Foreign exchange derivatives	Discounted cash flow and/or option pricing models	African basis curves (greater than 1 year)	-10,74% to 6,53%	-2,5% to 1,7%
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	-1,56% to 10,04%	-1,5% to 8,3%
Deposits due to customers	Discounted cash flow models	Barclays Africa Group Limited's funding spreads (greater than 5 years)	0,85% to 1,2%	0,85% to 1,2%
Debt securities in issue	Discounted cash flow models	Credit spreads	1,28% to 1,38%	0,1% to 0,2%
Investment properties	Discounted cash flow models	Estimates of periods in which rental units will be disposed of	2 to 7 years	2 to 7 years
		Annual selling price escalations	0% to 6%	0% to 6%
		Annual rental escalations	0% to 10%	0% to 10%
		Expense ratios	22% to 75%	22% to 75%
		Vacancy rates	2% to 15%	2% to 15%
		Income capitalisation rates	10% to 12%	10% to 12%
		Risk adjusted discount rates	14% to 16%	14% to 16%

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 61.

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 Group's ability and intent to hold the instrument for a period of time to allow for any anticipated recovery.

Refer to note 39.

1.2.5 Consolidation of structured or sponsored entities

The Group 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 Group controls entities. The key judgements are set out as follows:

Structured entities

The Group 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 Group. Judgement is required in assessing whether an entity is an SE, as well as in determining whether the Group 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 Group is primarily engaged to act on behalf and for the benefit of other parties. When assessing whether the Group 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 Group is entitled.

Assessment of sponsored entities

In addition to the unconsolidated SEs in which the Group has an interest, it also sponsors some SEs in which it has no interest, generally to facilitate client transactions. For the purposes of these disclosures, the Group 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 49 and 50.

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. The year-end balances of subsidiaries' post-retirement benefit obligations are affected by the closing foreign currency exchange rates.

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 Group 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 Group (or its subsidiaries).

This risk can be categorised into a number of actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

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

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

Investment risk

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

Inflation/pension increase risk

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

Longevity risk

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

Salary risk

An increase in the salary of the plan participants will increase the plan's liability. This risk has been limited with the closure of 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"). The carrying amounts of the liabilities are disclosed in note 20.

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

Refer to note 20 for debits of details of provisions recognised.

1.2.8 Income taxes

The Group is subject to income taxes in numerous jurisdictions and the calculation of the Group'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 Group's treatment and accordingly the final tax charge cannot be determined until resolution has been reached with the relevant tax authority. The Group 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 Group's Tax Risk Framework.

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

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

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 Group in order to utilise the deferred tax assets.

Further information is included in notes 16, 41 and 54 around estimated tax positions where a high degree of judgement has been applied.

1.2.9 Share-based payments

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 Long-Term Incentive Plan 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 initial fair value of the Group's cash-settled share-based payment arrangement awards is based on the share price at grant date. The Group considers adjustments to reflect expectations of phantom awards that might be forfeited before the awards vest. At each reporting date, the Group 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 56 includes details of the Group's share awards. Refer to note 19 for the carrying amount of liabilities arising from cash-settled arrangements.

1.2.10 Liabilities arising from claims made under short-term insurance contracts

The uncertainty arising under insurance contracts may be characterised under a number of specific headings, such as:

- uncertainty as to whether an event has occurred which would give rise to an insured loss;
- uncertainty as to the amount of insured loss suffered by a policyholder as a result of an event occurring; and
- uncertainty as to the extent of policy coverage and limits applicable.

The degree of uncertainty will vary by policy class according to the characteristics of the insured risks and the cost of a claim will be determined by the actual loss suffered by the policyholder.

The establishment of insurance liabilities is an inherently uncertain process and, as a consequence, the eventual cost of settlement of outstanding claims and unexpired risks can vary substantially from the initial estimates. The Group makes estimates and assumptions to provide appropriate levels of claims provision and provision for unexpired risks. Estimates and judgements are regularly adjusted as changes in facts and experience are identified. For more details on the liability arising from claims made under short-term insurance contracts, refer to note 24.

1.2.11 Liabilities arising from claims made under life insurance contracts

Insurance risk for any one life insurance contract is the possibility that the insured event occurs. For a portfolio of insurance contracts probability is applied to pricing and provisioning and the principal risk that the Group faces is that the actual exposure to mortality, disability and medical payments in respect of policyholder benefits will exceed prudent expectation of the exposure (i.e. the carrying amount of the insurance liabilities). Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

The value of the insurance liability is determined using assumptions regarding future mortality, morbidity, discontinuance rates, policyholders' reasonable benefit expectations, guaranteed benefits and expenses which all equal the best estimate assumptions used in determining the liabilities. These assumptions are based on recent experience investigations. The discount rate used to discount future profits includes a margin over assumed investment returns to allow for the risk that experience in future years may differ from that assumed. For more details on the life insurance contract liability, refer to note 24.

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

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

1.2.12 Offsetting financial assets and financial liabilities

The Group 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 Group applies the common law principles in South Africa when determining whether there is a legally enforceable right to offset. The application of these common law principles are sometimes subject to a significant degree of interpretation. In these instances, legal advice is obtained to ensure that the application of the common law principles is correctly applied within the ambit of the law. Using the legal advice obtained, management assesses whether there is a legal right to offset accounts.
- When determining whether there is an intention to settle a financial asset and a financial liability, management evaluates the underlying terms of the contract to identify whether there is a legal right to offset which could also indicate the Group'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 Group'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 48.

1.3 Consolidation

The consolidated financial statements include those of Barclays Africa Group Limited and all its subsidiaries and controlled SEs.

1.3.1 Subsidiaries

Subsidiaries are all entities (including SEs) over which the Group has control. The Group 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 Group 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 Group. 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 Group has less than half of the voting rights which are consolidated when the substance of the relationship between the Group and the entity indicates that the entity is controlled by the Group. Such entities are deemed to be controlled by the Group 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 Group 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 Barclays Africa Group Limited.

1.3.2 Investments in associates and joint ventures

Associates are entities in which the Group has significant influence, but not control, over its operating and financial policies. Generally the Group 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 Group's investments in associates and joint ventures are initially recorded at cost and increased (or decreased) each reporting period by the Group'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 Barclays Africa Group Limited.

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

1.3 Consolidation *(continued)*

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 Group. Such interests include but are not limited to holdings of debt or equity securities, derivatives that transfer financial risks to the Group, 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 Group'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 Group. The Group 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 Group'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 Group'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 Group 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

The Group 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 Group recognises financial assets and liabilities when it becomes a party to the terms of the contract, which is the trade date or the settlement date. All financial instruments are measured initially at fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

1.7.1 Financial instruments at fair value through profit or loss

Financial instruments classified as held for trading

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

Financial instruments designated at fair value through profit or loss

In accordance with IAS 39, financial assets and financial liabilities may be designated at fair value, with gains and losses taken to profit or loss in "gains and losses from banking and trading activities" and "gains and losses from investment activities" depending on the nature of the instrument. The Group has the ability to make the fair value designation when holding the instruments at fair value. This reduces an accounting mismatch (caused by an offsetting liability or asset being held at fair value), is managed by the Group 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 Group'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 Group's interest rate risk are recognised in "net interest income" in profit or loss.

1.7.2 Available-for-sale financial assets

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

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group'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. Summary of significant accounting policies *(continued)*

1.7 Financial instruments *(continued)*

1.7.6 Impairment of financial assets

Financial assets held at amortised cost

In accordance with IAS 39, the Group 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 Group, for economic or legal reasons relating to the borrower's financial difficulty, grants a concession that it would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; and
- observable data at a portfolio level indicating that there is a measurable decrease in the estimated future cash flows, although the decrease cannot yet be ascribed to individual financial assets in the portfolio – such as adverse changes in the payment status of borrowers in the portfolio or national or local economic conditions that correlate with defaults on the assets in the portfolio.

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

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

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 Group'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 Group'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.

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

1.7 Financial instruments *(continued)*

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 Group 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 Group are insufficient to meet the minimum regulatory general provision, such shortfall is accommodated by a transfer of the applicable after-tax amount from distributable to non-distributable reserves.

Available-for-sale debt instruments

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

Available-for-sale equity instruments

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

1.7.7 Subordinated debt

The majority of subordinated debt is measured at amortised cost using the effective interest rate method under IAS 39.

1.7.8 Offsetting of financial assets and financial liabilities

In accordance with IAS 32, the Group 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 Group 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 Group 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 Group 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 Group may retain an interest in it (continuing involvement) requiring the Group 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. Summary of significant accounting policies *(continued)*

1.7 Financial instruments *(continued)*

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 Group 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 Group 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.

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. Summary of significant accounting policies *(continued)*

1.7 Financial instruments *(continued)*

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 Group 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 Group obtains such loans or cash collateral, in exchange for the transfer of collateral.

The Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in profit or loss any fee income earned over the reporting period, and the best estimate of the expenditure required to settle any financial obligation arising as a result of the guarantees at the reporting date.

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

1.8 Share capital

1.8.1 Ordinary share capital

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

1.8.2 Preference share capital

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

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

1.9 Revenue recognition

1.9.1 Net interest income

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

The effective interest method requires the Group 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. Summary of significant accounting policies *(continued)*

1.9 Revenue recognition *(continued)*

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 Group 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 Classification of insurance and investment contracts

The Group issues contracts that transfer insurance risk, financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. The Group defines significant insurance risk as the possibility of having to pay significant benefits on the occurrence of an insured event compared to those benefits payable if the insured event did not occur.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

1.10.1 Insurance contracts

Short-term insurance contracts

Revenue recognition and measurement

The Group is involved in short-term underwriting of personal and commercial contracts. For the majority of insurance contracts, premiums are recognised as revenue (earned premiums) proportionally over the risk period. The portion of premiums received on in-force contracts that relate to the unexpired risks at the reporting date is reported as the unearned premium liability. The unearned premium liability for the majority of the business is calculated using the 365ths method. This method is appropriate when the risk is spread evenly over the period of insurance. Under this method, the unearned premiums liability is calculated by multiplying the total premiums received by the ratio of the number of days for which the contract will still be active after the reporting date to the total number of days for which the contract was initially written. Premiums are shown before deduction of commission. The change in the liability is taken to profit or loss in order that revenue is recognised over the period of the risk.

Claims and loss adjustment

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties affected by the contract holders. They include direct claims settlement costs and arise from events that have occurred up to the reporting date, even if they have been incurred but not reported ("IBNR") to the Group. The Group does not discount its liabilities for unpaid claims. Claims and loss adjustment liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and statistical analyses including basic chain ladder and boot strapping actuarial techniques for IBNR.

Liability adequacy test

At each reporting date, the Group reviews its unexpired risks and undertakes a liability adequacy test for any overall excess of expected claims and deferred acquisition costs over unearned premiums. This is done using the current estimates of future cash flows under its contracts after taking into account the investment return expected to arise on assets relating to the relevant general business provisions. If these estimates show that the carrying amount of its insurance liabilities (less related acquisition costs) exceeds the estimated future cash flows, the deficiency is recognised in profit or loss by setting up a provision in the statement of financial position. Refer to note 63 .

Deferred policy acquisition costs

Acquisition costs comprise commissions and other variable costs directly connected with the acquisition or renewal of short-term insurance contracts. The deferred acquisition costs represent the portion of acquisition costs incurred and revenue received which corresponds to the unearned premium reserve.

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

1.10 Classification of insurance and investment contracts *(continued)*

Deferred acquisition costs are amortised in line with expected future premiums. The amortisation is recognised in profit or loss.

Deferred acquisition costs are reviewed by category of business at the end of each reporting period and are written off where they are no longer considered to be recoverable.

Changes in the expected patterns of consumption of future benefits embodied in the asset are accounted for by changing the amortisation period and are treated as a change in account estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in profit or loss. Deferred acquisition costs are also considered in the liability adequacy test for each reporting period.

Deferred reinsurance acquisition revenue

Acquisition revenues comprise commission directly connected with the acquisition or renewal of short-term reinsurance contracts. The deferred reinsurance acquisitions revenue represent the portion of reinsurance acquisition revenue incurred which corresponds to the reinsurance unearned premium reserve.

Deferred reinsurance acquisition revenues are earned in line with expected future reinsurance premiums.

Salvage and subrogation reimbursements

Some insurance contracts permit the Group to sell (usually damaged) property acquired in settling a claim (i.e. salvage). The Group may also have the right to pursue third parties for payment of some or all costs (i.e. subrogation).

The Group does not allow for salvage recoveries or subrogation reimbursements in the measurement of insurance liabilities for claims. Salvage and subrogation reimbursements are recognised when the money is due.

Life insurance contracts

Revenue recognition and measurement

These contracts insure events associated with human life (i.e. death, disability or survival) over a long-term duration. Premiums are recognised as revenue when they become payable by the contract holder. Premiums are shown before the deduction of commission. Individual life policies, life annuities and single premiums are accounted for in terms of the policy contract.

Claims and loss adjustment

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised. The liabilities are valued at each reporting date using the financial soundness valuation ("FSV") basis described in Standard of Actuarial Practice ("SAP") 104 issued by the Actuarial Society of South Africa ("ASSA") and the liability is reflected as policyholder liabilities under insurance contracts.

Under the FSV basis, a liability is determined as the sum of the current estimate of the expected discounted value of all the benefit payments and the future administration expenses that are directly related to the contract, less the current estimate of the expected discounted value of the contractual premiums.

In respect of outstanding claims, provision is made for the costs of intimated and unintimated claims.

Intimated claims represent claims where the incident giving rise to a claim has occurred and has been reported to the insurer for settlement but has not yet been finalised and paid by the insurer. The liability is measured at the value assessed for the claim. Unintimated claims represent claims incurred but not yet reported or paid. The liability is estimated by assuming that future trends in reporting of claims will be similar to the past. The profile of claims run-off (over time) is modelled by using historic data of the Group and chain-ladder techniques. The profile is then applied to actual claims data of recent periods for which the run-off is believed not to be complete.

Benefits are recorded as an expense when they are incurred.

Valuation methodology

Assumptions used for valuing policy liabilities are based on best estimates of future experience, guided by recent past experience and increased by margins prescribed by the ASSA for prudence and further discretionary margins to ensure that profits are released appropriately over the term of each policy.

Policyholders' reasonable expectations are allowed for by valuing all guaranteed benefits. Maturity guarantee liabilities have been valued in accordance with the requirements of Advisory Practice Note ("APN") 110 issued by the ASSA. In terms if this guidance, an internationally recognised market-consistent stochastic model is used to perform a range of asset projections from which the maturity guarantee liability is derived. In terms of APN 110 the projections allow for at least a certain minimum level of market volatility. The liability is equal to the discounted shortfall (of stimulated maturity values against minimum guarantees values) across all projections for the policies concerned.

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

1.10 Classification of insurance and investment contracts *(continued)*

Liability adequacy test

Liabilities are calculated in terms of the FSV basis as described in SAP 104. Since the FSV basis meets the minimum requirement of the liability adequacy test, it is not necessary to perform additional adequacy test on the liability component. For the liability relating to potential future claims which have already been incurred on the reporting date, but of which the Group has not yet been informed, tests are performed to ensure that the liability is sufficient to cover historical run-off profiles and growth in the volume of business.

Reinsurance contracts held

Reinsurance contracts entered into by the Group with reinsurers, under which the Group is compensated for losses on one or more contracts issued by the Group and which meet the classification requirements for insurance contracts, are classified as reinsurance contracts held.

For contracts which do not meet the requirements to be classified as reinsurance, the total asset is recognised under financial assets.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer-terms receivables that are dependent on the expected claims and benefits arising under the related reinsurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured contracts and in accordance with the terms of each reinsurance agreement.

The Group's reinsurance assets are assessed for impairment at each reporting date. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises the impairment loss in profit or loss. For historic amounts, the impairment is calculated as the total amount due from reinsurers for which there is a significant probability that the amounts due would not be recoverable less any offsetting amounts. Liabilities are revalued assuming that no reinsurance is ceded.

Receivables and payables related to insurance and investment contracts

Receivables and payables are only recognised when they meet the definitions and recognition criteria of financial assets and/or liabilities. These include amounts due to and from intermediaries and insurance contract holders.

Philosophy on release of profits on the valuation basis

The Standard of Actuarial Practice ("SAP 104") allows for additional margins if the statutory actuary believes that the compulsory margins are insufficient for prudent reserving and/or to defer the release of profits in line with policy design.

It is the Group's policy that profit margins contained in the premium basis should only be released and added to profits once premiums have been received and the risk cover has been provided.

The following additional (discretionary) margins are incorporated in the liability calculations:

- Minimum liability equal to the surrender value of a policy and elimination of all negative liabilities to ensure that solvency is maintained if policy cancellations increase. It is not the philosophy of the Group to recognise an asset by (prematurely) recognising the expected future profits of a policy.
- Additional margin on mortality, disability and dreaded disease (equal to compulsory margins for most product lines) to take account of the size of the book, uncertainty surrounding future mortality trends (especially the Aids pandemic), lack of catastrophe reinsurance, and the fact that certain classes of business are not underwritten.
- Reduced lapse assumptions on certain product lines due to the fact that lapses are inherently volatile and as it is not deemed prudent to take credit in advance for future lapses that might not arise.
- No recognition of future investment charges on linked businesses as the Group's profit recognition policy determines that asset-based fees are more appropriately accounted for as and when they are invoiced.
- A percentage of premiums for certain regular premium businesses is not taken into account when liabilities are valued. The effect is to increase liabilities. This allows for uncertainty as to whether the premiums will actually be received and is in line with the profit recognition policy whereby profit is not recognised in advance.

Value of business acquired

On acquisition of a portfolio of insurance contracts, either directly from another insurer or through the acquisition of a subsidiary company, the Group recognises an intangible asset representing the value of businesses acquired ("VOBA").

The VOBA represents the present value of future profits embedded in acquired insurance contracts. The Group amortises the VOBA over the effective life of the acquired contracts. This amortisation is recognised in profit or loss.

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

1.10 Classification of insurance and investment contracts *(continued)*

1.10.2 Investment contracts

Policyholder contracts that do not transfer significant insurance risk are classified as investment contracts and are valued at fair value. Acquisition costs directly attributable to investment management contracts are capitalised to a deferred acquisition cost asset and amortised to profit or loss over the term of the contract.

The Group issues investment contracts with fixed and guaranteed terms. Investment contracts with fixed and guaranteed terms are financial liabilities of which the fair value is dependent on the fair value of the financial assets backing the liabilities. These contracts and the corresponding policyholder liabilities are designated to be held at fair value through profit or loss at inception. Subsequent changes to the fair value are taken to profit or loss.

Valuation techniques are used to establish the fair value at inception and at each reporting date. The Group's main valuation techniques incorporate all factors that market participants would consider and are based on observable market data. The fair value of a linked investment contract is determined using the current unit values that reflect that fair values of the financial assets contained within the Group's unitised investment funds linked to the financial liability, multiplied by the number of units attributed to the contract holder at the reporting date. The fair value of fixed interest rate products is determined by discounting the maturity value at market rates of interest.

If the investment contract is subject to a put or surrender option held by the customer, the fair value of the financial liability is never less than the amount payable on surrender, discounted for the required notice period, where applicable.

Withdrawals from, and deposits in investment contracts are excluded from profit or loss.

1.11 Commodities

Commodities where the Group 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.

1.12 Intangible assets

1.12.1 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 Group'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.

1.12.2 Intangible assets other than goodwill

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

Development expenditure is capitalised only if development costs can be measured reliably, completion of the development of the software is technically and commercially feasible, the Group can demonstrate that the intangible asset will be used to generate future economic benefits, the Group intends to and has sufficient resources to complete development and to use the asset, and the Group 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 Group has right of access to the goods or as the services are received.

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

1.12 Intangible assets *(continued)*

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

1.13 Property and equipment

1.13.1 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 Group 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)*

1.13 Property and equipment *(continued)*

1.13.2 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 Group 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 Group 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 Group 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 Group recognises leased assets on the statement of financial position within property and equipment.

Where the Group 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.

1.13.3 Investment properties

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

1.14 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 Group. The corresponding loans are derecognised when the Group 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”.

1.15 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 Group’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 Group’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. Summary of significant accounting policies *(continued)*

1.16 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.

1.17 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 Group 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.

1.18 Employee benefits

1.18.1 Post-retirement benefits

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

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

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

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

Interest is calculated by applying the discount rate to the net defined benefit liability or asset.

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 Group, using a methodology similar to that for defined benefit pension schemes.

1.18.2 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 Group 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)*

1.18 Employee benefits *(continued)*

1.18.3 Share-based payments

The Group 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.

1.19 Tax

1.19.1 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.

1.19.2 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.

1.19.3 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 Group, the Group does not recognise tax on dividends declared.

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

1.19 Tax *(continued)*

1.19.4 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.

1.20 Treasury shares

Treasury shares are deducted from shareholders' equity within other reserves and treasury shares. A transfer is made to retained earnings in line with the vesting of treasury shares held for the purposes of share-based payments.

1.21 Reporting changes overview

The financial reporting changes that have had an impact on the Group's results for the comparative reporting periods ended 31 December 2013 and 31 December 2012 include:

- The implementation of amended IFRS, specifically amendments to IAS 32, relating to offsetting of financial assets and financial liabilities. All other amendments to IFRS, and new interpretations, effective for the current reporting period had no significant impact on the Group's reported results.
- Certain changes in internal accounting policies.
- Changes in reportable segments.

1.21.1 Accounting policy changes due to amended IFRS

The amendments to IAS 32 provide further application guidance on when the criteria for offsetting would be considered to be met and became effective for reporting periods beginning on or after 1 January 2014.

The offsetting requirements in IAS 32 have been retained such that a financial asset and liability shall be offset and the net amount presented in the statement of financial position, only when an entity currently has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The amendments to IAS 32 provide more application guidance on when the criteria for offsetting would be considered to be met.

The netting applied to certain financial instruments (i.e. variation margins on certain derivatives as well as certain hybrid customer products) has been assessed in light of the amendments and it has been determined that netting is no longer permitted under IFRS.

1.21.2 Internal accounting policy changes

The Group elected to make an internal accounting policy change involving the classification of items in the statement of financial position. Investment securities across the Group have been appropriately grouped together as "Investment securities", following the acquisition of Barclays Africa Limited, with remaining investments linked to investment contracts being disclosed separately.

This has resulted in the old "statutory liquid asset portfolio" line item in the statement of financial position no longer being displayed.

This reclassification has no impact on the overall financial position or net earnings of the Group. To ensure comparability, the comparative reporting periods have been restated.

1.21.3 Changes in reportable segments

Refer to note 58 for changes affected to reportable segments, in line with the requirements of IFRS 8.

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

1.21 Reporting changes *(continued)*

1.21.4 Impact of reporting changes on the Group's results

The impact of these changes on the statement of financial position is as follows:

Consolidated statement of financial position as at 31 December 2013

	As previously reported Rm	IFRS accounting policy changes Rm	Internal accounting policy changes Rm	Restated Rm
Assets				
Loans and advances to banks	79 971	651	—	80 622
Trading portfolio assets	87 034	1 727	—	88 761
Statutory liquid asset portfolio	62 055	—	(62 055)	—
Investment securities	33 083	—	45 921	79 004
Investments linked to investment contracts	—	—	16 134	16 134
Loans and advances to customers	605 337	886	—	606 223
Liabilities				
Deposits from banks	69 064	1 727	—	70 791
Deposits due to customers	588 011	886	—	588 897
Trading portfolio liabilities	51 477	651	—	52 128

Consolidated statement of financial position as at 31 December 2012

	Group			
	As previously reported Rm	IFRS accounting policy changes Rm	Internal accounting policy changes Rm	Restated Rm
Assets				
Loans and advances to banks	62 511	1 626	—	64 137
Trading portfolio assets	87 324	3 958	—	91 282
Statutory liquid asset portfolio	63 020	—	(63 020)	—
Investment securities	30 913	—	49 209	80 122
Investments linked to investment contracts	—	—	13 811	13 811
Loans and advances to customers	566 262	985	—	567 247
Liabilities				
Deposits from banks	41 424	3 958	—	45 382
Deposits due to customers	543 101	985	—	544 086
Trading portfolio liabilities	51 734	1 626	—	53 360

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

1.22 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 the new accounting standard that represents a package of reform to financial instrument accounting was issued in July 2014. IFRS 9 replaces the previous standard on financial instruments, IAS 39 and encompasses requirements in the following areas:

- Classification and measurement: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the recognition of an entity's own credit risk.
- Impairment: IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, therefore it is no longer necessary for a credit event to have occurred before a credit loss is recognised.
- Hedge accounting: IFRS 9 introduces a new hedge accounting model that is designed to be more closely aligned with how an entity undertakes risk management activities when hedging financial and non-financial risk exposures.
- Derecognition: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

IFRS 9 is applicable to reporting periods beginning on or after 1 January 2018. The standard is required to be retrospectively applied, but comparative information is not compulsory. The Group is currently in the process of assessing IFRS 9's full impact, and the related disclosures, which will need to be provided on first-time adoption of IFRS 9.

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

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

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

IFRS 15 is applicable to reporting periods beginning on or after 1 January 2017. A choice of modified or full retrospective application is allowed. The Group is in the process of assessing the impact.

IAS 19 (amendments) clarify the requirements for how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contribution is independent of the number of years of an employee's service. The amendments are required to be applied retrospectively and will first be applicable to reporting periods beginning on or after 1 July 2014.

The Group is in the process of assessing the impact.

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

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

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

The Group is in the process of assessing the impact.

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

The Group is in the process of assessing the impact.

IFRS 10 and IAS 28 (amendments) clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognised depends on whether the assets sold or contributed constitute a business. The amendments are required to be applied prospectively and will first be applicable to reporting periods beginning on or after 1 January 2016.

The Group is in the process of assessing the impact.

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

The Group is in the process of assessing the impact.

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

The Group is in the process of assessing the impact.

Annual improvements for both the 2010 – 2012 and 2011 – 2013 cycles were issued in December 2013. These improvements affect various standards and are effective for periods beginning on or after 1 July 2014.

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

The Group is in the process of assessing the impact.

		Group	
		2014 Rm	2013 Rm
2.	**Cash, cash balances and balances with central banks**		
	Balances with other central banks	**9 400**	7 350
	Balances with the SARB	**12 621**	12 417
	Coins and bank notes	**12 903**	12 652
	Money market assets	**15 411**	17 711
		50 335	50 130

Included above are money market assets of **R726m** (2013: R493m) which are linked to investment contracts (refer to note 23.1).

Included above are money market assets of **R830m** (2013: R485m) that have been pledged as security, of which **Rnil** (2013: R356m) relates to repurchase agreements.

		Group	
		2014 Rm	2013 Rm
3.	**Investment securities**		
	Government bonds	**47 128**	41 536
	Listed equity instruments	**2 904**	1 573
	Money market assets	**12**	—
	Other debt securities	**13 933**	12 028
	Treasury bills	**18 526**	20 519
	Unlisted equity and hybrid instruments	**3 383**	3 348
		85 886	79 004

RSA government bonds, SARB debentures and treasury bills valued at **R5 689m** (2013: R7 055m) have been pledged with the SARB.

Comparatives have been restated, refer to note 1.21.

		Group	
		2014 Rm	2013 Rm
4.	**Loans and advances to banks**		
	Loans and advances to banks	**72 225**	80 622

Loans with variable rates are **R32 830m** (2013: R56 643m) and fixed rates are **R39 395m** (2013: R23 979m).

Included above are loans and advances to banks with a carrying value of **R6 380m** (2013: R3 597m) that have been pledged as security, including collateralised loans of **R2 382m** (2013: R1 098m) relating to securities borrowed, which excludes reverse repurchase agreements. The amounts pledged are 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.

Included above are reverse repurchase agreements of **R15 261m** (2013: R15 770m).

Comparatives have been restated, refer to note 1.21.

	Group 2014 Rm	Group 2013 Rm
5. Trading and hedging portfolio assets		
Commodities	**1 701**	1 080
Debt instruments	**31 549**	25 452
Derivative assets (refer to note 59.4)	**40 315**	45 330
Commodity derivatives	**315**	336
Credit derivatives	**375**	269
Equity derivatives	**1 050**	833
Foreign exchange derivatives	**8 377**	8 650
Interest rate derivatives	**30 198**	35 242
Equity instruments	**9 912**	12 253
Money market assets	**7 021**	4 646
Total trading portfolio assets	**90 498**	88 761
Hedging portfolio assets (refer to note 59.5)	**2 350**	3 357
	92 848	92 118

Trading portfolio assets with a carrying value of **R23 390m** (2013: R17 680m) were pledged as security for repurchase agreements. These assets are pledged for the duration of the respective agreements.

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

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

Comparatives have been restated, refer to note 1.21.

	Group 2014 Rm	Group 2013 Rm
6. Other assets		
Accounts receivable and prepayments	**11 911**	10 938
Deferred costs	**342**	219
Deferred acquisition costs (refer to note 6.1)	**149**	90
Other deferred costs	**193**	129
Inventories	**571**	642
Cost	**600**	710
Write-down	**(29)**	(68)
Retirement benefit fund surplus (refer to note 44)	**590**	577
Settlement accounts	**2 100**	3 453
	15 514	15 829
6.1 Deferred acquisition costs		
Balance at the beginning of the reporting period	**90**	85
Additions	**67**	367
Amortisation charge	**(8)**	(362)
Balance at the end of the reporting period	**149**	90

Deferred acquisition costs relate to the Group's insurance and investment business.

		Group	
		2014 Rm	2013 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	**4 814**	4 052
	Disposals	**(1 782)**	(70)
	Transfer from investment securities	**29**	4
	Transfer to investment securities	**(2 324)**	—
	Transfer from investment properties (refer to note 13)	**376**	212
	Transfer from property and equipment (refer to note 14)	**3**	209
	Fair value adjustments of investment securities	**(1)**	266
	Adjustments to underlying assets of subsidiaries held for sale	**(143)**	141
	Balance at the end of the reporting period	**972**	4 814
7.2	**Non-current liabilities held for sale**		
	Balance at the beginning of the reporting period	**1 651**	1 480
	Disposals	**(175)**	—
	Transfer from other liabilities	**—**	1
	Transfer to liabilities under investment contracts (refer to note 23)	**(973)**	—
	Fair value adjustments of investment securities	**—**	262
	Adjustments to underlying liabilities of subsidiaries held for sale	**(131)**	(92)
	Balance at the end of the reporting period	**372**	1 651

The following transfers to non-current assets held for sale were effected:

- RBB transferred investment securities with a carrying value of **R29m** (2013: R4m).
- The Head Office and other operations segment transferred property and equipment with a carrying value of **R3m** (2013: R209m).
- RBB transferred investment properties with a carrying value of **R376m** (2013: R212m).

The fair value adjustments of investment securities relate to assets within RBB which were classified as held for sale during 2012. At the reporting date, these investment securities remain classified as non-current assets held for sale as the delay of the disposal is as a consequence of events outside the Company's control. The Company remains, however, committed to dispose of the asset in 2015.

All the above assets are expected to be disposed of in 2015.

The CPF Equity division in RBB disposed of a non-core subsidiary with investment property with a carrying value of **R1 315m** (2013: Rnil). The remaining disposals of non-current assets and liabilities held for sale occurred in RBB, WIMI and Head Office and other operations segments. The profit on disposal of the non-current assets held for sale has been recognised in Other operating income in the statement of comprehensive income.

The General Fund was amalgamated with the Absa Select Equity Fund and WIMI, and therefore ceased to exist as an independent fund. This resulted in the derecognition of the related financial assets of **R2 324m** (2013: Rnil) and liabilities **R973m** (2013: Rnil) of the Absa General Fund, previously classified as non-current assets and liabilities held for sale in the previous financial reporting period.

	Group 2014 Rm	Group 2013 Rm
8. Loans and advances to customers		
Corporate overdrafts and specialised finance loans	**7 428**	5 729
Credit cards	**41 261**	37 500
Foreign currency loans	**22 674**	22 760
Instalment credit agreements, (refer to note 8.1)	**72 644**	66 751
Gross advances	**89 182**	81 235
Unearned finance charges	**(16 538)**	(14 484)
Loans to associates and joint ventures (refer to note 49.5)	**14 785**	12 039
Microloans	**2 881**	2 192
Mortgages	**268 781**	277 139
Other advances	**23 469**	20 742
Overdrafts	**33 545**	34 768
Overnight finance	**18 662**	14 083
Personal and term loans	**75 036**	67 967
Preference shares	**11 840**	8 945
Reverse repurchase agreements	**5 819**	3 893
Wholesale overdrafts	**53 631**	47 764
Gross loans and advances to customers	**652 456**	622 272
Impairment losses on loans and advances (refer to note 9)	**(16 130)**	(16 049)
	636 326	606 223

The Group has securitised certain loans and advances to customers, the total carrying value of these securitised assets is **R4 222m** (2013: R4 068m).

Included above are loans and advances to customers with a carrying value of **R11 376m** (2013: R8 217m)[1] that have been pledged as security, including collateralised loans of **R2 827m** (2013: R3 024m) relating to securities borrowed.
The amount pledged is the required threshold of cash collateral based on specific arrangements with different counterparties. Exposures are reviewed on a periodic basis, whereby these thresholds are adjusted accordingly.

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

Comparatives have been restated, refer to note 1.21.

	Group 2014 Gross advances Rm	Group 2014 Unearned finance charges Rm	Group 2014 Net advances Rm	Group 2013 Gross advances Rm	Group 2013 Unearned finance charges Rm	Group 2013 Net advances Rm
8.1 Instalment credit agreements						
Maturity analysis						
Less than one year	**27 080**	**(4 512)**	**22 568**	25 257	(4 358)	20 899
Between one and five years	**59 189**	**(11 376)**	**47 813**	53 468	(9 631)	43 837
More than five years	**2 913**	**(650)**	**2 263**	2 510	(495)	2 015
	89 182	**(16 538)**	**72 644**	81 235	(14 484)	66 751

The Group 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 **R4 805m** (2013: R4 573m).

The accumulated allowance for uncollectible lease payments receivable included in the allowance for impairments at the reporting date is **R777m** (2013: R1 200m).

Note

[1]The comparatives have been restated to include cash and non-cash collateral. In the prior reporting period only cash collateral of R3 659m was reported.

		Group	
		2014 Rm	2013 Rm
9.	**Impairment losses on loans and advances**		
	Comprising:		
	Identified impairments	14 318	14 634
	Unidentified impairments	1 812	1 415
		16 130	16 049

Reconciliation of allowance for impairment losses on loans and advances to customers	Group 2014 Retail Banking South Africa Rm	Business Banking South Africa Rm	RBB Rest of Africa Rm	CIB Rm	WIMI Rm	Head Office and other operations Rm	Total Rm
Balance at the beginning of the reporting period	10 418	2 283	2 365	680	193	110	16 049
Net present value unwind on non-performing book	(495)	(147)	—	—	(2)	—	(644)
Exchange differences	—	—	(76)	—	—	—	(76)
Amounts written-off	(4 633)	(815)	(666)	(185)	(70)	(110)	(6 479)
Impairment raised – identified	5 433	687	640	201	6	—	6 967
Impairment raised – unidentified	121	20	89	58	25	—	313
Balance at the end of the reporting period	10 844	2 028	2 352	754	152	—	16 130

Reconciliation of allowance for impairment losses on loans and advances to customers	2013 Retail Banking South Africa Rm	Business Banking South Africa Rm	RBB Rest of Africa Rm	CIB Rm	WIMI Rm	Head Office and other operations Rm	Total Rm
Balance at the beginning of the reporting period	10 466	2 357	1 968	651	210	125	15 777
Net present value unwind on non-performing book	(697)	(153)	—	—	(1)	—	(851)
Exchange differences	—	—	422	—	—	—	422
Amounts written-off	(5 479)	(887)	(726)	(210)	(101)	(1)	(7 404)
Impairment raised – identified	6 040	861	645	169	53	(14)	7 754
Impairment raised – unidentified	88	105	56	70	32	—	351
Balance at the end of the reporting period	10 418	2 283	2 365	680	193	110	16 049

		Group	
		2014 Rm	2013 Rm
9.1	**Statement of comprehensive income charge**		
	Impairments raised during the reporting period	7 280	8 105
	Identified impairments	6 967	7 754
	Unidentified impairments	313	351
	Recoveries of loans and advances previously written off	(990)	(1 118)
		6 290	6 987

	Group 2014 Rm	Group 2013 Rm
10. Reinsurance assets		
Insurance contracts (refer to note 24)	**597**	713
Life insurance contracts	**19**	24
Short-term insurance contracts	**578**	689
Investment contracts (refer to note 23.1)	**134**	157
	731	870

Included in "other assets – accounts receivable and prepayments" are **R164m** (2013: R340m) relating to amounts receivable from reinsurers for claims made against them.

	Group 2014 Rm	Group 2013 Rm
11. Investments linked to investment contracts		
Debt instruments	**582**	388
Derivative instruments (refer to note 59.3)	**19**	23
Listed equity instruments	**16 433**	13 026
Money market instruments	**749**	651
Unlisted equity and hybrid instruments	**1 534**	2 046
	19 317	16 134

Comparatives have been restated, refer to note 1.21.

	Group 2014 Rm	Group 2013 Rm
12. Investments in associates and joint ventures		
Unlisted investments	**845**	694
12.1 Movement in carrying value of associates and joint ventures accounted for under the equity method		
Balance at the beginning of the reporting period	**694**	569
Share of current reporting period post-tax results	**142**	130
Share of current reporting period results before taxation	**196**	181
Taxation on reporting period results	**(54)**	(51)
Net movement resulting from acquisitions, disposals and transfers	**11**	(3)
Impairment (refer to note 39)	**(2)**	(2)
Balance at the end of the reporting period	**845**	694

12.2 Associates and joint ventures

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

Group share	Associates 2014 Rm	Associates 2013 Rm	Joint ventures 2014 Rm	Joint ventures 2013 Rm
Post-tax profit from continuing operations	**12**	25	**130**	105
Total comprehensive income	**12**	25	**130**	105

During the current reporting period, Barclays Africa Group Limited acquired 49% of Rainfin (Pty) Ltd, a lending exchange company for R11m. There were no new acquisitions or disposals in the prior reporting period.

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

	Group 2014 Rm	Group 2013 Rm
12.3 Analysis of carrying value of associates and joint ventures accounted for under the equity method		
Unlisted investments		
Loans and receivables	**16**	16
Shares at cost	**111**	102
Share of post-acquisition reserves	**718**	576
	845	694

	Group 2014 Associates Rm	Group 2014 Joint ventures Rm	Group 2014 Total Rm	Group 2013 Associates Rm	Group 2013 Joint ventures Rm	Group 2013 Total Rm
12.4 Carrying value of associates and joint ventures						
Equity accounted	**240**	**605**	**845**	219	475	694
Designated at fair value through profit or loss	**24**	**739**	**763**	90	735	825
	264	**1 344**	**1 608**	309	1 210	1 519

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

Refer to note 49.5 for additional disclosure of the Group's investments in associates and joint ventures.

13. Investment properties

	Group 2014 Rm	Group 2013 Rm
Balance at the beginning of the reporting period	**1 089**	1 220
Additions	**11**	9
Change in fair value (refer to notes 37 and 38)	**(18)**	29
Disposals	**(3)**	(6)
Foreign exchange movements	**24**	49
Transfer to non-current assets held for sale (refer to note 7.1)	**(376)**	(212)
Balance at the end of the reporting period	**727**	1 089

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 six months to ten years, depending on the use of the building being leased. Subsequent renewals are negotiated with the lessee. No contingent rentals are charged.

14. Property and equipment

	Group					
	2014			2013		
	Cost Rm	Accumulated depreciation and/or impairments Rm	Carrying value Rm	Cost Rm	Accumulated depreciation and/or impairments Rm	Carrying value Rm
Computer equipment	5 448	(3 286)	2 162	5 038	(3 192)	1 846
Freehold property	5 702	(404)	5 298	4 877	(384)	4 493
Furniture and other equipment	7 489	(4 593)	2 896	8 131	(4 744)	3 387
Leasehold property	1 659	(866)	793	1 666	(824)	842
Motor vehicles	118	(90)	28	149	(38)	111
	20 416	(9 239)	11 177	19 861	(9 182)	10 679

	Group 2014							
	Opening balance Rm	Additions Rm	Disposals Rm	Transfer to non-current assets held for sale Rm	Foreign exchange movements Rm	Depre-ciation Rm	Impairment charge Rm	Closing balance Rm
Reconciliation of property and equipment								
Computer equipment	1 846	1 142	(39)	—	169	(878)	(78)	2 162
Freehold property	4 493	940	(103)	—	42	(74)	—	5 298
Furniture and other equipment	3 387	562	(145)	(3)	(156)	(574)	(175)	2 896
Leasehold property	842	81	(45)	—	(36)	(42)	(7)	793
Motor vehicles	111	19	(54)	—	(22)	(26)	—	28
	10 679	2 744	(386)	(3)	(3)	(1 594)	(260)	11 177
Note				7		38	39	

	Group 2013							
	Opening balance Rm	Additions Rm	Disposals Rm	Transfer to non-current assets held for sale Rm	Foreign exchange movements Rm	Depre-ciation Rm	Impairment charge Rm	Closing balance Rm
Reconciliation of property and equipment								
Computer equipment	1 501	1 081	(40)	—	—	(696)	—	1 846
Freehold property	3 979	698	(34)	(98)	(13)	(39)	—	4 493
Furniture and other equipment	3 266	1 400	(477)	(111)	97	(788)	—	3 387
Leasehold property	784	152	(103)	—	120	(111)	—	842
Motor vehicles	94	26	(13)	—	11	(7)	—	111
	9 624	3 357	(667)	(209)	215	(1 641)	—	10 679
Note				7		38	39	

Leasehold property with a carrying value of **R14m** (2013: R103m) are encumbered under finance leases, refer to note 19.

Included in the above additions is **R918m** (2013: R488m) that relates to expenditure capitalised to the cost of the asset during the course of its construction. During the current reporting period, an amount of **R131m** (2013: R571m) was transferred from assets under construction and brought into use.

	Group					
	2014			2013		
	Cost Rm	Accumulated amortisation and/or impairments Rm	Carrying value Rm	Cost Rm	Accumulated amortisation and/or impairments Rm	Carrying value Rm
15. Goodwill and intangible assets						
Computer software development costs	4 331	(2 386)	1 945	3 565	(1 716)	1 849
Customer lists and relationships	753	(273)	480	689	(202)	487
Goodwill	892	(130)	762	936	(176)	760
Other	76	(44)	32	76	(31)	45
	6 052	(2 833)	3 219	5 266	(2 125)	3 141

	Group						
	2014						
	Opening balance Rm	Additions Rm	Disposals Rm	Foreign exchange movements Rm	Amor-tisation Rm	Impairment charge Rm	Closing balance Rm
Reconciliation of goodwill and intangible assets							
Computer software development costs	1 849	651	(3)	10	(416)	(146)	1 945
Customer lists and relationships	487	69	(4)	2	(74)	—	480
Goodwill	760	—	—	3	—	(1)	762
Other	45	—	—	—	(13)	—	32
	3 141	720	(7)	15	(503)	(147)	3 219
Note					38	39	

	Group						
	2013						
	Opening balance Rm	Additions Rm	Disposals Rm	Foreign exchange movements Rm	Amor-tisation Rm	Impairment charge Rm	Closing balance Rm
Reconciliation of goodwill and intangible assets							
Computer software development costs	1 793	547	(200)	115	(406)	—	1 849
Customer lists and relationships	509	37	(10)	—	(49)	—	487
Goodwill	720	—	—	40	—	—	760
Other	26	40	(6)	—	(15)	—	45
	3 048	624	(216)	155	(470)	—	3 141
Note					38	39	

The majority of computer software development costs were internally generated with the remainder externally acquired.

Included in computer software development costs is **R895m** (2013: R716m) relating to assets under construction.

	Group 2014 Rm	Group 2013 Rm
15. Goodwill and intangible assets *(continued)*		
Composition of goodwill		
Absa Vehicle and Management Solutions Proprietary Limited	**112**	112
Absa Asset Management Proprietary Limited	**30**	30
Barclays Bank of Mauritius Limited	**34**	32
Barclays Bank of Ghana Limited	**65**	65
Glenrand MIB employee benefits and healthcare	**23**	22
Global Alliance Seguros S.A.	**24**	24
NewFunds Proprietary Limited	**—**	1
Nile Bank Limited	**110**	110
Woolworths Financial Services Proprietary Limited	**364**	364
	762	760

In considering reasonably possible changes to key assumptions, even if the estimated discount rate and/or growth rate was changed by 2% (2013: 2%), no additional impairment loss would be recognised (2013: no impairment loss).

	Group 2014 Rm	Group 2013 Rm
16. Deferred tax		
16.1 Reconciliation of net deferred tax liability		
Balance at the beginning of the reporting period	**324**	1 070
Deferred tax on amounts charged directly to other comprehensive income	**(128)**	(673)
Charge to profit or loss (refer to note 41)	**90**	(42)
Tax effect of translation and other differences	**136**	(31)
Balance at the end of the reporting period	**422**	324
16.2 Deferred tax liability/(asset)		
Tax effects of temporary differences between tax and book value for:		
Deferred tax liability	**1 333**	1 311
Accruals and provisions	**1 337**	1 545
Fair value adjustments on financial instruments	**517**	(338)
Impairment of loans and advances	**(488)**	(113)
Lease and rental debtor allowances	**(157)**	(84)
Other differences	**—**	(157)
Property allowances	**(23)**	200
Retirement benefit funds assets and liabilities	**147**	258
Deferred tax asset	**(911)**	(987)
Assessed losses	**(520)**	(88)
Fair value adjustments on financial instruments	**(137)**	—
Impairment of loans and advances	**—**	(153)
Other differences	**(17)**	(623)
Retirement benefit assets	**—**	(13)
Share-based payments	**(237)**	(110)
Net deferred tax liability	**422**	324

16.3 Future tax relief

The Group has estimated tax losses of **R2 955m** (2013: R1 335m) which are available for set-off against future taxable income. The deferred tax asset of **R911m** (2013: R987m) includes **R520m** (2013: R88m) relating to tax losses carried forward.

Entities which have suffered a loss in either the current or prior reporting period have total deferred tax assets of **R726m** (2013: R614m) relating to tax losses carried forward and temporary differences.

The assessed losses in Barclays Bank of Mozambique expire after three years.

	Group 2014 Rm	Group 2013 Rm
17. Deposits from banks		
Call deposits	**10 235**	9 430
Fixed deposits	**4 854**	12 545
Foreign currency deposits	**6 500**	17 130
Notice deposits	**810**	702
Other	**9 300**	14 282
Repurchase agreements	**21 278**	16 702
	52 977	70 791

Deposits with variable rates are **R14 302m** (2013: R31 812m) and with fixed rates are **R38 675m** (2013: R38 979m).

Comparatives have been restated, refer to note 1.21.

	Group 2014 Rm	Group 2013 Rm
18. Trading and hedging portfolio liabilities		
Derivative liabilities (refer to note 59.4)	**41 844**	48 387
Commodity derivatives	**268**	302
Credit derivatives	**391**	523
Equity derivatives	**1 495**	2 026
Foreign exchange derivatives	**10 008**	8 190
Interest rate derivatives	**29 682**	37 346
Short positions	**7 928**	3 741
Total trading portfolio liabilities	**49 772**	52 128
Hedging portfolio liabilities (refer to note 59.5)	**2 577**	2 391
	52 349	54 519

Comparatives have been restated, refer to note 1.21

	Group 2014 Rm	Group 2013 Rm
19. Other liabilities		
Accruals	**1 873**	1 572
Audit fee accrual	**98**	109
Creditors	**10 278**	9 075
Deferred income	**401**	562
Liabilities under finance leases (refer to note 19.1)	**14**	108
Retirement benefit funds and post-retirement medical plan obligations (refer to note 44)	**1 314**	1 272
Settlement balances	**6 283**	6 618
Share-based payment liability	**818**	459
	21 079	19 775

19. Other liabilities *(continued)*

19.1 Liabilities under finance leases

	Group 2014 Minimum lease payments due Rm	Group 2014 Interest Rm	Group 2014 Principal Rm
Liabilities under finance leases			
Less than one year	**14**	**—**	**14**

	2013 Minimum lease payments due Rm	2013 Interest Rm	2013 Principal Rm
Liabilities under finance leases			
Less than one year	94	(2)	92
Between one and two years	16	—	16
	110	(2)	108

Under the terms of the leases, no contingent rentals are payable. Refer to note 14 for details of property and equipment subject to finance leases.

19.1.1 Terms and conditions of finance leases

Description	Address	Details
IBM Global Financing	Various locations	Lease of various items of information technology systems with an original term of between three and five years with no escalation clauses.

	Group 2014 Rm	Group 2013 Rm
19.1.2 Minimum future income receivable from subleasing		
Receivable within one year	—	1

	Group		
	2014		
	Staff bonuses and incentive provisions Rm	Sundry provisions Rm	Total Rm
20. Provisions			
Balance at the beginning of the reporting period	1 637	823	2 460
Additions	1 545	1 135	2 680
Amounts used	(905)	(576)	(1 481)
Reversals	(538)	(178)	(716)
Balance at the end of the reporting period	1 739	1 204	2 943

Provisions expected to be settled within no more than 12 months after the reporting date were **R2 261m** (2013: R2 304m).

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

	Group	
	2014 Rm	2013 Rm
21. Deposits due to customers		
Call deposits	**56 991**	52 843
Cheque account deposits	**187 000**	175 572
Credit card deposits	**1 932**	1 914
Fixed deposits	**162 360**	168 054
Foreign currency deposits	**24 976**	17 456
Notice deposits	**49 764**	56 349
Other	**11 673**	11 139
Repurchase agreements	**2 165**	1 208
Savings and transmission deposits	**128 025**	104 362
	624 886	588 897

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

Comparatives have been restated, refer to note 1.21.

	Group	
	2014 Rm	2013 Rm
22. Debt securities in issue		
Credit linked notes	**8 823**	8 155
Floating rate notes	**41 524**	44 719
Liabilities arising from securitised SEs	**496**	495
Negotiable certificates of deposit	**29 504**	20 494
Other	**217**	11
Promissory notes	**949**	935
Structured notes and bonds	**1 187**	1 487
Senior notes	**23 398**	21 533
	106 098	97 829

	Group 2014 Rm	Group 2013 Rm
23. Liabilities under investment contracts		
Balance at the beginning of the reporting period	**19 773**	18 768
Change in investments contracts (refer to note 34)	**584**	2 274
Inflows on investment contracts	**7 303**	3 157
Policyholder benefits on investment contracts	**(4 361)**	(4 319)
Linked investment policies	**—**	(107)
Balance at the end of the reporting period	**23 299**	19 773

	Group 2014 Total assets linked to investment contracts Rm	Group 2014 Intercompany eliminations[1] Rm	Group 2014 Net assets attributable to external policyholders Rm
23.1 Assets linked to investment contracts			
Money market assets (refer to note 2)	**726**	**—**	**726**
Investments linked to investment contracts (refer to note 11)	**22 476**	**(3 159)**	**19 317**
Other assets	**4**	**—**	**4**
Other liabilities	**(41)**	**—**	**(41)**
Reinsurance asset (refer to note 10)	**134**	**—**	**134**
	23 299	**(3 159)**	**20 140**

	2013 Total assets linked to investment contracts Rm	2013 Intercompany eliminations[1] Rm	2013 Net assets attributable to external policyholders Rm
Assets linked to investment contracts			
Money market assets (refer to note 2)	493	—	493
Investments linked to investment contracts (refer to note 11)	19 146	(3 012)	16 134
Other assets	1	—	1
Other liabilities	(24)	—	(24)
Reinsurance asset (refer to note 10)	157	—	157
	19 773	(3 012)	16 761

Note

[1]Intercompany eliminations relate to investments held in products of the Group.

	Group 2014 Gross Rm	Group 2014 Reinsurance Rm	Group 2014 Net Rm
24. Policyholder liabilities under insurance contracts			
Short-term insurance contracts:			
Claims outstanding (refer to note 24.1)	**535**	**(272)**	**263**
Claims reported and loss adjustment expense	**425**	**(262)**	**163**
Claims incurred but not reported	**110**	**(10)**	**100**
Unearned premiums at the end of the reporting period	**1 072**	**(306)**	**766**
Balance at the beginning of the reporting period	**1 028**	**(269)**	**759**
Increase during the reporting period	**2 328**	**(372)**	**1 956**
Release during the reporting period	**(2 284)**	**335**	**(1 949)**
	1 607	**(578)**	**1 029**
Long-term insurance contracts (refer to note 24.2)	**2 264**	**(19)**	**2 245**
	3 871	**(597)**	**3 274**

	2013 Gross Rm	2013 Reinsurance Rm	2013 Net Rm
Short-term insurance contracts:			
Claims outstanding (refer to note 24.1)	941	(420)	521
Claims reported and loss adjustment expense	741	(411)	330
Claims incurred but not reported	200	(9)	191
Unearned premiums at the end of the reporting period	1 028	(269)	759
Balance at the beginning of the reporting period	1 035	(261)	774
Increase during the reporting period	2 563	(172)	2 391
Release during the reporting period	(2 570)	164	(2 406)
	1 969	(689)	1 280
Long-term insurance contracts (refer to note 24.2)	1 989	(24)	1 965
	3 958	(713)	3 245

	Group 2014 Rm	Group 2013 Rm
Comprising:		
Unit-linked insurance contracts		
Gross	**1 612**	1 518
Non unit-linked insurance contracts	**1 662**	1 727
Gross	**2 259**	2 440
Reinsurance (refer to note 10)	**(597)**	(713)
	3 274	3 245

24. Policyholder liabilities under insurance contracts *(continued)*

24.1 Reconciliation of claims outstanding, including claims incurred but not reported

	Group 2014 Gross Rm	Group 2014 Reinsurance Rm	Group 2014 Net Rm
Balance at the beginning of the reporting period	941	(420)	521
Cash paid for claims settled during the reporting period	(2 388)	(397)	(2 785)
Increase in claims arising from the current reporting period's claims outstanding	1 811	438	2 249
Increase in claims arising from the previous reporting period's claims outstanding	171	107	278
Balance at the end of the reporting period (refer to note 24)	535	(272)	263

	2013 Gross Rm	2013 Reinsurance Rm	2013 Net Rm
Balance at the beginning of the reporting period	707	(236)	471
Cash paid for claims settled during the reporting period	(2 372)	(880)	(3 252)
Increase in claims arising from the current reporting period's claims outstanding	2 541	741	3 282
Increase in claims arising from the previous reporting period's claims outstanding	65	(45)	20
Balance at the end of the reporting period (refer to note 24)	941	(420)	521

24.2 Reconciliation of gross long-term insurance contracts

	Group 2014 Rm	Group 2013 Rm
Balance at the beginning of the reporting period	1 989	1 808
Reinsurance liability	(6)	(30)
Movement on expected claims experience	13	—
Transfer adjustment	100	28
Change in insurance contract liabilities (refer to note 34)	168	183
Change in economic assumptions	50	(74)
Change in methodology	(79)	(51)
Change in non-economic assumptions	30	(2)
Expected cash flow	864	769
Expected release of margins	(864)	(769)
Experience variances	(16)	29
Increase in retrospective liabilities	56	221
New business	80	13
Transfer of policies	—	20
Unwind of discount rate	47	27
Balance at the end of the reporting period (refer to note 24)	2 264	1 989
Recoverable from reinsurers (refer to note 10)	19	24
Net liabilities	2 245	1 965
Unit-linked liabilities	1 581	1 518
Non unit-linked liabilities	664	447
	2 264	1 989

25. Borrowed funds

Subordinated callable notes issued by Absa Bank Limited

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

Interest rate	*Final maturity date*	*Note*	Group 2014 Rm	Group 2013 Rm
8,80%	7 March 2019	i	—	1 725
8,10%	27 March 2020	ii	**2 000**	2 000
10,28%	3 May 2022	iii	**600**	600
8,295%	21 November 2023	iv	**1 188**	1 188
10,84%	19 November 2019	v	**130**	—
Three-month Johannesburg Interbank Agreed Rate ("JIBAR") + 2,10%	3 May 2022	vi	**400**	400
Three-month JIBAR + 1,95%	21 November 2022	vii	**1 805**	1 805
Three-month JIBAR + 2,05%	21 November 2023	viii	**2 007**	2 007
Three-month JIBAR + 3,30%	19 November 2019	ix	**370**	—
Consumer Price Index ("CPI") linked notes, fixed at the following coupon rates:				
6,00%	20 September 2019	x	—	3 000
5,50%	7 December 2028	xi	**1 500**	1 500
Subordinated callable notes issued by other subsidiaries				
Bank of Botswana certificates rate + 0,85%	30 October 2014	xii	—	120
11%	9 May 2015	xiii	**109**	—
Ninety-one day Kenyan Government Treasury Bill rate + 0,60% (non-qualifying)	19 November 2014	xiv	—	121
Ninety-one day Zambian Government Treasury Bill rate + 2,00% (non-qualifying)	9 May 2015	xv	**91**	96
One-hundred and eighty-two day Kenyan Government Treasury Bill rate + 1,00%	14 July 2015	xvi	**94**	90
11,50%	14 July 2015	xvii	**161**	153
One hundred and eighty-two day Zambian Government Treasury Bill rate + 2,50% (capped at 13,00%)	18 May 2016	xviii	**91**	96
United States dollar three-month London Interbank Offered Rate ("LIBOR") + 1,00% (non-qualifying)	31 March 2018	xix	**76**	69
16,44%	24 January 2024	xx	**31**	—
Accrued interest			**592**	1 490
Fair value adjustments on total subordinated debt instruments			**(37)**	65
			11 208	16 525

25. Borrowed funds *(continued)*

i The 8,80% fixed rate notes were redeemed in full by ABSA Bank Limited on 7 March 2014. Interest was paid semi-annually in arrears on 7 March and 7 September of each year.

ii The 8,10% fixed rate notes may be redeemed in full at the option of Absa Bank Limited on 27 March 2015. Interest is paid semi-annually in arrears on 27 March and 27 September of each year, provided that the last date for payment shall be 27 March 2015. If Absa Bank Limited does not exercise the redemption option, interest is payable thereafter at a floating rate of three-month JIBAR plus 1,185% quarterly in arrears on 27 March, 27 June, 27 September and 27 December.

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

iv 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. There is no step-up in the coupon rate if Absa Bank Limited does not exercise the redemption option. Absa Bank Limited has an option to exercise the redemption on any interest payment date after 21 November 2018.

v The 10,84% 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 date after the original redemption date of 19 November 2019.

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

vii 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. If Absa Bank Limited does not exercise the redemption option, there is no step-up in the coupon rate. Absa Bank Limited has an option to exercise the redemption on any interest payment date after 21 November 2017.

viii 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. If Absa Bank Limited does not exercise the redemption option, there is no step-up in the coupon rate. Absa Bank Limited has an option to exercise the redemption on any interest payment date after 21 November 2018.

ix 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 an option to exercise the redemption on any date after the original redemption date of 19 November 2019.

x The 6,00% CPI-linked notes were redeemed in full by ABSA Bank Limited on 20 September 2014. Interest was paid semi-annually in arrears on 20 March and 20 September of each year.

xi 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 date for payment shall be 7 December 2023. If Absa Bank Limited does not exercise the redemption option, a coupon step-up of 150 basis points ("bps") shall apply.

xii The privately placed floating rate notes issued by Barclays Bank of Botswana Limited ("Barclays Botswana") were redeemed in full on 30 October 2014. These notes carried interest at the Bank of Botswana Certificates rate plus 0,85% and interest was paid semi-annually in arrears on 30 April and 31 October.

xiii The fixed rate notes issued by Barclays Bank of Botswana ("Barclays Botswana") will be redeemed in full on 9 May 2015. The notes bear interest at a fixed rate of 11%. Interest is paid semi-annually in arrears on 9 May and 9 November.

xiv The floating rate notes issued by Barclays Bank of Kenya ("Barclays Kenya"), which were traded on the Nairobi Securities Exchange, were redeemed in full on 19 November 2014. The notes beared interest at the ninety-one day Kenyan Government Treasury Bill rate plus 0,60%. Interest was paid quarterly in arrears on the second Monday of February, May, August and November.

xv The floating rate notes issued by Barclays Bank of Zambia ("Barclays Zambia"), which are listed on the Lusaka Stock Exchange, will be redeemed in full on 9 May 2015. The notes bear interest at the ninety-one day Zambian Government Treasury Bill rate plus 2,00%. Interest is paid semi-annually in arrears on 9 May and 9 November.

xvi The floating rate notes issued by Barclays Kenya, which are traded on the Nairobi Securities Exchange, will be redeemed in full on 14 July 2015. The notes bear interest at the one hundred and eighty-two day Kenyan Government Treasury Bill rate plus 1,00%. Interest is paid semi-annually in arrears on the first Monday of January and July.

xvii The 11,50% fixed rate notes issued by Barclays Kenya, which are traded on the Nairobi Securities Exchange, will be redeemable in full on 14 July 2015. Interest is paid semi-annually in arrears on the first Monday of January and July.

xviii The floating rate notes issued by Barclays Zambia, which are listed on the Lusaka Stock Exchange, will be redeemed in full on 18 May 2016. The notes bear interest at the one hundred and ninety-two day Zambian Government Treasury Bill rate plus 2,50% (capped at 13,00%). Interest is paid semi-annually in arrears on 18 May and 18 November.

xix The floating rate notes issued by Barclays Bank of Uganda Limited ("Barclays Uganda") to Barclays Bank PLC may be redeemed in full or in part on any anniversary of the drawdown of the loan post 31 March 2013. Mandatory redemption in full will occur on 31 March 2018. The notes bear interest at the USD three-month LIBOR plus 1,00%. Interest is paid quarterly in arrears on 31 March, 30 June, 30 September and 31 December.

xx The 16,44% fixed rate notes issued by National Bank of Commerce (Tanzania), will be redeemed in full on 24 January 2024. The notes bear fixed interest rate of 16,44%, per annum which is subjected to Withholding Tax. Interest is paid semi-annually in arrears on 29 July and 29 January.

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

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

	Group 2014 Rm	Group 2013 Rm
26. Share capital and premium		
26.1 Ordinary share capital		
Authorised		
880 467 500 (2013: 880 467 500) ordinary shares of R2,00 each	**1 761**	1 761
Issued		
847 750 679 (2013: 847 750 679) ordinary shares of R2,00 each	**1 696**	1 696
880 000 (2013: 437 896) treasury shares held by Group entities	**(2)**	(1)
	1 694	1 695
Total issued capital		
Share capital	**1 694**	1 695
Share premium	**4 548**	4 474
	6 242	6 169

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.

The Group has a share incentive trust in terms of which shares are issued and share awards are granted. As required by IFRS, Absa Group Limited Share Incentive Trust has been consolidated into the Group's annual financial statements.

Shares issued during the current reporting period

There were no shares issued during the current reporting period.

Shares issued during the previous reporting period

During the prior reporting period, 129 540 636 ordinary shares were issued to conclude the strategic combination of Barclays Africa Group Limited's operations. The transaction was a business combination of entities under common control as defined in IFRS 3.

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

27. Other reserves

27.1 General credit risk reserve

For some African subsidiaries, the IAS 39 impairment provision is less than the regulatory provision which results in a shortfall. An additional general credit risk reserve has been created and maintained through a transfer of distributable reserves to non-distributable reserves, which eliminates the shortfall.

27.2 Available-for-sale reserve

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

27.3 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.

27. Other reserves *(continued)*

27.4 Foreign currency translation reserve

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

27.5 Foreign insurance subsidiary regulatory reserve

The foreign insurance subsidiary regulatory reserve is calculated on the basis of the following minimum percentages of profits recorded in each reporting period for that subsidiary:

- 20% until the value of the reserves represents half of the minimum capital required under the foreign insurance subsidiary's legislation.
- 10% from the time the amount specified in the preceding paragraph, has been attained.

27.6 Share-based payment reserve

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

27.7 Associates' and joint ventures' reserve

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

	Group	
	2014 Rm	2013 Rm
28. Non-controlling interest – preference shares		
Authorised		
30 000 000 (2013: 30 000 000) non-cumulative, non-redeemable listed preference shares of R0,01 each	**1**	1
Issued		
4 944 839 (2013: 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 only subsidiary that gives rise to a significant non-controlling interest is Absa Bank Limited. Whilst Barclays Africa Group Limited holds 100% of the voting rights in Absa Bank Limited, Absa Bank Limited has preference shares in issue that are disclosed as non-controlling interests.

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 by Absa Bank Limited which directly affects the rights attached to the preference shares or the interest of the shareholders. Payment of dividends and principal is at the discretion of the Group. The shareholders only have rights to the nominal value of the shares in the event of insolvency, and to any dividend that is declared, but unpaid.

As at the reporting date, there were no preference dividends that have been declared but remain unpaid. Refer to the consolidated financial statements of Absa Bank Limited for detailed information regarding the financial position and financial performance of Absa Bank Limited.

	Group 2014 Rm	Group 2013 Rm
29. Interest and similar income		
Interest and similar income is earned from:		
Cash, cash balances and balances with central banks	**358**	245
Fair value adjustments on hedging instruments	**511**	3 803
Investment securities	**6 903**	3 810
Loans and advances to banks	**1 415**	1 292
Loans and advances to customers	**56 355**	50 697
Corporate overdrafts and specialised finance loans	**451**	123
Credit cards	**6 105**	5 697
Foreign currency loans	**482**	275
Instalment credit agreements	**6 697**	5 841
Interest on impaired financial assets (refer to note 9)	**644**	851
Loans to associates and joint ventures	**863**	657
Microloans	**561**	478
Mortgages	**21 234**	19 642
Other advances	**304**	927
Overdrafts	**3 352**	3 143
Overnight finance	**830**	786
Personal and term loans	**10 542**	9 073
Preference shares	**682**	484
Reverse repurchase agreements	**2**	12
Wholesale overdrafts	**3 606**	2 708
Other interest	**104**	385
	65 646	60 232
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 59.8)	**751**	(2 450)
Investment securities	**370**	(2 614)
Loans and advances to customers	**381**	164
Fair value adjustments on hedging instruments	**926**	4 549
Cash flow hedges (refer to note 59.6)	**1 494**	1 730
Economic hedges	**4**	1
Fair value hedges (refer to note 59.8)	**(572)**	2 818
Interest on financial assets held at amortised cost	**59 563**	54 038
Interest on financial assets held as available-for-sale	**3 126**	4 208
Interest on financial assets designated at fair value through profit or loss	**1 280**	(113)
Cash, cash balances and balances with central banks	**79**	62
Fair value hedging instruments (refer to note 59.8)	**(415)**	(747)
Investment securities	**1 135**	37
Loans and advances to customers	**481**	535
	65 646	60 232

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 inter-segment eliminations between “interest and similar income”, “interest expense and similar charges”, “gains and losses from banking and trading activities” and “gains and losses from investment activities”.

Comparatives have been restated, refer to note 1.21.

30. Interest expense and similar charges

	Group 2014 Rm	Group 2013 Rm
Interest expense and similar charges are paid on:		
Borrowed funds	1 173	1 358
Debt securities in issue	6 626	5 850
Deposits due to customers	23 227	21 568
Call deposits	3 597	2 813
Cheque account deposits	3 342	3 120
Credit card deposits	8	8
Fixed deposits	7 575	8 566
Foreign currency deposits	332	424
Notice deposits	3 017	2 916
Other deposits due to customers	1 399	1 103
Savings and transmission deposits	3 957	2 618
Deposits from banks	1 180	590
Call deposits	442	315
Fixed deposits	735	274
Foreign currency deposits	3	—
Other	—	1
Fair value adjustments on hedging instruments	(455)	500
Interest incurred on finance leases	—	19
Other	(1 706)	(2 004)
	30 045	27 881
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 59.8)	(258)	(820)
Borrowed funds	(99)	(126)
Debt securities in issue	(159)	(694)
Fair value adjustments on hedging instruments	(214)	893
Cash flow hedges (refer to note 59.6)	(72)	(52)
Economic hedges	(49)	46
Fair value hedges (refer to note 59.8)	(93)	899
Interest on financial liabilities designated at fair value through profit or loss	(179)	488
Borrowed funds	5	17
Debt securities in issue	11	150
Deposits due to customers	46	714
Fair value hedging instruments (refer to note 59.8)	(241)	(393)
Interest on financial liabilities held at amortised cost	30 696	27 320
	30 045	27 881

Other interest and similar charges includes items such as inter-segment eliminations between "interest and similar income", "interest expense and similar changes", "gains and losses from banking and trading activities" and "gains and losses from investment activities".

	Group 2014 Rm	Group 2013 Rm
31. Net fee and commission income		
Asset management and other related fees	129	160
Consulting and administration fees	705	661
Credit-related fees and commissions	15 814	15 626
Cheque accounts	3 871	3 598
Credit cards	1 591	1 603
Electronic banking	4 334	4 233
Other	3 716	3 889
Savings accounts	2 302	2 303
Insurance commission received	1 148	1 315
Investment banking fees	312	255
Merchant income	1 861	1 716
Other	210	203
Trust and other fiduciary service fees	1 419	1 412
Portfolio and other management fees	1 138	1 144
Trust and estate income	281	268
Fee and commission income	21 598	21 348
Fee and commission expense	(2 931)	(2 794)
Cheque processing fees	(131)	(150)
Insurance commission paid	(1 075)	(1 001)
Other	(1 426)	(1 298)
Transaction-based legal fees	(77)	(115)
Trust and other fiduciary service fees	(78)	(88)
Valuation fees	(144)	(142)
	18 667	18 554

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

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

	Group 2014 Rm	Group 2013 Rm
Cheque accounts	3 871	3 598
Credit cards	1 591	1 603
Other	1 689	2 178
Savings accounts	2 302	2 303
Fee and commission income	9 453	9 682
Fee and commission expense	(1 582)	(1 529)
	7 871	8 153

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.

Retail and Business Banking has refined the classification for particular note lines within net fee and commission Income to account for the income from certain products more accurately based on the true nature of the products, this resulted in a decrease of R480m in Merchant Income, an increase of R104m in Electronic Banking and an increase of R376m in Credit Cards for the period ended 31 December 2013.

	Group 2014 Rm	Group 2013 Rm
32. Net insurance premium income		
Gross insurance premiums	8 415	7 813
Life insurance contracts	3 006	2 886
Short-term insurance contracts	5 409	4 927
Premiums ceded to reinsurers	(2 401)	(2 127)
Reinsurance on life insurance contracts	(217)	(205)
Reinsurance on short-term insurance contracts	(2 184)	(1 922)
	6 014	5 686
Comprising (net of reinsurance)		
Life	2 789	2 681
Credit life	817	783
Funeral business	431	457
Home mortgage protection	598	594
Other	943	847
Short-term	3 225	3 005
Commercial business	503	563
Personal business	2 722	2 442
	6 014	5 686
33. Net claims and benefits incurred on insurance contracts		
Gross claims and benefits incurred on insurance contracts	4 122	4 733
Life insurance claims and benefits	967	874
Short-term insurance claims and benefits	3 155	3 859
Reinsurance recoveries	(1 078)	(1 914)
Reinsurance recoveries on life insurance contracts	(138)	(137)
Reinsurance recoveries on short-term insurance contracts	(940)	(1 777)
	3 044	2 819
Comprising (net of reinsurance)		
Life	829	737
Credit life	118	154
Funeral business	123	132
Home mortgage protection	384	305
Other	204	146
Short-term	2 215	2 082
Commercial business	620	948
Personal business	1 595	1 134
	3 044	2 819

	Group 2014 Rm	Group 2013 Rm
34. Changes in investment and insurance contract liabilities		
Increase in insurance contract liabilities (refer to note 24.2)	**168**	183
Increase in investment contract liabilities (refer to note 23)	**584**	2 274
	752	2 457
35. Gains and losses from banking and trading activities		
Net (losses)/gains on investments	**(91)**	312
Debt instruments designated at fair value through profit or loss	**7**	181
Equity instruments designated at fair value through profit or loss	**(54)**	141
Available-for-sale unwind from reserves	**(44)**	(10)
Net trading result	**4 246**	3 854
Net trading income excluding the impact of hedge accounting	**4 493**	4 092
Ineffective portion of hedges	**(247)**	(238)
Cash flow hedges (refer to note 59.6)	**(239)**	(234)
Fair value hedges (refer to note 59.8)	**(8)**	(4)
Other gains	**174**	195
Profit on sale of subsidiaries	**44**	—
	4 373	4 361
Net trading result and other gains on financial instruments		
Net trading income excluding the impact of hedge accounting	**4 493**	4 092
(Losses)/gains on financial instruments designated at fair value through profit or loss	**(1 186)**	1 126
Net (losses)/gains on financial assets designated at fair value through profit or loss	**(330)**	125
Net (losses)/gains on financial liabilities designated at fair value through profit or loss	**(856)**	1 001
Gains on financial instruments held for trading	**5 679**	2 966
Other gains	**174**	195
Gains on financial instruments designated at fair value through profit or loss	**109**	135
Gains on financial instruments held for trading	**65**	60

		Group 2014 Rm	Group 2013 Rm
36.	**Gains and losses from investment activities**		
	Net gains on investments activities	1 090	2 803
	Policyholder – insurance contracts	299	337
	Policyholder – investment contracts	508	2 181
	Shareholder funds	283	285
	Other gains	43	28
		1 133	2 831
	Classification of gains from insurance activities		
	Gains on financial instruments designated at fair value through profit or loss	1 090	2 805
	Other	—	(2)
		1 090	2 803
37.	**Other operating income**		
	Foreign exchange differences, including recycle from other comprehensive income	403	40
	Income from investment properties	185	324
	Change in fair value (refer to note 13)	13	62
	Rentals[1]	172	262
	Income from maintenance contracts	28	16
	Loss on disposal of intangible assets	(2)	(1)
	Profit/(loss) on disposal of property and equipment	19	(5)
	Profit on disposal of developed properties	31	49
	Gross sales	110	102
	Cost of sales	(79)	(53)
	Profit on disposal of repossessed properties	32	15
	Gross sales	97	357
	Cost of sales	(65)	(342)
	Rental income[1]	51	85
	Sundry income	386	376
		1 133	899

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

Note

[1]Business Banking South Africa reviewed the classification of certain income streams, which resulted in a restatement of the 31 December 2013 values within "Other Operating Income". Investment Property rental increased by R162m and Rental Income decreased by R162m.

		Group	
		2014 Rm	2013 Rm
38.	**Operating expenses**		
	Administration fees	**801**	791
	Amortisation of intangible assets (refer to note 15)	**503**	470
	Auditors' remuneration	**268**	259
	Audit fees – current reporting period	**199**	182
	Audit fees – under provision	**14**	9
	Audit-related fees	**46**	44
	Other services	**9**	24
	Cash transportation	**827**	715
	Depreciation (refer to note 14)	**1 594**	1 641
	Equipment costs	**378**	391
	Rentals	**94**	133
	Maintenance	**284**	258
	Information technology	**2 156**	2 078
	Investment properties charges – change in fair value (refer to note 13)	**31**	33
	Marketing costs	**1 616**	1 355
	Operating lease expenses on properties	**1 369**	1 309
	Other	**2 014**	2 122
	Printing and stationery	**394**	310
	Professional fees	**1 609**	1 578
	Property costs	**1 916**	1 692
	Staff costs	**19 334**	17 593
	Bonuses	**1 693**	1 679
	Other	**945**	1 203
	Salaries and current service costs on post-retirement benefits	**15 665**	13 942
	Deferred cash and share-based payments (refer to note 56)	**717**	428
	Training costs	**314**	341
	Telephone and postage	**1 038**	1 083
		35 848	33 420

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

"Information technology" and "professional fees" include research and development costs totalling **R397m** (2013: R280m).

Other operating expenses include fraud losses as well as travel and entertainment costs.

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

	Group 2014 Rm	Group 2013 Rm
39. Other impairments		
Financial instruments	20	28
Other	409	5
Goodwill (refer to note 15)	1	—
Intangible assets (refer to note 15)	146	—
Investments in associates and joint ventures (refer to note 12.1)	2	2
Property and equipment (refer to note 14)	260	—
Repossessed properties	—	3
	429	33

The current and previous reporting periods' impairment losses reported by segment are disclosed in note 58.

	Group 2014 Rm	Group 2013 Rm
40. Indirect taxation		
Training levy	130	117
VAT net of input credits	853	883
	983	1 000
41. Taxation expense		
Current		
Foreign tax	132	170
South African current tax	5 523	5 378
South African current tax – previous reporting period	(172)	(284)
	5 483	5 264
Deferred		
Deferred tax (refer to note 16.1)	90	(42)
Accelerated tax depreciation	(43)	85
Allowances for loan losses	(111)	(72)
Other provisions	(117)	(104)
Other temporary differences	354	81
Assessed losses	—	(39)
Retirement benefit fund assets and liabilities	7	7
	5 573	5 222
Reconciliation between operating profit before income tax and the taxation expense		
Operating profit before income tax	19 717	18 096
Share of post-tax results of associates and joint ventures (refer to note 12)	(142)	(130)
	19 575	17 966
Tax calculated at a tax rate of 28%	5 481	5 030
Effect of different tax rates in other countries	130	(25)
Expenses not deductible for tax purposes	771	466
Income not subject to tax	(1 026)	(500)
Other	191	251
Non-taxable portion of capital gains	26	—
	5 573	5 222

	Group 2014 Rm	Group 2013 Rm
42. Earnings per share		
42.1 Basic earnings per share		
Basic earnings per share is calculated by dividing the profit attributable to ordinary equity holders, obtained from profit or loss, by the weighted average number of ordinary shares in issue during the reporting period.		
Basic earnings attributable to ordinary equity holders	**13 216**	11 981
Weighted average number of ordinary shares in issue (millions)	**847,1**	847,3
Issued shares at the beginning of the reporting period	**847,8**	718,2
Shares issued during the reporting period	**—**	129,5
Treasury shares held by Group entities (weighted)	**(0,7)**	(0,4)
Basic earnings per share (cents)	**1 560,1**	1 414,0

The Group acquired the entire issued share capital of Barclays Africa Limited and issued 129 540 636 consideration shares to Barclays Africa Group Holdings Limited (a wholly owned subsidiary of Barclays). Following the acquisition, Barclays increased its stake to 62,3% from 55,5% in the ordinary shares of Barclays Africa Group. No weighting was applied to this share issue in line with the principles of accounting for business combinations under common control

	Group 2014 Rm	Group 2013 Rm
42.2 Diluted earnings per share		
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.		
Diluted earnings attributable to ordinary equity holders	**13 216**	11 981
Diluted weighted average number of ordinary shares in issue (millions)	**847,6**	848,0
Issued number of ordinary shares	**847,1**	847,3
Adjustments for share options issued at no value	**0,5**	0,7
Diluted earnings per share (cents)	**1 559,2**	1 412,9

The dilution represents the effective discount between the average option price and the average market price at which option holders can convert the options into ordinary shares. This includes options issued in respect of Barclays Africa Group Limited's Share Incentive Trust.

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all potential dilutive ordinary shares. The Group has one category of potential dilutive ordinary shares, namely share options. The number of shares that could have been acquired at fair value (determined as the average annual quoted market share price of the Company's shares) for the share options outstanding are calculated based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as per the above is compared with the number of shares that would have been issued assuming the exercise of the share options. The difference between the number of shares that could have been acquired at fair value and the number of shares that would have been issued assuming the exercise of the share options, are shares that would be obtained at no value.

Shares that are issued contingent on the happening of an event, are only included as potential dilutive ordinary shares when all of the conditions of the contingent event are deemed to have been met, based on the information available at the reporting date.

In calculating the diluted earnings per share in respect of share options to employees and other share-based payment arrangements, the Group adjusts the exercise price, which impacts the weighted average shares issued at no value, of potential ordinary shares to include the fair value of services that will be recognised as an expense in a future period.

	Group 2014 Gross Rm	Group 2014 Net Rm	Group 2013 Gross Rm	Group 2013 Net Rm
43. Headline earnings				
Headline earnings is determined as follows:				
Profit attributable to ordinary equity holders:		13 216		11 981
Total headline earnings adjustment:		(184)		(138)
IFRS 3 – Goodwill impairment (refer to note 39)	1	1	—	—
IFRS 5 – Gains on disposal of non-current assets held for sale	(97)	(86)	(171)	(138)
IAS 16 – (Profit)/loss on disposal of property and equipment (refer to note 37)	(19)	(15)	5	4
IAS 21 – Recycled foreign currency translation reserve	(397)	(397)	—	—
IAS 27 – (Profit)/loss on disposal of subsidiary	(44)	(35)	8	8
IAS 28 – Impairment of investments in associates and joint ventures (refer to note 39)	2	2	2	2
IAS 36 – Impairment of property and equipment (refer to note 39)	260	189	—	—
IAS 36 and IAS 38 – Loss on disposal and impairment of intangible assets (refer to notes 37 and 39)	148	107	1	—
IAS 39 – Release of available-for-sale reserves (refer to note 35)	44	31	10	7
IAS 39 – Disposal and impairment of available-for-sale assets	—	—	6	4
IAS 40 – Change in fair value of investment properties (refer to notes 37 and 38)	18	19	(29)	(25)
Headline earnings/diluted headline earnings		**13 032**		11 843
Headline earnings per share (cents)		**1 538,4**		1 397,7
Diluted headline earnings per share (cents)		**1 537,5**		1 396,6

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

	Group 2014 Rm	Group 2013 Rm
44. Retirement benefit obligations		
Surplus disclosed in "Other assets"		
Absa Pension Fund defined benefit plan (refer to notes 6 and 44.1.1)	466	466
Other defined benefit plans of subsidiaries (refer to notes 6 and 44.2.1)	124	111
	590	577
Obligations disclosed in "Other liabilities"		
Subsidiaries' post-retirement medical aid plans (refer to notes 19 and 44.3)	91	80
Other defined benefit plans of subsidiaries (refer to notes 19 and 44.2.1)	1 223	1 192
	1 314	1 272
Statement of comprehensive income charge included in staff costs and interest expense		
Absa Pension Fund defined benefit plan in a surplus position (refer to note 44.1.6)	3	(25)
Other defined benefit plans of subsidiaries in a deficit position (refer to note 44.2.6)	52	127
Other defined benefit plans of subsidiaries in a surplus position (refer to note 44.2.6)	53	(7)
Subsidiaries' post-retirement medical aid plans	9	8
	117	103
Recognised in other comprehensive income		
Absa Pension Fund defined benefit plan in a surplus position (refer to note 44.1.6)	(3)	26
Other defined benefit plans of subsidiaries in deficit position (refer to note 44.2.6)	69	357
Other defined benefit plans of subsidiaries in a surplus position (refer to note 44.2.6)	(146)	(30)
Subsidiaries' post-retirement medical aid plans	17	23
	(63)	376

44. Retirement benefit fund obligations *(continued)*

The Group 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 Group are the Absa Pension Fund and the BBM Pension Fund. Apart from these, the Group 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.

44.1 The Fund

The Absa Pension Fund ("The Fund") is governed by the Pension Funds Act of 1956, which requires that an actuarial valuation of The Fund be carried out at least every three years. The most recent statutory valuation of The Fund was effected on 31 March 2014 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, must act with due care, diligence and good faith; and avoid conflicts of interest. The board must act independently and with impartiality in respect of all members and beneficiaries. The members of the board have a fiduciary duty to members and beneficiaries in respect of accrued benefits or any amount accrued to provide a benefit, as well as a fiduciary duty to The Fund, to ensure that The Fund is financially sound and is responsibly managed and governed in accordance with the rules and the PF Act.

The rules of The Fund provide retiring defined contribution members with an option to receive either a living annuity or a conventional annuity post-retirement benefit. Should a retiree elect a conventional annuity, the Bank is thereafter exposed to longevity and other actuarial risk. However, 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 have been excluded from the IAS 19 disclosures as the employer is not exposed to any longevity or other actuarial risk in respect of these members. Plan assets and liabilities relating to these pensioners that have elected to receive a living annuity, amount to **R2 992,3m** (2013: R2 693m).

	Group Absa Pension Fund	
	2014	2013
Categories of The Fund		
Defined benefit active members	**26**	29
Defined benefit deferred pensioners	**3**	3
Defined benefit pensioners	**8 535**	8 692
Defined contribution active members	**32 711**	31 666
Defined contribution pensioners	**2 347**	2 219
Duration of the scheme – defined benefit (years)	**10,2**	10
Duration of the scheme – defined contribution (years)	**23,2**	25
Expected contributions to The Fund for the next 12 months (Rm)	**1 574**	1 295

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 Group 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 Group'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 target return basis. The primary objective of the portfolio managed for the defined benefit section of The Fund to achieve is a net real return of 4,5% per annum, measured over rolling 36-month periods. The secondary objective is to achieve a minimum nominal net return of 4,5% per annum, measured over rolling 12-month periods.

44. Retirement benefit fund obligations *(continued)*

44.1 Absa Pension Fund *(continued)*

44.1.1 Reconciliation of the net defined benefit plan surplus

	Group 2014 Rm	Group 2013 Rm
Reconciliation of the net surplus		
Present value of funded obligations	(23 236)	(21 846)
Defined benefit portion	(7 372)	(7 347)
Defined contribution portion	(15 864)	(14 499)
Fair value of the plan assets	24 762	22 868
Defined benefit portion	8 898	8 369
Defined contribution portion	15 864	14 499
Funded status	1 526	1 022
Irrecoverable surplus (effect of asset ceiling)	(1 060)	(556)
Net surplus arising from the defined benefit obligation	466	466

44.1.2 Reconciliation of movement in the funded obligation

	Group 2014 Rm	Group 2013 Rm
Balance at the beginning of the reporting period	(21 846)	(18 483)
Defined benefit portion	(7 347)	(6 150)
Defined contribution portion	(14 499)	(12 333)
Reconciling items – defined benefit portion	(25)	(1 197)
Actuarial gains – financial	398	—
Actuarial gains/(losses) – experience adjustments	4	(665)
Benefits paid	518	464
Current service costs	(42)	(8)
Interest expense	(616)	(429)
Defined contribution member transfers	(287)	(559)
Reconciling items – defined contribution portion	(1 365)	(2 166)
Increase in obligation linked to plan assets return	(1 599)	(1 878)
Employer contributions	(760)	(764)
Employee contributions	(535)	(496)
Disbursements and member transfers	1 529	972
Balance at the end of the reporting period	(23 236)	(21 846)

	Group 2014 Rm	Group 2013 Rm
44. Retirement benefit fund obligations *(continued)*		
44.1 Absa Pension Fund *(continued)*		
44.1.3 Reconciliation of movement in the plan assets		
Balance at the beginning of the reporting period	**22 868**	19 868
Defined benefit portion	**8 369**	7 535
Defined contribution portion	**14 499**	12 333
Reconciling items – defined benefit portion	**529**	834
Benefits paid	**(518)**	(464)
Employer contributions	**—**	1
Interest income	**702**	527
Return on plan assets in excess of interest	**58**	211
Defined contribution member transfers	**287**	559
Reconciling items – defined contribution portion	**1 365**	2 166
Return on plan assets	**1 599**	1 878
Employer contributions	**760**	764
Employee contributions	**535**	496
Disbursements and member transfers	**(1 529)**	(972)
Balance at the end of the reporting period	**24 762**	22 868
44.1.4 Reconciliation of movement in the irrecoverable surplus		
Balance at the beginning of the reporting period	**(556)**	(919)
Interest on irrecoverable surplus	**(47)**	(65)
Changes in the irrecoverable surplus in excess of interest	**(457)**	428
Balance at the end of the reporting period	**(1 060)**	(556)

	Group 2014 Fair value of plan assets Debt instruments Rm	Equity instruments Rm	Other instruments Rm	Total Rm
44.1.5 Nature of the pension fund assets				
Plan assets relating to the defined benefit plan				
Defined benefit portion	2 682	5 304	912	8 898
Quoted fair value	1 484	5 297	247	7 028
Unquoted fair value	982	—	228	1 210
Own transferable financial instruments	216	7	4	227
Investments in listed property entities/funds	—	—	433	433
Defined contribution portion	3 167	8 542	4 155	15 864
Quoted fair value	1 438	8 486	2 602	12 526
Unquoted fair value	1 334	41	703	2 078
Own transferable financial instruments	395	15	247	657
Investments in listed property entities/funds	—	—	603	603
	5 849	13 846	5 067	24 762

44. Retirement benefit fund obligations *(continued)*

44.1 Absa Pension Fund *(continued)*

44.1.5 Plan assets relating to the defined benefit plan

	Group 2013 Fair value of plan assets Debt instruments Rm	Equity instruments Rm	Other instruments Rm	Total Rm
Defined benefit portion	2 281	4 927	1 161	8 369
Quoted fair value	1 588	4 834	788	7 210
Unquoted fair value	—	6	70	76
Own transferable financial instruments	693	87	—	780
Investments in listed property entities/funds	—	—	303	303
Defined contribution portion	2 877	7 468	4 154	14 499
Quoted fair value	2 829	5 111	3 088	11 028
Unquoted fair value	—	9	—	9
Own transferable financial instruments	48	2 348	714	3 110
Investments in listed property entities/funds	—	—	352	352
	5 158	12 395	5 315	22 868

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

	Group 2014 Rm	Group 2013 Rm
44.1.6 Movements in the defined benefit plan presented in the statement of comprehensive income		
Recognised in profit or loss:		
Net interest income	**(39)**	(33)
Current service cost	**42**	8
	3	(25)
Recognised in other comprehensive income:		
Actuarial (gains)/losses – financial	**(398)**	—
Actuarial adjustments (gains)/losses experience	**(4)**	665
Return on plan assets in excess of interest	**(58)**	(211)
Changes in the irrecoverable surplus in excess of interest	**457**	(428)
	(3)	26
44.1.7 Actuarial assumptions used:		
Discount rate (%) p.a.	**8,1**	8,5
Inflation rate (%) p.a.	**5,8**	6,1
Expected rate on the plan assets (%) p.a.	**9,8**	10,6
Future salary increases (%) p.a.	**6,8**	7,1
Average life expectancy in years of pensioner retiring at 60 – Male	**21,1**	21,0
Average life expectancy in years of pensioner retiring at 60 – Female	**26,0**	25,9

44. Retirement benefit fund obligations *(continued)*

44.1 Absa Pension Fund *(continued)*

44.1.8 Sensitivity analysis of the significant actuarial assumptions

	Group 2014 Reasonable possible change	Group 2014 Increase/ (decrease) on defined benefit obligation Rm
Increase in discount rate (%)	**0,5**	**(467)**
Increase in inflation (%)	**0,5**	**512**
Increase in life expectancy (years)	**1**	**314**

	2013 Reasonable possible change	2013 Increase/ (decrease) on defined benefit obligation Rm
Increase in discount rate (%)	0,5	(530)
Increase in inflation (%)	0,5	503
Increase in life expectancy (years)	1	298

44.1.9 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 372m** (2013: R7 374m).

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

The defined contribution obligation of **R15 864m** (2013: R14 499m) 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.

44.2 Other defined benefit plans of subsidiaries

Pension funds are operated in Mozambique, Zambia, Kenya, Mauritius, Seychelles and Botswana. These funds are governed by their local legislation and regulations. The BBM pension fund is the most significant of the Rest of Africa pension funds – contributing towards **83%** (2013: 83%) of the net position of other defined benefit plans of subsidiaries. The regulations governing the BBM pension fund are contained in the Decree 25/2009 issued by the Mozambican government.

Without detracting from the individuality of the respective funds, the comments about the fund benefits and increases are made in general for the Rest of Africa funds collectively.

Defined benefit structure

The benefits provided by the defined benefit structures are based on a formula, taking into account years of membership and remuneration levels. For funds where a minimum pension increase of the lower of CPI or a fixed percentage (which varies by fund) is guaranteed, additional discretionary pension increases may be granted at the discretion of the Group. For funds where a minimum increase is not guaranteed, the trustees may decide on increases in pensions subject to affordability.

The majority of the defined benefit liability relates to deferred pensioners and pensioners. There is not a significant number of active members accruing additional defined benefit liabilities.

Liabilities in respect of the defined benefit structures are calculated based on assumptions in respect of expected death, withdrawals, early retirement, family statistics, rate of increase in pensionable remuneration and medical allowances and administration costs based on past experience.

44. Retirement benefit fund obligations *(continued)*

44.2 Other defined benefit plans of subsidiaries *(continued)*

Defined contribution structure

The benefits provided by the defined contribution structures are determined by accumulated retirement funding contributions and the return on investments.

The defined contribution information has not been included in the defined benefit disclosures; this presentation is different to that of the Absa Pension Fund due to the different plan rules of the Absa Pension Fund.

The nature of the plan rules of the Rest of Africa pension funds is such that any optionality is not considered significant and is therefore not included in the valuation or disclosure of the defined benefit obligation. The BBM pension fund provides benefits on a defined benefit and defined contribution basis. As from 1 October 2013, all future accruals in the closed defined benefit section of the fund were discontinued. All future benefits are now accrued under the defined contribution section for all members, the effect of which is not significant for 2014. This rule change was formally approved in April 2014 and resulted in a curtailment gain of R70m for the fund.

The funds are governed by legislation applicable in the various countries in which the funds are based. The funds are operated on a pre-funded basis. That is, assets are accumulated on a monthly basis with the aim that sufficient funding exists to meet the benefits payable under all modes of exit. Actuarial funding valuations are performed every three years regardless whether or not these are required by legislation. The most recent actuarial valuations of the funds were carried out as at 31 December 2014.

Contributions are generally determined by the Employer in consultation with the Actuary following the funding valuation to ensure the sustainability and financial soundness of the funds. The expense included in staff costs for the defined contribution plans is **R42m** (2013: R63m). Surpluses and deficits are dealt with in a manner which is consistent with the fund rules and applicable legislation. Minimum funding requirements are limited to the deficits of the fund.

With the exception of the BBM pension fund, the plans are administered by separate funds that are legally separated from the individual companies. The boards of trustees of the funds are responsible for the overall management of the funds.

Statutory valuations are carried out on the defined benefit funds every three years. Based on the results of the valuation, a contribution rate is recommended by the actuary. The power of deciding what the final applicable contribution rate should be rests with the employer on advice from the actuary, in some cases with the agreement of the Trustees. Where pension increases are granted in excess of what can be afforded by the Fund, the employer must agree to such an increase and will make an additional contribution to fund this. In addition, should the valuation disclose a deficit and regulations require special additional contributions to be made to the Fund, the employer will need to make such contributions in line with a funding plan approved by the relevant country's Regulator.

Within the Rest of Africa funds, the asset allocation is determined taking into account legislative constraints, the available opportunity set of securities in the country across the different asset classes, fund manager offerings in the country, diversification across different asset classes and region (where applicable) and the nature and term of the liabilities. The asset investment strategy is set to target a return which is based on the actuarial assumptions used in the Fund valuation, over a 5 – 7 year term.

The retirement liabilities shown relate to employees and pensioners who are members of various funds, details of which are shown in the following table:

	Group					
	2014					
	Barclays Bank of Botswana	**Barclays Bank of of Kenya**	**Barclays Bank of Zambia**	**Barclays Bank of Seychelles**	**Barclays Bank of Mauritius**	**Barclays Bank of Mozambique**
Membership						
Defined benefit active members	**—**	**9**	**—**	**12**	**333**	**—**
Defined benefit deferred pensioners	**106**	**1 017**	**502**	**9**	**44**	**618**
Defined benefit pensioners	**198**	**1 434**	**168**	**3**	**226**	**878**
Defined contribution active members	**2 017**	**—**	**1 111**	**184**	**581**	**965**
Duration of the scheme (years)	**13**	**8**	**5**	**17**	**18**	**11**
Expected contributions to the plan for the next 12 months (Rm)	**0,6**	**13,7**	**6,6**	**0,4**	**18,8**	**—**
	2013					
	Barclays Bank of Botswana	Barclays Bank of of Kenya	Barclays Bank of Zambia	Barclays Bank of Seychelles	Barclays Bank of Mauritius	Barclays Bank of Mozambique
Membership						
Defined benefit active members	—	10	—	12	333	671
Defined benefit deferred pensioners	106	1 065	505	11	44	—
Defined benefit pensioners	195	1 441	168	4	226	847
Defined contribution active members	1 989	—	1 110	263	519	—
Duration of the scheme (years)	13	9	8	18	17	13,5
Expected contributions to the plan for the next 12 months (Rm)	0	26	7	0	19	—

	Group 2014 Rm	Group 2013 Rm
44. Retirement benefit fund obligations *(continued)*		
44.2 Other defined benefit plans of subsidiaries		
44.2.1 Defined benefit plan reconciliations		
Reconciliation of the net deficit		
Present value of funded defined benefit obligations	**(2 500)**	(2 364)
Fair value of the defined benefit plan assets	**1 401**	1 283
Funded status	**(1 099)**	(1 081)
Net deficit arising from defined benefit obligation	**(1 099)**	(1 081)
44.2.2 Reconciliation of movement in the defined benefit obligation		
Balance at the beginning of the reporting period	**(2 364)**	(2 316)
Actuarial losses	**65**	(370)
Actuarial gains/(losses) – changes in financial assumptions	**97**	(331)
Actuarial (losses) – experience adjustments	**(32)**	(39)
Benefits paid	**175**	148
Current service costs	**(89)**	(40)
Interest expense	**(219)**	(195)
Past service costs including curtailments	**70**	—
Settlement gains	**—**	647
Foreign exchange differences	**(138)**	(238)
Balance at the end of the reporting period	**(2 500)**	(2 364)
44.2.3 Reconciliation of movement in the plan assets		
Balance at the beginning of the reporting period	**1 283**	1 541
Benefits paid	**(175)**	(148)
Employer contributions	**107**	111
Interest income on the plan assets	**133**	115
Remeasurement – return on plan assets in excess of interest	**12**	43
Employee contributions	**—**	—
Settlement losses	**—**	(647)
Foreign exchange differences	**41**	268
Balance at the end of the reporting period	**1 401**	1 283
44.2.4 Barclays Bank of Mozambique's defined benefit plan ring fenced assets		
Treasury bills	**184**	103
Trade debtors	**—**	16
Bank balances with BBM	**331**	234
Government bonds	**285**	183
Money market assets	**—**	112
Total plan assets	**800**	648

The assets of the BBM pension fund have been ringfenced to the retirement benefit funds, but do not qualify as plan assets in terms of IAS 19 as they are not in a separate entity. Therefore these assets are presented on the Group's statement of financial position. The related defined benefit obligation amounts to **R908m** (2013: R907m)

44. Retirement benefit fund obligations
(continued)

44.2.5 *Nature of the defined benefit plan asset*

	Group 2014 Fair value of plan assets Debt instruments Rm	Equity instruments Rm	Other instruments Rm	Total Rm
Quoted fair value	297	529	299	1 125
Unquoted fair value	7	47	83	137
Own transferable financial instruments	23	10	—	33
Investment in listed property entities/funds	—	—	106	106
	327	586	488	1 401

	Group 2013 Fair value of plan assets Debt instruments Rm	Equity instruments Rm	Other instruments Rm	Total Rm
Quoted fair value	202	392	345	939
Unquoted fair value	41	54	156	251
Own transferable financial instruments	15	10	—	25
Investment in listed property entities/funds	—	—	68	68
	258	456	569	1 283

The "Other instruments" category of plan assets for the Rest of Africa comprises both cash and property investments.

	Group 2014 Rm	Group 2013 Rm
44.2.6 *Movements in the defined benefit plans presented in statement of comprehensive income*		
Recognised in profit or loss:		
Net interest expense	86	80
Current service cost	89	40
Past service cost including curtailments	(70)	—
	105	120
Recognised in other comprehensive income:		
Actuarial (gains)/losses – changes in financial assumptions	(97)	331
Actuarial losses – experience adjustments	32	39
Remeasurement – return on the plan assets in excess of interest	(12)	(43)
	(77)	327
44.2.7 *The actuarial assumptions (weighted averages) include:*		
Discount rate (%)	9,7	9,7
Inflation (%)	6,1	6,2
Future pension increases (%)	3,8	3,9
Future salary increases (%)	6,2	6,8
Average life expectancy in years of pensioner retiring at 60 – Male	17,6	17,6
Average life expectancy in years of pensioner retiring at 60 – Female	21,0	21,1

44. Retirement benefit fund obligations *(continued)*

44.2.8 Sensitivity analysis of significant assumptions (weighted averages)

	Group 2014 Reasonable possible change	Group 2014 Increase/(decrease) on defined benefit obligation Rm
Significant actuarial assumption		
Increase in discount rate (%)	0,5	(132)
Increase in inflation (%)	0,5	85
Increase in life expectancy (years)	n/a	54

	Group 2013 Reasonable possible change	Group 2013 Increase/(decrease) on defined benefit obligation Rm
Significant actuarial assumption		
Increase in discount rate (%)	0,5	(37)
Increase in inflation (%)	0,5	24
Increase in life expectancy (years)	1,0	13

44.2.9 Sensitivity analysis

The sensitivity analysis presented in this note 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 as some of the assumptions may be correlated. Furthermore, 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, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years. For the purpose of the sensitivity analysis, it is assumed that any change in inflation impacts other inflation-dependent assumptions, i.e. certain pension increases and salary growth.

44.3 Post-retirement medical aid plans

Certain of the Group's subsidiaries subsidise either medical aid contributions or actual incurred medical costs after retirement. The accrued and future liabilities in respect of these post-retirement medical costs are valued either annually, or every three years, on the reporting date, and projected thereafter. These liabilities were actuarially valued based on the healthcare benefits currently provided to staff using appropriate mortality and withdrawal assumptions, as well as appropriate medical inflation and discount rates.

The present value of the post-retirement medical aid plan liabilities is **R93m** (2013: R82m) and the fair value of related plan assets is **R2m** (2013: R2m).

	Group 2014 Rm	Group 2013 Rm
45. Dividends per share		
45.1 Dividends declared		
Dividends declared to ordinary equity holders[1]		
Interim dividend net of treasury shares (**30 July 2014: 400 cents**) (30 July 2013: 350 cents)	**3 384**	2 512
Special dividend net of treasury shares (30 July 2013: 708 cents)	**—**	5 075
Final dividend net of treasury shares (**3 March 2015: 525 cents**) (11 February 2014: 470 cents)	**4 451**	3 981
	7 835	11 568
Dividends declared to non-controlling preference equity holders		
Interim dividend (**30 July 2014: 3 197,4658 cents**) (30 July 2013: 2 999,4521 cents)	**158**	148
Final dividend (**3 March 2015: 3 210,8904 cents**) (11 February 2014: 2 979,3151 cents)	**159**	147
	317	295
45.2 Dividends paid		
Dividends paid to ordinary equity holders[1]		
Final dividend net of treasury shares (**11 February 2014: 470 cents**) (12 February 2013: 369 cents)	**3 981**	2 645
Interim dividend net of treasury shares (**30 July 2014: 400 cents**) (30 July 2013: 350 cents)[2]	**3 384**	2 965
Special dividend net of treasury shares (30 July 2013: 708 cents)[2]	**—**	5 992
	7 365	11 602
Dividends paid to non-controlling preference equity holders		
Final dividend (**11 February 2014: 2 979,3151 cents**) (12 February 2013: 2 950,5479 cents)	**147**	146
Interim dividend (**30 July 2014: 3 197,4658 cents**) (30 July 2013: 2 999,4521 cents)	**158**	148
	305	294

46. Securities borrowed/lent and repurchase/reverse repurchase agreements

46.1 Reverse repurchase agreements and securities borrowed

As part of the reverse purchase agreements, the Group 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 **R21 080m** (2013: R19 633m) of which **Rnil** (2013: Rnil) have been sold or repledged.

Notes

[1]The dividends paid on treasury shares are calculated on payment date.

[2]The dividend amount is calculated on the number of shares in issue. It excluded the shares issued on 31 July 2013 for consideration on the acquisition of Barclays Africa Limited.

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

46.2 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.

	Group				
	2014				
	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	**23 490**	**(23 860)**	**23 490**	**(23 860)**	**(370)**
Equity instruments	**2 930**	**(1 468)**	**2 930**	**(1 468)**	**1 462**
	2013				
	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	20 875	(20 875)	20 875	(20 875)	—
Equity instruments	1 197	(1 257)	1 197	(1 257)	(60)

The transferred assets are presented in the "Trading portfolio assets" line on the statement of financial position.

47. Transfer of financial assets

Transfer of financial assets involving structured entities

In the ordinary course of its normal banking activities the Group transfers financial assets to structured entities ("SEs"), either legally (where legal rights to the cash flows from the asset are transferred to the counterparty) or beneficially (where the Group 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.

47. Transfer of financial assets *(continued)*

47.1 Transfer of financial assets that does not result in derecognition

	Group 2014 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	**224**	**(224)**	**224**	**(224)**	**—**

	2013 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	300	(271)	316	(284)	32

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 Group.

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.

47.2 Transfer of financial assets that results in partial derecognition

The Group 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** (2013: R1 185m) and the current carrying amount as at the reporting date is **R968m** (2013: R1 188m). There are no liabilities associated with the assets transferred.

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

The instance may arise where the Group 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 2014, the Group had no continuing involvement where financial assets have been derecognised in their entirety. (31 December 2013: None).

48. Offsetting financial assets and financial liabilities

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

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

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

	Group 2014							
	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	40 685	—	40 685	(33 656)	(3 965)	3 064	1 980	42 665
Reverse repurchase agreements and other similar secured lending	41 068	(14 999)	26 069	—	(26 069)	—	43	26 112
Total assets	81 753	(14 999)	66 754	(33 656)	(30 034)	3 064	2 023	68 777
Derivative financial liabilities	(42 355)	—	(42 355)	33 656	2 633	(6 066)	(2 066)	(44 421)
Repurchase agreements and other similar secured borrowing	(25 922)	—	(25 922)	—	25 922	—	(524)	(26 446)
Total liabilities	(68 277)	—	(68 277)	33 656	28 555	(6 066)	(2 590)	(70 867)

Notes

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

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

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

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

[5]Total per statement of financial position is the sum of "net amounts reported on the statement of financial position" which are subject to enforceable netting arrangements and "amounts not subject to enforceable netting arrangements".

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

	Group 2013[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[2] Rm	Net amounts reported on the statement of financial position[3] Rm	Offsetting financial instruments Rm	Financial collateral[4] Rm	Net amount Rm	Amounts not subject to enforceable netting arrangements[5] Rm	Total per statement of financial position[6] Rm
Derivative financial assets	46 278	—	46 278	(37 580)	(3 981)	4 717	2 409	48 687
Reverse repurchase agreements and other similar secured lending	36 515	(14 419)	22 096	—	(22 096)	—	745	22 841
Total assets	82 793	(14 419)	68 374	(37 580)	(26 077)	4 717	3 154	71 528
Derivative financial liabilities	(46 834)	—	(46 834)	37 580	907	(8 347)	(3 943)	(50 777)
Repurchase agreements and other similar secured borrowing	(18 263)	—	(18 263)	—	18 263	—	(312)	(18 575)
Total liabilities	(65 097)	—	(65 097)	37 580	19 170	(8 347)	(4 255)	(69 352)

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 Group are further explained in the credit risk mitigation and collateral section of note 63.2.

Notes

[1]Recent developments in considering the impact of the amended IAS 32 offsetting requirements resulted in a change to the approach followed for variation margin on SAFEX and Yield-X futures and options. The various margins on these contracts are considered a daily settlement of a derivative exposure as opposed to collateral that is offset against the derivative value. As a result, these contracts are excluded from the scope of the offsetting requirements in IAS 32 and the IFRS 7 offsetting disclosures. The change in approach has been applied retrospectively and only impacts the disclosure provided in this note.

[2]Amounts offset for reverse repurchase agreements relate to a short sale financial liability of R14,4bn. No other significant recognised financial assets and liabilities were offset in the statement of financial position.

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

[4]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.

[5]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.

[6]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".

49. Related parties

Barclays Bank PLC owns **62,3%** (2013: 62,3%) of the ordinary shares in the Group. The remaining **37,7%** (2013: 37,7%) of the shares are widely held on the JSE.

For the remainder of this note, debit amounts are shown as positive, credit amounts are shown as negative.

49.1 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:

	Group	
	2014 Rm	2013 Rm
Key management personnel compensation		
Directors		
Deferred cash payments	**6**	—
Post-employment benefit contributions	**1**	1
Salaries and other short-term benefits	**43**	42
Share-based payments	**49**	25
	99	68
Other key management personnel		
Deferred cash payments	**14**	—
Post-employment benefit contributions	**4**	3
Salaries and other short-term benefits	**97**	77
Share-based payments	**95**	48
	210	128

49. Related parties *(continued)*

49.1 Transactions with key management personnel *(continued)*

	Group			
	2014		2013	
	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	25	20	27	428
Inception/(discontinuance) of related party relationships[1]	5	—	(1)	(399)
Loans issued and interest earned	56	28	39	10
Loans repaid	(48)	(25)	(40)	(19)
Balance at the end of the reporting period	38	23	25	20
Interest income	(2)	(2)	(2)	(2)
Deposits				
Balance at the beginning of the reporting period	11	1	12	3
Inception/(discontinuance) of related party relationships[1]	(2)	—	(16)	(0)
Deposits received	302	6	291	10
Deposits repaid and interest paid	(303)	(6)	(276)	(12)
Balance at the end of the reporting period	8	1	11	1
Interest expense	0	0	1	0
Guarantees	74	32	52	32
Other investments				
Balance at the beginning of the reporting period	27	7	22	18
Inception/(discontinuance) of related party relationships[1]	(1)	—	(6)	(0)
Value of new investments/contributions	30	5	55	6
Value of withdrawals/disinvestments	(24)	(5)	(56)	(10)
Fees and charges	(0)	(0)	(0)	(0)
Investment returns	5	(6)	12	(7)
Balance at the end of the reporting period	37	1	27	7

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 Group, 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 Group.

Insurance premiums paid and claims received

Key management personnel paid insurance premiums of **R0,16m** (2013: R0,17m) and received claims of **Rnil** (2013: Rnil).

Note

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

49. Related parties *(continued)*

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

	Group			
	2014		2013	
	Parent company Rm	Fellow subsidiaries and associates and joint ventures of the parent company Rm	Parent company Rm	Fellow subsidiaries and associates and joint ventures of the parent company Rm
Balances				
Loans and advances to banks	**32 404**	**1 097**	39 223	1 514
Derivative assets[1]	**18 594**	**872**	20 402	316
Other assets[1]	**129**	**177**	1 608	284
Investment securities	**314**	**—**	534	—
Deposits from banks[1]	**(17 987)**	**(971)**	(24 130)	(1 753)
Derivative liabilities[1]	**(22 440)**	**(272)**	(17 883)	(18)
Other liabilities	**(333)**	**(158)**	(187)	(313)
Borrowed funds	**(76)**	**—**	(69)	—
Transactions				
Interest and similar income	**(295)**	**5**	(343)	(1)
Interest expense and similar charges	**38**	**—**	65	—
Net fee and commission expenses/(income)	**4**	**(34)**	6	(30)
Gains and losses from banking and trading activities	**284**	**—**	274	—
Other operating income	**(84)**	**(7)**	(71)	—
(Recovered expenses)/operating expenditure	**(4)**	**(282)**	48	58
Dividends paid	**4 596**	**—**	7 469	—

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]An exercise was undertaken during the current reporting period to ensure that all balances with the parent company had been included in the IAS 24 disclosures. As a result, comparative amounts for 2013 have been restated. The impact thereof on the 2013 disclosures is as follows: Derivative assests increased by R1 362m, other assets increased by R52m, deposits from banks decreased by R1 726m and derivative liabilities decreased by R651m.

49. Related parties *(continued)*

49.3 Subsidiaries and consolidated structured entities[1]

The following information provided is in respect of the Group'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 Group'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.

			Group	
Name	Nature of business	Country of incorporation	2014 % holding	2013 % holding
Barclays Africa Group Limited and its subsidiaries				
Absa Capital Securities Proprietary Limited	Stockbrokers.	South Africa	**100**	100
Absa Development Company Holdings Proprietary Limited	Specialises in township development and sale of residential, commercial and industrial land.	South Africa	**100**	100
Absa Manx Insurance Company Limited	Captive insurance company for the Group and responsible for investment in insurances markets.	South Africa	**100**	100
Absa Stockbrokers Proprietary Limited	Enables customers to trade online or by telephone in shares, warrants and exchange-traded funds.	South Africa	**100**	100
Absa Trading and Investments Solutions Holdings Proprietary Limited	Holding company for ATIS Group.	South Africa	**100**	100
Barclays Bank of Ghana Limited[2]	Provides retail and corporate banking.	Ghana	**100**	—
Barclays Bank of Kenya Limited[2]	Provides retail and corporate banking.	Kenya	**69**	—
Barclays Bank Mozambique S.A. ("BBM")	Commercial bank that provides retail and limited corporate services from a network of outlets and ATMs.	Mozambique	**98**	98
Diluculo Investments Proprietary Limited	Investment holding and management company, providing project and management services to property funds and trading projects.	South Africa	**100**	100
National Bank of Commerce Limited ("NBC")	Commercial bank that provides retail and limited corporate services from a national network of outlets and ATMs.	Tanzania	**66**	66
Woolworths Financial Services Proprietary Limited	Provides credit cards, in-store cards and personal loans.	South Africa	**50**	50

Notes

[1]A full list of subsidiaries and consolidated SEs is available, on request, at the registered address of the Group.

[2]During the reporting period this subsidiary changed from an indirect subsidiary to a direct subsidiary.

	Name	Nature of business	Country of incorporation	Group 2014 % holding	Group 2013 % holding
49.	**Related parties** *(continued)*				
49.3	**Subsidiaries and consolidated structured entities** *(continued)*				
	Absa Bank Limited and its subsidiaries	Offers a comprehensive range of retail, commercial, corporate and investment banking services to a wide range of customers and clients.	South Africa	**100**	100
	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 Absa Bank to finance Devco subsidiaries.	South Africa	**100**	100
	United Towers Proprietary Limited	Investment in and issuance of preference shares.	South Africa	**100**	100
	Absa Financial Services and its subsidiaries	Holding company of financial service related entities.	South Africa	**100**	100
	Absa Financial Services Africa Holdings Proprietary Limited	Holding company of African financial service related entities.	South Africa	**100**	100
	Absa Fund Managers Limited	Offers a variety of unit trust investment products, ranging from low-risk fixed-interest funds, such as the Absa Money Market Fund, to higher-risk specialist equity funds investing both domestically and internationally.	South Africa	**100**	100
	Absa Insurance Company Limited	Short-term insurance provider to house and vehicle owners.	South Africa	**100**	100
	Absa Insurance Risk Management Services Limited	Providers short-term insurance and other related insurance products.	South Africa	**100**	100
	Absa Life Botswana (Proprietary) Limited	Provides life assurance products focusing on risk and investment products that Absa's offerings to various market segments in Botswana	Botswana	**100**	100

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

Name	Nature of business	Country of incorporation	Group 2014 % holding	Group 2013 % holding
49. Related parties *(continued)*				
49.3 Subsidiaries and consolidated structured entities[1] *(continued)*				
Absa Life Limited	Provides life assurance products, focusing on risk and investment products, that complement the Group's offerings to various market segments.	South Africa	**100**	100
Absa Mortgage Fund Managers Proprietary Limited	Provides loans to small and large companies, close corporations, trusts, property investors and developers for the development, acquisition and/or refinancing of income-producing commercial and industrial properties.	South Africa	**100**	100
Absa Trust Limited	Trust administrative services.	South Africa	**100**	100
Barclays Life Zambia Limited	Provides life assurance products focusing on risk and investment products that complement Absa's offerings to various market segments in Zambia.	Zambia	**100**	100
Global Alliance Seguros S.A.	Provides non-life insurance in Mozambique.	Mozambique	**100**	100
Barclays Africa Limited and its subsidiaries	Investment Holding Company.	United Kingdom	**100**	100
Barclays Bank of Botswana Limited	Provides retail and corporate banking.	Botswana	**68**	68
Barclays Bank of Ghana Limited[2]	Provides retail and corporate banking.	Ghana	**—**	100
Barclays Bank of Kenya Limited[2]	Provides retail and corporate banking.	Kenya	**—**	69
Barclays Bank Mauritius Limited	Provides retail and corporate banking.	Mauritius	**100**	100
Barclays Bank (Seychelles) Limited	Provides retail and corporate banking.	Seychelles	**100**	100
Barclays Bank Tanzania Limited	Provides retail and corporate banking.	Tanzania	**100**	100
Barclays Bank of Uganda Limited	Provides retail and corporate banking.	Uganda	**100**	100
Barclays Bank of Zambia PLC	Provides retail and corporate banking.	Zambia	**100**	100
Share trusts				
Absa Group Limited Share Incentive Trust	Share purchase and option scheme available to senior staff.	South Africa	**n/a**	n/a
Structured entities				
Absa Benefit Fund	Cell captive.	South Africa	**n/a**	n/a
Absa Bond Fund	Fund used to invest in unit trusts.	South Africa	**n/a**	n/a
Absa Foundation Trust	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 Proprietary Limited	Securitisation vehicle for Absa Home Loans division.	South Africa	**n/a**	n/a
Maravedi Financial Services-Life Cell	Credit life insurance.	South Africa	**n/a**	n/a

Notes

[1]A full list of subsidiaries and consolidated SEs is available, on request, at the registered address of the Group.

[2]During the reporting period this entity ceased to be a subsidiary of Barclays Africa Limited and rather became a direct subsidiary of Barclays Africa Group Limited.

49. Related parties *(continued)*

49.3 Subsidiaries and consolidated structured entities *(continued)*

	Group	
	2014 Rm	2013 Rm
Subsidiaries' aggregate profits and losses after taxation	**11 884**	11 851

49.4 Nature and extent of significant restrictions relating to investments in subsidiaries

There are significant restrictions on the ability of the Group 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 Group'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 Group was **R62,0bn** (2013: R55,3bn).

Contractual requirements

Certain of the Group'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 Group 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 2014 was **R15,1bn** and **R8,4bn** respectively (2013: R12,3bn and R10,7bn respectively).

Protective right of non-controlling interests

Absa Bank Limited has issued equity preference shares in issue, which are non-controlling interests of the Group. Under the terms of these instruments, the preference shareholders will not be entitled to vote at any meeting of Absa Bank Limited, unless the preference dividend is declared, but remains in arrear and unpaid after six months from the due date. Alternatively, voting rights will be granted if a resolution of Absa Bank Limited is proposed which directly affects the rights attached to the Absa Bank Limited preferences shares, which shall include any resolutions for the winding up of the Absa Bank Limited or for the reduction of its share capital or share premium accounts.
The particulars of these instruments are shown in note 28.

49. Related parties *(continued)*

49.5 Associates, joint ventures and retirement benefit funds

The Group provides certain banking and financial services to associates and joint ventures. The Group 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 Group's consolidated financial statements are as follows:

	Group		
	2014		
	Associates and joint ventures Rm	Retirement benefit fund Rm	Total Rm
Value of defined benefit pension fund and post-retirement medical aid plan investments managed by the Group	—	10 299	10 299
Value of Absa defined contribution pension fund investments managed by the Group	—	15 864	15 864
Value of Barclays Africa Group Limited shares held by defined benefit pension fund	—	17	17
Value of other Barclays Africa Group Limited securities held by defined benefit pension fund	—	239	239
Statement of financial position			
Other assets	—	590	590
Loans and advances to customers (refer to note 8)	14 785	—	14 785
Other liabilities	—	(1 314)	(1 314)
Statement of comprehensive income			
Interest and similar income	(859)	(835)	(1 694)
Interest expense and similar charges	24	890	914
Fee and commission income	39	—	39
Fee and commission expense	—	—	—
Current service costs (refer to notes 44.1.6 and 44.2.6)	—	131	131
Staff costs (contributions to Absa Pension Fund)	—	822	822
Past service – curtailments	—	70	70

	2013		
	Associates and joint ventures Rm	Retirement benefit fund Rm	Total Rm
Value of defined benefit pension fund and post-retirement medical aid plan investments managed by the Group	—	9 654	9 654
Value of Absa defined contribution pension fund investments managed by the Group	—	14 499	14 499
Value of Barclays Africa Group Limited shares held by defined benefit pension fund	—	97	97
Value of other Barclays Africa Group Limited securities held by defined benefit pension fund	—	708	708
Statement of financial position			
Other assets	—	577	577
Loans and advances to customers (refer to note 8)	12 039	—	12 039
Other liabilities	—	(1 272)	(1 272)
Statement of comprehensive income			
Interest and similar income	(657)	(642)	(1 299)
Interest expense and similar charges	—	695	695
Fee and commission income	(86)	—	(86)
Fee and commission expense	150	—	150
Current service costs (refer to notes 44.1.6 and 44.2.6)	—	48	48
Staff costs (contributions to Absa Pension Fund)	—	1 260	1 260
Past service – curtailments	—	—	—

49. Related parties *(continued)*

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

The following information provided is in respect of the Group'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 Group's associates and joint ventures, on the Group's consolidated financial statements. Despite these investments having the most significant impact relative to all the Group's associates and joint ventures, none of the Group's associates or joint ventures are considered to have an impact that is individually material. Materiality and the relative significance of the Group's associates and joint ventures are judged from a qualitative and quantitative perspective and is assessed half yearly.

		Group	
Name	Nature of business	**2014 Ownership %**	2013 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.	**33**	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 Group.

SBV Services Proprietary Limited and The South Africa Bankers Services Company Proprietary Limited have a reporting date of 30 June 2014.

50. Structured entities

Exchange-traded funds

ETFs are passively managed index funds that are listed and traded on a securities exchange. An ETF tracks the performance of and/or gains a broad exposure to a particular index, sector or commodity for individual and institutional investors. All ETFs have a market maker to ensure that liquidity is always maintained, and in many instances, the Group will act in this capacity. The Group may therefore hold a direct interest in the fund, but the magnitude of such interest will vary with sufficient regularity. Whether the Group consolidates any of the funds depends on the magnitude of the interest held therein, as well as on the Group's ability to direct the relevant activities of the fund, either directly or indirectly. The Group, through its contractual undertaking to act as market maker, ensures that liquidity is always maintained. The Group earns management fee income from its involvement in the funds. To the extent that the Group holds participatory units in the funds, the Group 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 Group has used SEs in order to securitise loans that were originated by the Group. These entities have minimal equity and therefore rely on funding in the form of notes in order to acquire the underlying loans. The Group 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 Group 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 Group, the Group will not have power over the relevant activities of the vehicle. The Group earns interest income on the notes issued by the vehicles, together with management fees from the Group's ongoing involvement. To the extent that the notes are fair valued, unrealised gains and losses are generated, which are recognised by the Group in profit or loss.

50. Structured entities *(continued)*

Fund management

The Group manages a number of unit trust funds, ranging from lower risk fixed income funds to higher risk specialist equity funds, which are either managed solely by the Group or form part of the Group's multi-management offering. Unit trusts are regulated by the Financial Services Board and the Collective Investment Schemes Control Act. The Group's interest is generally restricted to fund service and asset management fees, which are based on assets under management. The Group may hold direct interests in a number of the funds; however, the magnitude of such interest varies with sufficient regularity. Whether the Group consolidates any of these funds through its direct interest depends on the magnitude of the interest held therein, as well as on the Group's ability to direct the relevant activities of the fund, either directly or indirectly. The Group earns management fee income from its involvement in the funds, as well as unrealised gains and losses as a result of revaluations of the units held directly in the funds.

Structured investment vehicles

The Group 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 Group 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 Group 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 Group recognises interest income from its investments. Often the Group subscribes for preference shares in these vehicles together with other financial institutions on a syndicated basis. The Group does not have the ability to direct the relevant business activities in these vehicles and therefore in the absence of control, the vehicles are not consolidated.

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

Funding vehicles

The Group provides funding in the form of loans to bankruptcy 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 group of companies. The Group earns interest on the loans. The loans are either measured at amortised cost, or are designated as at fair value through profit or loss.

50.1 Consolidated structured entities

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

			Group	
Name	Nature of support	Reason for providing support	2014 Rm	2013 Rm
The Absa Foundation Trust	Donation	The Trust was constituted to fund community upliftment and social welfare programmes	63	—

The Group has consolidated The Absa Foundation Trust since 2006.

The Group does not intend to provide financial or other support to any of the Group's consolidated SEs.

50. Structured entities *(continued)*

50.2 Unconsolidated structured entities

The level of risk that the Group 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 Group holds an interest, information about such entities has been aggregated according to the purpose for which the entity was established.

	Group						
	2014						
	Preference funding vehicles Rm	Fund management Rm	Structured investment vehicles Rm	Securitisation vehicles Rm	Exchange traded funds Rm	Funding vehicles Rm	Total Rm
Assets							
Trading portfolio assets	—	—	—	911	—	—	911
Investment securities	—	48	638	2 320	32	—	3 038
Debt securities	—	—	—	2 313	32	—	2 345
Equity securities	—	48	638	7	—	—	693
Loans and advances to customers	8 195	—	—	318	—	552	9 065
Derivatives held for trading	—	—	—	4	—	—	4
Interest rate derivatives (carrying value)	—	—	—	4	—	—	4
Interest rate derivatives (notional value)	—	—	—	1 946	—	—	1 946
Undrawn liquidity facilities[3]	—	—	—	454	—	—	454
Other assets	—	62	—	—	—	—	62
	8 195	110	638	4 007	32	552	13 534
Liabilities							
Deposits due to customers	63	—	—	1 630	68	—	1 761
	63	—	—	1 630	68	—	1 761
Maximum exposure to loss[1]	8 195	110	638	4 007	32	552	13 534
Total size of entities[2]	56 808	86 950	4 562	6 130	36 091	552	191 093

Notes

[1]The Group'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.

[2]Total size of entities is measured relative to total assets.

[3]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.

50. Structured entities *(continued)*

50.2 Unconsolidated structured entities *(continued)*

	Group 2013						
	Preference funding vehicles Rm	Fund management Rm	Structured investment vehicles Rm	Securitisation vehicles Rm	Exchange traded funds Rm	Funding vehicles Rm	Total Rm
Assets							
Trading portfolio assets	—	—	—	873	—	—	873
Investment securities	—	8	582	591	9	—	1 190
Debt securities	—	—	—	584	3	—	587
Equity securities	—	8	582	7	6	—	603
Loans and advances to customers	5 106	—	1	1 433	—	745	7 285
Derivatives held for trading	—	—	—	15	—	—	15
Interest rate derivatives (carrying value)	—	—	—	15	—	—	15
Interest rate derivatives (notional value)	—	—	—	1 520	—	—	1 520
Undrawn liquidity facility[3]	—	—	152	460	—	133	745
Other assets	—	71	39	—	—	—	110
	5 106	79	774	3 372	9	878	10 218
Liabilities							
Deposits due to customers	302	—	5	986	32	1	1 326
	302	—	5	986	32	1	1 326
Maximum exposure to loss[1]	5 106	79	774	3 372	9	878	10 218
Total size of entities[2]	26 602	99 767	4 135	6 574	29 906	746	167 730

During the period the Group provided financial or other support to the following consolidated structured entities despite not being contractually obliged to do so:

	Group			
	2014 Losses recognised in profit or loss		2013 Losses recognised in profit or loss	
	Derivatives Rm	**Impairment losses Rm**	Derivatives Rm	Impairment losses Rm
Securitisation vehicles	**(28)**		(87)	—
Funding vehicle	**—**	**(45)**	—	—

Notes

[1]The Group'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.

[2]Total size of entities is measured relative to total assets. The prior year total assets for funds management, previously disclosed as R2 531m, has been restated to include funds and trusts. This followed from a reassessment of the interpretation of IFRS 12, as previously applied.

[3]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.

50. Structured entities *(continued)*

Financial support provided or to be provided to unconsolidated structured entities

African Bank Investments Limited ("ABIL") was placed under curatorship by the South African Reserve Bank ("SARB") in the second half of 2014. As part of this process, the SARB issued a directive to adjust debt instruments held within African Bank down to 90% of their value. In order to provide certainty and confidence to Absa Money Market investors, the Group took the decision to remove all African Bank exposure from the fund by purchasing the debt instruments at the adjusted face value of R1,5bn. This resulted in the Absa Money Market Fund only being exposed to the five largest banks in South Africa and the South African Government.

During the prior reporting period, R0,6m in short-term liquidity facility was provided to one of the Group's unconsolidated SEs. No such facility was provided in the current year.

50.3 Sponsored entities

In addition to the unconsolidated SEs in which the Group has an interest, it also sponsors some SEs in which it has no interest.

The Group 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 Group:

	Group	
	2014 Rm	2013 Rm
Loans and advances	**1 502**	—
Other	**—**	85

51. Assets under management and administration

	Group 2014 Rm	Group 2013 Rm
Alternative asset management and exchange-traded funds	**79 796**	72 840
Deceased estates	**2 509**	2 559
Other	**14 334**	14 383
Portfolio management	**42 065**	46 203
Trusts	**2 338**	4 472
Unit trusts	**118 345**	123 318
	259 387	263 775

Deceased estates and trusts are unaudited.

52. Financial guarantee contracts

	Group 2014 Rm	Group 2013 Rm
Financial guarantee contracts	**96**	96

Financial guarantee contracts represent contracts where the Group 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.

During the reporting period all financial guarantee contracts were reassessed and as a consequence the disclosure has been refined. As a result the comparatives have been restated from R243m to R96m.

	Group 2014 Rm	Group 2013 Rm
53. Commitments		
Authorised capital expenditure		
Contracted but not provided for	**1 675**	745
The Group 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	**856**	847
Later than one year and no later than five years	**1 631**	1 521
Later than five years	**709**	296
	3 196	2 664
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 Group. 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	**282**	272
Later than one year and no later than five years	**307**	541
	589	813
The Group has sponsorship commitments in respect of sports, arts and culture.		
Other commitments		
No later than one year	**991**	—

The South African Reserve Bank ("SARB") announced in August 2014 that African Bank Investments Limited ("ABIL") would be placed under curatorship. A consortium of six South African banks (including Barclays Africa Group Limited) and the Public Investment Corporation ("PIC") have underwritten R5bn respectively. 50% of the amount underwritten by the banks is guaranteed by the SARB, of which Barclays Africa Group Limited contributed R991m (pre the SARB guarantee). The value of the amount to be underwritten was determined with reference to the respective underwriter's proportion of total Tier 1 capital of the consortium as at 30 June 2014.

	Group 2014 Rm	Group 2013 Rm
54. Contingencies		
Guarantees	**34 011**	21 215
Irrevocable debt facilities	**125 334**	127 218
Irrevocable equity facilities	**366**	400
Letters of credit	**4 827**	6 402
Other	**3 774**	5 674
	168 312	160 909

54. Contingencies *(continued)*

Guarantees include performance and payment guarantee contracts.

During the reporting period, terms and conditions associated with unutilised customer facilities were reviewed and confirmed to be irrevocable in nature. These facilities are now disclosed as irrevocable debt facilities and the comparatives which were previously reported as R49bn, have been restated to R127bn.

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

Legal proceedings

The Group 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 Absa Bank Limited ("the Bank") was privy to such conduct. They have instituted proceedings against the Bank for damages in an amount of R1 387m. The Bank has entered an appearance to defend the claim. The matter has not progressed from the previous reporting period.
- Ayanda Collective Investment Scheme ("the Scheme"): Absa Capital Investor Services was the trustee of Ayanda Collective Investment Scheme. CMM (Corporate Money Managers) managed a portfolio of assets within the Scheme under the terms of a white label agreement with Ayanda, the authorised manager of the Scheme. CMM further acted as an investment advisor in accordance with the statutory definition of the Collective Investment Scheme Act. As such, CMM procured discretionary mandates from investors and invested funds in segregated assets held in safe custody by the Bank. The plaintiffs are the joint curators of the CMM group of companies and the Altron Pension Fund, an investor in the CMM cash management fund. In April 2012, the plaintiffs instituted action against the Bank as well as Absa nominees ("the defendants") for approximately R1 157m. It is alleged that the defendants caused damages to the plaintiffs arising from their alleged failure to meet their obligations in the trust deed together with their statutory obligations set out in the Collective Investment Scheme Act. Alternatively, it is contended that the defendants recklessly facilitated the fraudulent conduct of CMM, thereby causing loss. However, the claim is poorly formulated, in response to which the defendants have lodged a series of exceptions. The matter has not progressed from the previous reporting period.
- Net 1 UEPS Technologies Incorporated ("Net 1"): A claim has been brought by Net 1 against the Bank for loss of profit and damages in the amount of R478m. It is alleged that the Bank caused a reduction in Net 1's share price by allegedly providing incorrect information to the media thereby "manipulating" media reports. It is also claimed that in view of the alleged manipulation, the Bank caused an investigation by the United States Department of Justice, in terms of the Foreign Corrupt Practices Act, and the Securities Exchange Commission, into the award of the social grants tender by the South African Social Security Agency ("SASSA") to Net 1's subsidiary, Cash Paymaster Services Proprietary Limited. Absa has filed a plea in answer to the summons, subsequent to which no further steps have been taken. In the matter brought by AllPay (a wholly owned subsidiary of the Bank) against SASSA and CPS ("Net 1") to have the SASSA social grants tender set aside on grounds of irregularity in the tender process, the Constitutional Court declared the award of the tender to CPS to be invalid on 29 November 2013 and subsequently directed that the tender process be run afresh. The Court's finding has substantially bolstered the Bank's defence to the damages claim.

The Group is engaged in various other litigation proceedings involving claims by and against it, which arise in the ordinary course of business. The Group does not expect the ultimate resolution of any proceedings, to which the Group is party, to have a significant adverse effect on the financial statements of the Group and the Group has not disclosed the contingent liabilities associated with these claims either because they cannot reasonably be estimated or because such disclosure could be prejudicial to the conduct of the claim. Provision is made for all liabilities which are expected to materialise.

Regulatory matters

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

The Group 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 Group has also adopted appropriate remedial and/or mitigating steps, where necessary or advisable, and made disclosures on material findings as and when appropriate.

54. Contingencies *(continued)*

Income taxes

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

	Group	
	2014 Rm	2013 Rm
55. Cash and cash equivalents		
Cash, cash balances and balances with central banks	**12 903**	12 653
Loans and advances to banks	**3 723**	3 201
	16 626	15 854

	Group	
	2014 Rm	2013 Rm
56. Deferred cash and share-based payments		
Share-based payments	**609**	428
Equity-settled arrangements:		
Barclays Africa Group Limited Long-Term Incentive Plan ("LTIP")	**34**	11
Cash-settled arrangements:		
Barclays Africa Group Limited Deferred Award Plan ("DAP")	**47**	215
Barclays Africa Group Limited Phantom Joiners Share Award Plan ("JSAP")	**4**	32
Barclays Africa Group Limited Joiners Share Value Plan ("JSVP")	**116**	45
Barclays Africa Group Limited Share Value Plan ("SVP")	**203**	120
Barclays Africa Group Limited Share Incentive Awards ("SIA")	**74**	—
Barclays Africa Group Limited Retention Share Value Plan ("SVP Cliff")	**132**	—
Other cash-settled arrangements	**(1)**	5
Deferred cash		
Barclays Africa Group Limited Cash Value Plan ("CVP")	**108**	—
Total deferred cash and share-based payments (refer to note 38)	**717**	428
Total carrying amount of liabilities for cash-settled arrangements (refer to note 19)	**818**	459

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.

The Group has entered into forward contracts referencing Barclays Africa Group Limited shares to hedge a portion of the potential cash flow variability resulting from its DAP and SVP schemes.

The spot price of the forward contracts and an equal number of DAP and SVP phantom shares have been designated into cash flow hedging relationships.

Included in the 2014 share-based payments expenses are hedging gains of R18.1m relating to DAP and R80.1m for SVP schemes.

The comparatives for 2013 reflected hedging losses of R19m for DAP and R18m for SVP schemes.

At the reporting date **0,89m** (2013: 1,34m) SVP phantom shares granted in 2013 were hedged through forward contracts at a price of **R164,11** (2013: R164,11), **3,56m** (2013: Rnil) SVP phantom shares granted in 2014 were hedged through forward contracts at a price of **R141,32** (2013: Rnil) while **R0,47m** (2013: R1,55m) DAP phantom shares were hedged through forward contracts at a price of **R163,78** (2013: R163,78), refer to note 59.7.

56. Share-based payments *(continued)*

Barclays Africa Group Limited Long-Term Incentive Plan

The Long-Term Incentive Plan ("LTIP") is an equity-settled share-based payment arrangement. Qualifying participants will be entitled to Barclays Africa Group Limited ordinary shares either by way of a share award or a cash award that must be used to purchase Barclays Africa Group Limited ordinary shares. The award will be issued by the employing entity or subsidiary in the Group. In order for the participant to be entitled to these awards, the participant needs to render three years of service and meet requisite performance conditions.

Barclays Africa Group Limited Deferred Award Plan

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

Barclays Africa Group Limited Phantom Joiners Share Award Plan

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

Barclays Africa Group Limited Share Incentive Awards

The Share Incentive Award ("SIA") is a cash settled share- based payment arrangement 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 in the form of Barclays Africa Group Limited phantom shares. The number of phantom shares awarded will be determined by dividing the rand value of the award by the volume weighted average price of Barclays Africa shares, over the 20-day trading period immediately preceding the grant date.

Barclays Africa Limited Retention Share Value Plan

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

56. Share-based payments *(continued)*

	Number of awards									
	2014					2013				
	Opening balance	Granted	Forfeited	Exercised	Closing balance	Opening balance	Granted	Forfeited	Exercised	Closing balance
Equity-settled:										
LTIP	1 950	7	(86)	—	1 871	849	1 204	(103)	—	1 950
Cash-settled:										
DAP	2 029	—	(51)	(1 398)	580	4 427	—	(182)	(2 216)	2 029
JSAP	406	—	(36)	(231)	139	727	—	(48)	(273)	406
JSVP	494	588	(58)	(286)	738	—	648	(67)	(87)	494
SVP	1 737	1 861	(330)	(556)	2 712	—	1 821	(82)	(2)	1 737
SIA	—	419	—	(201)	218	—	—	—	—	—
SVP Cliff	—	2 791	(164)	—	2 627	—	—	—	—	—

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 exercise price during the reporting period	Weighted average exercise price during the reporting period (cents)		Weighted average contractual life of awards outstanding (years)	
	2014	2013	2014	2013
Equity-settled:				
LTIP	—	—	1,76	1,0
Cash-settled:				
DAP	128,66	167,85	0,14	0,5
JSAP	165,30	158,89	1,05	1,2
JSVP	164,24	147,51	1,86	1,8
SVP	133,28	—	1,31	1,7
SIA	168,19	—	0,67	—
SVP Cliff	—	—	2,16	—

Deferred cash

Barclays Africa Group Limited Cash Value Plan

The Cash Value Plan ("CVP") is a deferred cash settled based payment arrangement.The award will vest in three equal tranches over a period of three years, subject to the Rules which includes a ten percent service credit for the third anniversary of the CVP award date. The service credit for awards granted in 2014 is 10% of the initial value of the award that vests.

57. Acquisitions of businesses and other similar transactions

57.1 Acquisitions of businesses during the current reporting period

There were no acquisitions of businesses during the current period.

57.2 Acquisitions of business during the previous reporting period

The Group acquired 100% of the issued ordinary share capital of Barclays Africa Limited during the previous reporting period. This transaction is a business combination of entities under common control as defined in IFRS 3.

58. Segment report

58.1 Summary of segments

The Group 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 Group's businesses are managed and reported to the CODM.

The following summary describes the operations in each of the Group's reportable segments:

- Retail and Business Banking ("RBB")
  - Business Banking South Africa: provides a comprehensive range of commercial banking products and services to large, medium and small businesses.
  - Retail Banking South Africa: 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 as well as Woolworths Financial Services, which offers credit cards, personal loans and short-term insurance products.
    - 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.
  - RBB Rest of Africa: offers a comprehensive suite of retail and business banking products and services to individual and commercial customers on the African continent outside of South Africa.
- Corporate Investment Banking ("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 government clients.
- Wealth, Investment Management and Insurance ("WIMI"): comprises wealth management services, various insurance products, financial advisory services, drafting and safe custody of wills, comprehensive administration, actuarial and consulting services and a variety of investment products.
- Head Office and Other: consists of various non-banking activities and includes investment income earned by the Group, as well as income earned by the London branch, Absa Manx Holdings and Corporate Real Estate Services.

Segments comparative information has been updated for the reporting changes driven by the implementation of new IFRS, changes in the Group's internal accounting policies and inter-segmental operational changes. Only the implementation of new IFRS impacts the net financial results of the Group.

58. Segment report *(continued)*

58.1 Summary of segments *(continued)*

Operational changes, management changes and associated changes to the way in which the CODM views the performance of each business segment, have resulted in the reallocation of earnings, assets and liabilities between operating segments.

- The Wealth and Absa Alternative Asset Management businesses, previously reported in the Corporate, Investment Bank and Wealth (CIBW) segment, were transferred to the newly created Wealth, Investment Management and Insurance ("WIMI") segment along with Financial Services. This is in line with the Group's strategy to create a holistic wealth and investment offering to clients.
- The cost allocation methodology and segmentation of tax balances for the Barclays Africa Limited subsidiaries have been refined which resulted in a reallocation of costs and tax between RBB and CIB.
- A client resegmentation exercise has been performed in Barclays Bank Mozambique S.A. and Barclays Bank of Ghana Limited, which has resulted in a reallocation of revenue between Business Banking in RBB, and Corporate in CIB.
- Absa Technology Finance Solutions, previously reported in the Business Banking South Africa segment, was transferred to Retail Banking South Africa and integrated into the VAF division.
- Absa Private Bank, previously reported as a part of "Other" within the retail portfolio, became a focused sales and service channel with clients' product balances and associated revenue now being reflected within the individual product houses such as Home Loans and Transactional and Deposits. This will enable optimal use of both Private Banking resources and better leverage of related skills and processes residing within the product houses.

	Group		
	2014		
	South Africa and other international operations Rm	**Rest of Africa Rm**	**Total Rm**
58.2 Segment report per geographical segment			
Net interest income – external	**27 481**	**8 120**	**35 601**
Non-interest income – external	**23 349**	**4 175**	**27 524**
Total assets	**847 901**	**143 513**	**991 414**

	2013		
	South Africa and other international operations Rm	Rest of Africa Rm	Total Rm
Segment report per geographical segment			
Net interest income – external	24 953	7 398	32 351
Non-interest income – external	23 124	3 931	27 055
Total assets	819 597	143 266	962 863

The Group reassessed the geographical segmentation disclosure of inter-segment elimination entries relating to Rest of Africa. These inter-segment elimination entries totalling R28 819m were previously disclosed in the South Africa and other international operations segment. Comparatives were restated.

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58. Segment report *(continued)*

58.3 Segment report per market segment

	RBB 2014	RBB 2013[4]	CIB 2014	CIB 2013[4]
Statement of comprehensive income (Rm)				
Net interest income	**28 933**	27 402	**6 387**	4 591
Net interest income – external	**38 945**	36 709	**(7 823)**	(8 316)
Net interest income – internal	**(10 012)**	(9 307)	**14 210**	12 907
Non-interest income	**16 883**	16 282	**6 223**	6 839
Non-interest income – external	**16 146**	15 509	**8 801**	8 234
Non-interest income – internal	**737**	773	**(2 578)**	(1 395)
Total income	**45 816**	43 684	**12 610**	11 430
Impairment losses on loans and advances	**(6 015)**	(6 678)	**(248)**	(239)
Operating income before operating expenses	**39 801**	37 006	**12 362**	11 191
Operating expenses	**(26 728)**	(24 848)	**(6 677)**	(6 219)
Depreciation and amortisation	**(818)**	(791)	**(69)**	(42)
Other operating expenses	**(25 910)**	(24 057)	**(6 608)**	(6 177)
Other expenses	**(370)**	(493)	**(114)**	(88)
Other impairments	**(29)**	(21)	**(2)**	(10)
Indirect taxation	**(341)**	(472)	**(112)**	(78)
Share of post-tax results of associates and joint ventures	**130**	104	**4**	14
Operating profit before income tax	**12 833**	11 769	**5 575**	4 898
Taxation expense	**(3 779)**	(3 453)	**(1 374)**	(1 206)
Profit for the reporting period	**9 054**	8 316	**4 201**	3 692
Profit attributable to:				
Ordinary equity holders	**8 339**	7 663	**3 969**	3 481
Non-controlling interest – ordinary shares	**515**	464	**132**	112
Non-controlling interest – preference shares	**200**	189	**100**	99
	9 054	8 316	**4 201**	3 692
Headline earnings	**8 316**	7 618	**3 887**	3 348
Operating performance (%)				
Net interest margin on average interest-bearing assets[2]	**4,41**	4,41	**1,53**	1,18
Impairment losses ratio	**1,32**	1,50	**0,16**	0,19
Non-interest income as % of revenue[3]	**36,8**	37,3	**49,3**	59,8
Revenue growth[3]	**5**	9	**10**	12
Cost growth[3]	**8**	9	**7**	11
Cost-to-income ratio[3]	**58,3**	56,9	**53,0**	54,4
Statement of financial position (Rm)				
Loans and advances to customers	**463 182**	451 681	**162 099**	143 537
Investment securities	**45 537**	45 614	**18 540**	17 056
Other assets	**265 640**	257 262	**366 825**	375 227
Total assets	**774 359**	754 557	**547 464**	535 820
Deposits due to customers	**305 880**	279 666	**316 536**	309 429
Debt securities in issue	**3 071**	3 477	**81 523**	75 674
Other liabilities	**443 963**	450 018	**138 222**	142 659
Total liabilities	**752 914**	733 161	**536 281**	527 762
Financial performance (%)				
Return on average risk-weighted assets	**2,22**	2,18	**2,17**	2,02
Return on average assets	**1,13**	1,11	**0,70**	0,64

Notes

[1]Head office and inter-segment eliminations do not represent a reportable segment, but the reconciliation to the Group results in terms of IFRS 8.

[2]These ratios are unaudited.

[3]These ratios have been calculated by management based on extracted audit information contained in the annual financial statements.

[4]Comparatives have been restated, refer to note 1.21.

WIMI 2014	WIMI 2013[4]	Head Office and other operations[1] 2014	Head Office and other operations[1] 2013[4]	Group 2014	Group 2013[4]
378	349	(97)	9	35 601	32 351
675	724	3 804	3 234	35 601	32 351
(297)	(375)	(3 901)	(3 225)	—	—
4 631	4 531	(213)	(597)	27 524	27 055
5 086	4 960	(2 509)	(1 648)	27 524	27 055
(455)	(429)	2 296	1 051	—	—
5 009	4 880	(310)	(588)	63 125	59 406
(27)	(84)	—	14	(6 290)	(6 987)
4 982	4 796	(310)	(574)	56 835	52 419
(2 893)	(2 688)	450	335	(35 848)	(33 420)
(123)	(106)	(1 088)	(1 173)	(2 098)	(2 112)
(2 770)	(2 582)	1 538	1 508	(33 750)	(31 308)
(143)	(134)	(785)	(318)	(1 412)	(1 033)
(21)	(6)	(377)	4	(429)	(33)
(122)	(128)	(408)	(322)	(983)	(1 000)
—	—	8	12	142	130
1 946	1 974	(637)	(545)	19 717	18 096
(572)	(549)	152	(14)	(5 573)	(5 222)
1 374	1 425	(485)	(559)	14 144	12 874
1 370	1 419	(462)	(582)	13 216	11 981
(2)	—	(22)	23	623	599
6	6	(1)	—	305	294
1 374	1 425	(485)	(559)	14 144	12 874
1 383	1 420	(554)	(543)	13 032	11 843
n/a	n/a	n/a	n/a	4,65	4,46
0,25	0,73	n/a	n/a	1,02	1,20
92,5	92,8	n/a	n/a	43,6	45,5
3	7	n/a	n/a	6	8
8	9	n/a	n/a	7	10
57,8	55,1	n/a	n/a	56,8	56,3
10 507	10 885	538	120	636 326	606 223
4 981	2 713	16 828	13 621	85 886	79 004
31 359	31 292	(394 622)	(386 145)	269 202	277 636
46 847	44 890	(377 256)	(372 404)	991 414	962 863
5 276	4 878	(2 806)	(5 076)	624 886	588 897
—	—	21 504	18 678	106 098	97 829
36 445	35 010	(449 145)	(436 751)	169 485	190 936
41 721	39 888	(430 447)	(423 149)	900 469	877 662
n/a	n/a	n/a	n/a	2,22	2,16
2,96	3,16	n/a	n/a	1,33	1,29

58. Segment report *(continued)*

58.4 Retail and Business Banking

	RBB 2014 Rm	2013[3] Rm
Statement of comprehensive income (Rm)		
Net interest income	**28 933**	27 402
Net interest income – external	**38 945**	36 709
Net interest income – internal	**(10 012)**	(9 307)
Non-interest income	**16 883**	16 282
Non -interest income – external	**16 146**	15 509
Non- interest income – internal	**737**	773
Total income	**45 816**	43 684
Impairment losses on loans and advances	**(6 015)**	(6 678)
Operating income before operating expenses	**39 801**	37 006
Operating expenses	**(26 728)**	(24 848)
Depreciation and amortisation	**(818)**	(791)
Other operating expenses	**(25 910)**	(24 057)
Other expenses	**(370)**	(493)
Other impairments	**(29)**	(21)
Indirect taxation	**(341)**	(472)
Share of post-tax results of associates and joint ventures	**130**	104
Operating income before tax	**12 833**	11 769
Taxation expense	**(3 779)**	(3 453)
Profit for the reporting period	**9 054**	8 316
Profit attributable to:		
Ordinary equity holders	**8 339**	7 663
Non-controlling interest – ordinary shares	**515**	464
Non-controlling interest – preference shares	**200**	189
	9 054	8 316
Headline earnings	**8 316**	7 618
Operating performance (%)		
Net interest margin on average interest-bearing assets	**4,41**	4,41
Impairment losses ratio	**1,32**	1,50
Non-interest income as percentage of revenue[2]	**36,8**	37,3
Revenue growth[2]	**5**	9
Cost growth[2]	**8**	9
Cost-to-income ratio[2]	**58,3**	56,9
Statement of financial position		
Loans and advances to customers	**463 182**	451 681
Investment securities	**45 537**	45 614
Other assets	**265 640**	257 262
Total assets	**774 359**	754 557
Deposits due to customers	**305 880**	279 666
Debt securities in issue	**3 071**	3 477
Other liabilities	**443 963**	450 018
Total liabilities	**752 914**	733 161
Financial performance (%)		
Return on average risk-weighted assets	**2,22**	2,18
Return on average assets	**1,13**	1,11

Note
[1]These ratios are unaudited.
[2]These ratios have been calculated by management based on extracted audit information contained in the annual financial statements.
[4]Comparatives have been restated, refer to note 1.21.

Retail Banking South Africa		Business Banking South Africa		RBB Rest of Africa	
2014 Rm	2013[3] Rm	**2014 Rm**	2013[3] Rm	**2014 Rm**	2013[3] Rm
17 261	16 167	**5 560**	5 179	**6 112**	6 056
29 926	27 785	**2 967**	3 344	**6 052**	5 580
(12 665)	(11 618)	**2 593**	1 835	**60**	476
11 507	11 250	**3 163**	3 086	**2 213**	1 946
10 778	10 492	**3 164**	3 084	**2 204**	1 933
729	758	**(1)**	2	**9**	13
28 768	27 417	**8 723**	8 265	**8 325**	8 002
(4 850)	(5 234)	**(527)**	(823)	**(638)**	(621)
23 918	22 183	**8 196**	7 442	**7 687**	7 381
(15 595)	(14 320)	**(5 265)**	(5 186)	**(5 868)**	(5 342)
(334)	(279)	**(1)**	—	**(483)**	(512)
(15 261)	(14 041)	**(5 264)**	(5 186)	**(5 385)**	(4 830)
(278)	(408)	**(42)**	(41)	**(50)**	(44)
(20)	(11)	**(2)**	(9)	**(7)**	(1)
(258)	(397)	**(40)**	(32)	**(43)**	(43)
130	106	**—**	(2)	**—**	—
8 175	7 561	**2 889**	2 213	**1 769**	1 995
(2 274)	(2 072)	**(818)**	(641)	**(687)**	(740)
5 901	5 489	**2 071**	1 572	**1 082**	1 255
5 539	5 177	**2 019**	1 515	**781**	971
214	178	**—**	2	**301**	284
148	134	**52**	55	**—**	—
5 901	5 489	**2 071**	1 572	**1 082**	1 255
5 529	5 160	**2 002**	1 492	**785**	966
3,40	3,31	**6,59**	6,98	**9,45**	10,39
1,35	1,49	**0,87**	1,34	**1,75**	1,86
40,0	41,0	**36,3**	37,3	**26,6**	24,3
5	7	**6**	5	**4**	24
9	10	**2**	(2)	**10**	20
54,2	52,2	**60,4**	62,7	**70,5**	66,8
362 693	354 622	**61 000**	60 708	**39 489**	36 351
28 463	28 730	**9 692**	10 027	**7 382**	6 857
182 609	167 111	**31 557**	24 035	**51 474**	66 116
573 765	550 463	**102 249**	94 770	**98 345**	109 324
150 432	135 697	**96 765**	87 915	**58 683**	56 054
2 191	2 996	**—**	—	**880**	481
413 210	403 973	**3 284**	5 387	**27 469**	40 658
565 833	542 666	**100 049**	93 302	**87 032**	97 193
2,55	2,56	**2,80**	2,11	**0,91**	1,27
1,02	1,00	**2,10**	1,71	**0,79**	1,20

59. Derivatives

59.1 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 Group's net interest income, net trading income, net fee and commission income and derivative assets and liabilities.

Some derivative financial instruments have been designated as hedging instruments in fair value or cash flow hedging relationships.

At the reporting date, the Group did not have any compound financial instruments with multiple embedded derivatives in issue.

The Group trades the following derivative instruments:

Foreign exchange derivatives

The Group'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 Group'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 Group'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 Group'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 Group 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 Group's principal commodity-related derivative contracts are swaps, options, forwards and futures. The main commodities transacted are agricultural commodities and precious metals.

59.2 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 Group'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 Group's net exposure to, or position in any of the markets that the Group trades in.

59. Derivatives *(continued)*

59.3 Derivative financial instruments

The Group's total derivative asset and liability position as reported on the statement of financial position is as follows:

	2014			2013		
	Assets	Liabilities	Notional contract amount	Assets	Liabilities	Notional contract amount
Derivatives held for trading	40 315	(41 844)	5 261 591	45 330	(48 386)	4 898 228
Derivatives designated as hedging instruments	2 350	(2 577)	201 794	3 357	(2 391)	182 298
Other	19	—	736	23	—	693
Total derivatives	**42 684**	**(44 421)**	**5 464 121**	48 710	(50 777)	5 081 219

59.4 Derivatives held for trading – detail by market and instrument type

Derivatives held for trading by the Group related to the various markets and instrument types the Group trades in are as follows:

	2014			2013		
	Assets	Liabilities	Notional contract amount	Assets	Liabilities	Notional contract amount
Foreign exchange derivatives	**8 377**	**(10 008)**	**688 905**	8 650	(8 190)	550 534
Forwards	1 860	(2 930)	33 609	997	(1 820)	42 146
Futures	4	(3)	173 000	4	—	88 263
Swaps	5 857	(6 343)	415 001	6 826	(5 675)	367 028
Options	656	(732)	67 295	823	(695)	53 097
Interest rate derivatives	**30 198**	**(29 682)**	**4 430 310**	35 242	(37 345)	4 188 546
Forwards	1 019	(910)	2 483 475	770	(667)	2 076 796
Swaps	29 109	(28 621)	1 916 876	34 323	(36 492)	2 034 893
Options	29	(68)	12 855	112	(102)	25 446
Other – OTC	40	(82)	7 489	35	(80)	24 316
Other – exchange traded	1	(1)	9 615	2	(4)	27 095
Equity derivatives	**1 050**	**(1 495)**	**99 337**	833	(2 026)	105 729
Forwards	161	(190)	4 433	107	(551)	5 307
Futures	3	—	40 225	16	(8)	52 668
Swaps	335	(238)	9 834	239	(476)	14 462
Options	128	(493)	5 105	423	(448)	11 051
Options – exchange traded	12	—	27 940	—	(1)	4 857
Other – OTC	411	(574)	11 800	48	(542)	17 384
Commodity derivatives	**315**	**(268)**	**17 318**	336	(302)	22 530
Forwards	25	(17)	15 765	14	(12)	20 632
Futures	—	—	—	—	—	772
Swaps	280	(243)	1 199	318	(290)	1 063
Options	10	(8)	354	4	—	63
Credit derivatives	**375**	**(391)**	**25 721**	269	(523)	30 889
Default swaps	375	(391)	25 721	269	(487)	30 777
Other – OTC	—	—	—	—	(36)	112
Derivatives held for trading	**40 315**	**(41 844)**	**5 261 591**	45 330	(48 386)	4 898 228

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.

Comparatives were restated, refer to note 1.21.

59. Derivatives *(continued)*

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

	Group					
	2014			2013		
	Assets	Liabilities	Notional contract amount	Assets	Liabilities	Notional contract amount
Interest rate derivatives	**2 350**	**(2 577)**	**201 794**	3 357	(2 391)	182 298
Swaps – cash flow hedges	**1 116**	**(474)**	**137 290**	1 595	(434)	135 281
Swaps – fair value hedges	**1 234**	**(2 103)**	**64 504**	1 762	(1 957)	47 017
Derivatives designated as hedging instruments	**2 350**	**(2 577)**	**201 794**	3 357	(2 391)	182 298

During the current reporting period, the Group reconsidered data available for identifying trade instruments, as a result the 2013 notional value for derivatives designated as hedging instruments, previously disclosed as R323 149m, was restated.

59.6 Derivatives designated as cash flow hedging instruments to protect against interest rate risk

Cash flow hedges for interest rate risk are used by the Group to protect against the potential cash flow variability that results from the Group's exposure to various floating rate instruments including certain loans and advances, available-for-sale financial assets and issued debt.

The Group's cash flow hedging instruments for interest rate risk principally consist of interest rate swaps that are used to fix floating future cash flows.

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

	Group	
	2014 Rm	2013 Rm
Interest and similar income (refer to note 29)	**1 494**	1 730
Interest expense and similar charges (refer to note 30)	**72**	52

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:

	Group	
	2014 Rm	2013 Rm
Gains and losses from banking and trading activities (refer note 35)	**(239)**	(234)

59. Derivatives *(continued)*

59.6 Derivatives designated as cash flow hedging instruments to protect against interest rate risk *(continued)*

The Group 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:

	Group						
	2014						
	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	**908**	**255**	**106**	**49**	**15**	**2**	**1 335**
Forecast payable cash flow	**(75)**	**(162)**	**(190)**	**(128)**	**(80)**	**(59)**	**(694)**
	2013						
	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	1 446	403	62	16	4	38	1 969
Forecast payable cash flow	(33)	(65)	(221)	(251)	(161)	(77)	(808)

59.7 Derivatives designated as cash flow hedging instruments to protect against equity rate risk

The Group uses cash flow hedging instruments for equity price risk to protect it against the potential cash flow variability of its cash-settled share-based payment schemes, which are referenced to the market price of Barclays Africa Group Limited's shares.

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

	Group	
	2014 Rm	2013 Rm
Operating expenses – staff costs – share-based payments	**98**	(37)

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

The cash flows of the aforementioned cash flow hedges are expected to impact profit or loss in future financial periods as disclosed in the following table. The cash flows were projected using Barclays Africa Group Limited's share price at the reporting date. The cash flows are presented on an undiscounted basis, before taxation and exclude any potential hedge accounting adjustments:

	Group						
	2014						
	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	**(339)**	**(219)**	**(612)**	**—**	**—**	**—**	**(1 170)**
Forecast profit or loss impact	**(36)**	**(110)**	**(452)**	**—**	**—**	**—**	**(598)**
	2013						
	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	(306)	(171)	(77)	—	—	—	(554)
Forecast profit or loss impact	(29)	(82)	(57)	—	—	—	(168)

59. Derivatives *(continued)*

59.8 Derivatives designated as hedging instruments – fair value hedges – interest rate risk

Fair value hedges are used by the Group to protect against changes in fair value of financial instruments due to movements in exchange rates and interest rates. The financial instruments hedged for interest rate risk include loans, available-for-sale assets, debt securities and borrowed funds.

The Group'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:

	Group	
	2014 Rm	2013 Rm
Financial assets – fair value hedges		
Gains/losses) on hedged items (assets) (refer to note 29)	**751**	(2 450)
(Losses)/gains on hedging instruments (assets) (refer to note 29)	**(572)**	2 818
Interest income on hedging instruments (refer to note 29)	**(415)**	(747)
Financial liabilities – fair value hedges		
Gains/(losses) on hedged items (liabilities) (refer to note 30)	**258**	820
Gains/(losses) on hedging instruments (liabilities) (refer to note 30)	**93**	(899)
Interest expense on hedging instruments (refer to note 30)	**241**	393

Movement in fair value that was recognised in profit or loss in relation to hedge ineffectiveness is:

	Group	
	2014 Rm	2013 Rm
Gains and losses from banking and trading activities (refer to note 35)	**(8)**	(4)

59.9 Counterparty netting and collateral

Derivative assets and liabilities subject to counterparty netting agreements amounted to **R40 685m** (2013: R46 278m). Additionally, the Group held **R3 965** (2013: R3 981m) 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 Group. 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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60. Consolidated statement of financial position summary – IAS 39 classification

	2014 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	**3 091**	—	—	**3 091**
Investment securities	**25 101**	—	—	**25 101**
Loans and advances to banks	**20 523**	—	—	**20 523**
Trading portfolio assets	—	**88 797**	—	**88 797**
Hedging portfolio assets[2]	—	—	**2 350**	**2 350**
Other assets	**25**	—	—	**25**
Loans and advances to customers	**10 895**	—	—	**10 895**
Investments linked to investment contracts	—	**18**	—	**18**
Assets outside the scope of IAS 39	—	—	—	—
	59 635	**88 815**	**2 350**	**150 800**
Liabilities				
Deposits from banks	**16 501**	—	—	**16 501**
Trading portfolio liabilities	—	**49 772**	—	**49 772**
Hedging portfolio liabilities[3]	—	—	**2 577**	**2 577**
Other liabilities	**51**	—	—	**51**
Deposits due to customers	**19 206**	—	—	**19 206**
Debt securities in issue	**5 112**	—	—	**5 112**
Liabilities under investment contracts	**23 299**	—	—	**23 299**
Borrowed funds	—	—	—	—
Liabilities outside the scope of IAS 39	—	—	—	—
	64 169	**49 772**	**2 577**	**116 518**

	2013 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[4]	3 210	—	—	3 210
Investment securities[4]	6 559	—	—	6 559
Loans and advances to banks	6 140	—	—	6 140
Trading portfolio assets	—	87 681	—	87 681
Hedging portfolio assets[2]	—	—	3 357	3 357
Other assets	16	—	—	16
Loans and advances to customers	10 548	—	—	10 548
Investments linked to investment contracts	—	23	—	23
Assets outside the scope of IAS 39	—	—	—	—
	26 473	87 704	3 357	117 534
Liabilities				
Deposits from banks	9 320	—	—	9 320
Trading portfolio liabilities	—	52 128	—	52 128
Hedging portfolio liabilities[3]	—	—	2 391	2 391
Other financial liabilities	36	—	—	36
Deposits due to customers	17 862	—	—	17 862
Debt securities in issue	3 543	—	—	3 543
Liabilities under investment contracts	19 773	—	—	19 773
Borrowed funds	—	—	—	—
Liabilities outside the scope of IAS 39	—	—	—	—
	50 534	52 128	2 391	105 053

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 **R1 115m** (31 December 2013: **R1 595**m) and **R1 235m** (31 December 2013: R1 762m) that have been designated as cash flow and fair value hedging instruments respectively.

[3]Includes derivative liabilities to the amount of **R474m** (31 December 2013: R434m) and **R2 103m** (31 December 2013: R1 957m) that have been designated as cash flow and fair value hedging instruments respectively.

[4]Financial assets relating to 'Cash, cash balances and balances with central banks' of R1 933m and 'Investment securities' of R726m at 31 December 2013, previously classified as held-to-maturity have been reclassified to available-for-sale as the intention is not to hold them to maturity.

[5]Includes items designated as hedged items in fair value hedging relationships.

2014							
Available-for-sale			Amortised cost				
Designated as available-for-sale Rm	Hedged items[5] Rm	Total	Designated at amortised cost Rm	Hedged items[5] Rm	Total	Assets/ liabilities outside the scope of IAS 39[1] Rm	Total assets and liabilities Rm
12 298	—	12 298	34 946	—	34 946	—	50 335
20 755	39 920	60 675	110	—	110	—	85 886
—	—	—	51 702	—	51 702	—	72 225
—	—	—	—	—	—	1 701	90 498
—	—	—	—	—	—	—	2 350
—	—	—	12 835	—	12 835	2 654	15 514
—	—	—	621 604	3 827	625 431	—	636 326
19 299	—	19 299	—	—	—	—	19 317
—	—	—	—	—	—	18 963	18 963
52 352	39 920	92 272	721 197	3 827	725 024	23 318	991 414
—	—	—	36 476	—	36 476	—	52 977
—	—	—	—	—	—	—	49 772
—	—	—	—	—	—	—	2 577
—	—	—	16 525	—	16 525	4 503	21 079
—	—	—	605 680	—	605 680	—	624 886
—	—	—	88 131	12 855	100 986	—	106 098
—	—	—	—	—	—	—	23 299
—	—	—	7 498	3 710	11 208	—	11 208
—	—	—	—	—	—	8 573	8 573
—	—	—	754 310	16 565	770 875	13 076	900 469

2013							
Available-for-sale			Amortised cost				
Designated as available-for-sale Rm	Hedged items[5] Rm	Total	Designated at amortised cost Rm	Hedged items[5] Rm	Total	Assets/ liabilities outside the scope of IAS 39[1] Rm	Total assets and liabilities Rm
14 495	—	14 495	32 425	—	32 425	—	50 130
46 968	25 477	72 445	—	—	—	—	79 004
—	—	—	74 482	—	74 482	—	80 622
—	—	—	—	—	—	1 080	88 761
—	—	—	—	—	—	—	3 357
—	—	—	13 486	—	13 486	2 327	15 829
—	—	—	591 263	4 412	595 675	—	606 223
16 111	—	16 111	—	—	—	—	16 134
—	—	—	—	—	—	22 803	22 803
77 574	25 477	103 051	711 656	4 412	716 068	26 210	962 863
—	—	—	61 471	—	61 471	—	70 791
—	—	—	—	—	—	—	52 128
—	—	—	—	—	—	—	2 391
—	—	—	15 778	—	15 778	3 961	19 775
—	—	—	571 035	—	571 035	—	588 897
—	—	—	82 208	12 078	94 286	—	97 829
—	—	—	—	—	—	—	19 773
—	—	—	11 445	5 080	16 525	—	16 525
—	—	—	—	—	—	9 553	9 553
—	—	—	741 937	17 158	759 095	13 514	877 662

61. Fair value disclosures

61.1 Assets and liabilities held at fair value

The following table shows the Group'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.

	Group							
	2014				2013			
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	4 327	9 730	1 332	15 389	7 976	7 796	1 933	17 705
Investment securities	55 402	25 239	5 135	85 776	70 390	3 926	4 688	79 004
Loans and advances to banks	—	20 523	—	20 523	—	6 140	—	6 140
Trading and hedging portfolio assets	34 658	55 327	1 162	91 147	36 263	53 738	1 037	91 038
Debt instruments	24 459	6 221	870	31 550	24 049	530	873	25 452
Derivative assets	5	42 367	292	42 664	—	48 523	164	48 687
Commodity derivatives	2	313	—	315	—	336	—	336
Credit derivatives	—	284	91	375	—	258	11	269
Equity derivatives	3	1 018	29	1 050	—	833	—	833
Foreign exchange derivatives	—	8 378	12	8 390	—	8 624	39	8 663
Interest rate derivatives	—	32 374	160	32 534	—	38 472	114	38 586
Equity instruments	9 591	321	—	9 912	12 176	77	—	12 253
Money market assets	603	6 418	—	7 021	38	4 608	—	4 646
Other assets	7	1	17	25	—	—	16	16
Loans and advances to customers	4	6 160	4 731	10 895	—	4 071	6 477	10 548
Investments linked to investment contracts	17 014	2 302	1	19 317	12 895	3 230	9	16 134
Total financial assets	111 412	119 282	12 378	243 072	127 524	78 901	14 160	220 585
Financial liabilities								
Deposits from banks	—	16 501	—	16 501	—	9 320	—	9 320
Trading and hedging portfolio liabilities	7 928	44 101	320	52 349	3 741	50 229	549	54 519
Derivative liabilities	—	44 101	320	44 421	—	50 229	549	50 778
Commodity	—	268	—	268	—	302	—	302
Credit derivatives	—	352	39	391	—	478	45	523
Equity derivatives	—	1 297	198	1 495	—	1 720	306	2 026
Foreign exchange derivatives	—	10 001	7	10 008	—	8 280	57	8 337
Interest rate derivatives	—	32 183	76	32 259	—	39 449	141	39 590
Short positions	7 928	—	—	7 928	3 741	—	—	3 741
Other liabilities	—	23	28	51	—	36	—	36
Deposits due to customers	80	13 596	5 530	19 206	—	10 724	7 138	17 862
Debt securities in issue	179	4 891	42	5 112	—	3 508	35	3 543
Liabilities under investment contracts	—	20 277	3 022	23 299	—	19 773	—	19 773
Total financial liabilities	8 187	99 389	8 942	116 518	3 741	93 590	7 722	105 053
Non-financial assets								
Commodity	1 701	—	—	1 701	1 080	—	—	1 080
Investment properties	—	—	727	727	—	—	1 089	1 089
Total recurring fair value measurements								
Non-recurring fair value measurements								
Non-current assets held for sale[1]	—	—	972	972	2 424	1 297	1 093	4 814
Non-current liabilities held for sale[1]	—	—	372	372	975	175	501	1 651

The 2013 figures have been restated, refer to note 1.21 and note 60.

Note

[1]Includes certain items classified in terms of the requirements of IFRS which are measured in terms of their respective standards.

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61. Fair value disclosures

61.2 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:

Group

2014	Cash and cash balances Rm	Trading and hedging portfolio assets Rm	Other assets Rm	Loans and advances to customers Rm	Investment securities Rm	Investment properties Rm
Opening balance at the beginning of the reporting period	1 933	1 037	16	6 477	4 688	1 089
Net interest income	—	—	1	373	69	—
Other income	—	—	—	—	—	—
Gains and losses from banking and trading activities	—	179	—	(29)	136	—
Gains and losses from investment activities	—	—	—	2	(2)	6
Purchases	1 332	—	—	143	1 086	11
Sales	—	(32)	—	(620)	(863)	(3)
Movement in other comprehensive income	—	—	—	—	5	—
Settlements	(1 933)	—	—	(1 615)	—	—
Transferred to/(from) assets/liabilities	—	—	—	—	—	(376)[2]
Movement in/(out) of Level 3	—	(22)	—	—	16	—
Closing balance at the end of the reporting period	1 332	1 162	17	4 731	5 135	727

2013	Cash and cash balances[1] Rm	Trading and hedging portfolio assets Rm	Other assets Rm	Loans and advances to customers Rm	Investment securities[1] Rm	Investment properties Rm
Opening balance at the beginning of the reporting period	735	952	16	6 419	7 199	1 220
Net interest income	—	55	—	346	(461)	—
Other income	—	—	—	—	—	58
Gains and losses from banking and trading activities	—	(165)	—	203	92	—
Gains and losses from investment activities	—	—	—	(99)	8	21
Purchases	1 933	13	—	767	1 468	5
Sales	—	—	—	(45)	(3 165)	(6)
Issues	—	—	—	—	5	—
Movement in other comprehensive income	—	—	—	—	20	—
Settlements	(735)	—	—	(987)	(579)	—
Transferred to/(from) assets/liabilities	—	(55)	—	(127)	48	(209)
Movement in/(out) of Level 3	—	237	—	—	53	—
Closing balance at the end of the reporting period	1 933	1 037	16	6 477	4 688	1 089

61.2.1 Significant transfers between levels

During the current reporting period, it was determined that significant transfers between levels of the assets and liabilities held at fair value occurred. Treasury bills of R18,5bn have been transferred from level 1 to level 2, as these are held in an inactive market.

During the prior reporting period trading portfolio assets to the value of R237m as well as trading portfolio liabilities of R165m were transferred from Level 2 to Level 3. The transfers relate to equity securities for which there are no longer a quoted price in an active market and for which the significant inputs to determine the fair value have become unobservable.

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

Notes

[1]Instruments classification has changed from the previous reporting period, refer to note 60.

[2]Transfer to non-current assets held for sale, refer to note 7.1.

Group

2014							
Investments linked to investment contracts Rm	Total assets at fair value Rm	Trading and hedging portfolio liabilities Rm	Other liabilities Rm	Deposits due to customers Rm	Debt securities in issue Rm	Liabilities under investment contract Rm	Total liabilities at fair value Rm
7	15 247	549	—	7 138	35	—	7 722
—	443	—	—	1	1	—	2
—	—	—	—	—	—	—	—
—	286	(62)	—	(1 501)	6	—	(1 557)
—	6	—	—	—	—	—	—
—	2 572	—	28	—	—	3 022	3 050
(6)	(1 524)	(75)	—	—	—	—	(75)
—	5	(8)	—	—	—	—	(8)
—	(3 548)	—	—	(81)	—	—	(81)
—	(376)	—	—	—	—	—	—
—	(6)	(84)	—	(27)	—	—	(111)
1	13 105	320	28	5 530	42	3 022	8 942

2013							
Investments linked to investment contracts Rm	Total assets at fair value Rm	Trading and hedging portfolio liabilities Rm	Other liabilities Rm	Deposits due to customers Rm	Debt securities in issue Rm	Liabilities under investment contract Rm	Total liabilities at fair value Rm
—	16 541	74	16	7 672	187	—	7 949
—	(60)	—	—	9	—	—	9
—	58	—	—	—	—	—	—
—	130	306	—	153	(152)	—	307
—	(70)	—	—	(1)	—	—	(1)
7	4 193	7	—	27	—	—	34
—	(3 216)	—	—	427	—	—	427
—	5	(3)	—	—	—	—	(3)
—	20	—	—	—	—	—	—
—	(2 301)	—	(16)	(1 149)	—	—	(1 165)
—	(343)	—	—	—	—	—	—
—	290	165	—	—	—	—	165
7	15 247	549	—	7 138	35	—	7 722

61. Fair value disclosures *(continued)*

61.3 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:

Group

	Trading and hedging portfolio assets Rm	Other assets Rm	Loans and advances to customers Rm	Investment securities Rm	Investment properties Rm	Investments linked to investment contracts Rm	Non-current assets held for sale Rm	Total assets at fair value Rm
2014								
Gains and losses from banking and trading activities	**79**	**—**	**(28)**	**—**	**—**	**—**	**—**	**51**
2013								
Gains and losses from banking and trading activities	337	—	(136)	—	—	—	—	201

Group

	Trading and hedging portfolio liabilities Rm	Other liabilities Rm	Deposits due to customers Rm	Liabilities under investment contracts Rm	Total liabilities at fair value Rm
2014					
Gains and losses from banking and trading activities	**116**	**—**	**—**	**—**	**116**
2013					
Gains and losses from banking and trading activities	(311)	—	1	—	(310)

61. Fair value disclosures *(continued)*

61.4 Sensitivity analysis of valuations using unobservable inputs

As part of the Group's risk management processes, stress tests are applied on the significant unobservable parameters to generate a range of potentially possible alternative valuations. The assets and liabilities that most impact this sensitivity analysis are those within the more illiquid and/or structured portfolios. The stresses are applied independently and do not take account of any cross correlation between separate asset classes that would reduce the overall effect on the valuations.

The following table reflects how the unobservable parameters were changed in order to evaluate the sensitivities of Level 3 financial assets and liabilities:

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

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

		2014	
		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 and investments linked to investment contracts	**Risk adjustment yield curves, future earnings and marketability discount**	**672/126**	—/—
Loans and advances to customers	**Credit spreads**	**1 037/23**	—/—
Other assets	**Volatility, credit spreads**	**3/3**	—/—
Trading and hedging portfolio assets	**Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads**	—/—	—/—
Trading and hedging portfolio liabilities	**Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads**	**34/34**	—/—
Other liabilities	**Volatility, credit spreads**	**28/28**	—/—
		1 774/214	—/—

61. Fair value disclosures *(continued)*

61.4 Sensitivity analysis of valuations using unobservable inputs *(continued)*

		2013	
		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	224/223	—/—
Investment securities and investments linked to investment contracts	Yield curves, future earnings and marketability discount, comparator multiples	355/355	—/—
Investment properties	Selling price per unit, selling price escalations, rental income per unit, rental escalations per year, expense ratios, vacancy rate, income capitalisation rate and risk client rates	2/2	—/—
Loans and advances to customers	Credit spreads	1 202/159	—/—
Other assets	Volatility, credit spreads	2/2	—/—
Trading and hedging portfolio assets	Volatility, credit spreads, basis curves, yield curves, repo curves	43/43	—/—
Trading and hedging portfolio liabilities	Volatility, credit spreads, basis curves, yield curves, repo curves	13/5	—/—
		1 841/789	—/—

61.5 Unrecognised (losses)/gains as a result of the use of valuation models using unobservable inputs

The amount that has yet to be recognised in the statement of comprehensive income that relates to the difference between the transaction price and the amount that would have arisen had valuation models using unobservable inputs been used on initial recognition, less amounts subsequently recognised, is as follows:

	Group	
	2014 Rm	2013 Rm
Opening balance at the beginning of the reporting period	**(55)**	(71)
New transactions	**(23)**	(17)
Amounts recognised in profit or loss during the reporting period	**26**	33
Closing balance at the end of the reporting period	**(52)**	(55)

61.6 Third party credit enhancements

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

61. Fair value disclosures *(continued)*

61.7 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.

	Group				
	2014				
	Carrying value Rm	Fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
Financial assets					
Balances with other central banks	9 401	9 401	8 101	960	340
Balances with the SARB	12 621	12 621	12 621	—	—
Coins and bank notes	12 903	12 903	12 903	—	—
Money market assets	21	21	21	—	—
Cash, cash balances and balances with central banks	34 946	34 946	33 646	960	340
Investment securities	110	110	110	—	—
Loans and advances to banks	51 702	51 647	5 813	41 915	3 919
Other assets	12 835	13 124	4 893	4 344	3 887
Retail Banking South Africa	362 693	362 266	—	—	362 266
Credit cards	36 484	36 484	—	—	36 484
Instalment credit agreements	70 557	69 995	—	—	69 995
Loans to associates and joint ventures	13 012	13 012	—	—	13 012
Mortgages	224 043	224 087	—	—	224 087
Other loans and advances	410	410	—	—	410
Overdrafts	2 222	2 222	—	—	2 222
Personal and term loans	15 965	16 056	—	—	16 056
Business Banking South Africa	60 863	60 861	1 036	—	59 825
Loans to associate and joint ventures	305	305	—	—	305
Mortgages (including CPF)	29 856	29 852	—	—	29 852
Overdrafts	18 083	18 063	1 036	—	17 027
Term loans	12 619	12 641	—	—	12 641
RBB Rest of Africa	39 489	39 489	95	17 853	21 541
CIB	151 368	150 976	8 448	38 345	104 183
WIMI	10 507	10 507	—	—	10 507
Head Office and other operations	511	512	267	—	245
Loans and advances to customers – net of impairment losses	625 431	624 611	9 846	56 198	558 567
Total assets	725 024	724 438	54 308	103 417	566 713
Financial liabilities					
Deposits from banks	36 476	37 816	11 925	25 836	55
Other liabilities	16 525	16 532	6 275	6 311	3 946
Call deposits	56 991	56 991	54 555	2 436	—
Cheque account deposits	186 932	186 932	178 217	8 715	—
Credit card deposits	1 932	1 932	1 932	—	—
Fixed deposits	145 623	146 349	3 729	142 596	24
Foreign currency deposits	24 976	24 976	2 173	22 803	—
Notice deposits	49 764	49 843	1 297	48 514	32
Other deposits	11 437	11 437	251	10 352	834
Saving and transmission deposits	128 025	128 025	121 404	6 621	—
Deposits due to customers	605 680	606 485	363 558	242 037	890
Debt securities in issue	100 986	101 351	1 268	98 388	1 695
Borrowed funds	11 208	11 559	118	10 609	832
Total liabilities	770 875	773 743	383 144	383 181	7 418

61. Fair value disclosures *(continued)*

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

	Group 2013 Carrying value Rm	Fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
Financial assets					
Balances with other central banks	7 350	7 350	3 948	2 849	553
Balances with the SARB	12 417	12 417	11 851	566	—
Coins and bank notes	12 652	12 652	12 652	—	—
Money market assets	6	6	6	—	—
Cash, cash balances and balances with central banks	32 425	32 425	28 457	3 415	553
Loans and advances to banks	74 482	74 482	6 291	59 152	9 039
Other assets	13 486	13 486	4 193	6 557	2 736
Retail Banking South Africa	354 622	354 460	1 737	5 212	347 511
Credit cards	34 070	34 070	—	381	33 689
Instalment credit agreements	64 571	64 268	—	365	63 903
Loans to associates and joint ventures	10 287	10 287	—	—	10 287
Mortgages	227 593	227 658	—	—	227 658
Other loans and advances	262	262	—	—	262
Overdrafts	2 015	2 015	806	—	1 209
Personal and term loans	15 824	15 900	931	4 466	10 503
Business Banking South Africa	60 036	60 206	—	—	60 206
Loans to associate and joint ventures	559	559	—	—	559
Mortgages (including commercial property finance)	30 718	30 888	—	—	30 888
Overdrafts	17 075	17 075	—	—	17 075
Term loans	11 684	11 684	—	—	11 684
RBB Rest of Africa	36 351	36 351	1 181	20 128	15 042
CIB	133 698	127 894	9 827	23 770	94 297
WIMI	10 885	10 885	836	2 023	8 026
Head Office and other operations	83	83	—	—	83
Loans and advances to customers – net of impairment losses	595 675	589 879	13 581	51 133	525 165
Total assets	716 068	710 272	52 522	120 257	537 493
Financial liabilities					
Deposits from banks	61 471	58 259	11 648	37 577	9 034
Other liabilities	15 778	15 310	7 629	1 681	6 000
Call deposits	52 843	52 843	52 799	30	14
Cheque account deposits	175 493	175 493	159 908	4 496	11 089
Credit card deposits	1 914	1 914	—	—	1 914
Fixed deposits	151 797	151 837	447	145 845	5 545
Foreign currency deposits	17 456	17 456	244	13 864	3 348
Notice deposits	56 348	56 350	—	56 350	—
Other deposits	10 822	10 822	804	7 531	2 487
Savings and transmission deposit	104 362	104 362	73 557	16 228	14 577
Deposits due to customers	571 035	571 077	287 759	244 344	38 974
Debt securities in issue	94 286	94 324	22 234	69 590	2 500
Borrowed funds	16 525	17 069	15 694	760	615
Total liabilities	759 095	756 039	344 964	353 952	57 123

The 2013 figures were restated, refer to note 1.21 and note 60.

62. Credit risk of financial instruments designated at fair value

The following table represents the maximum exposure to credit risk of loans and advances designated at fair value through profit or loss at the reporting date before taking into account collateral held or other credit enhancements.

	Group		Credit risk mitigation	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
Assets				
Cash, cash balances and balances with central banks	**3 091**	3 210	**—**	—
Investment securities	**19 055**	2 863	**—**	—
Loans and advances to banks	**20 523**	6 140	**3 648**	800
Other assets	**25**	16	**—**	—
Loans and advances to customers	**10 895**	10 548	**6 217**	3 804
Investments linked to investment contracts	**—**	—	**—**	—
	53 589	22 777	**9 865**	4 604

The Group utilised credit derivatives as a mechanism to hedge its exposure to credit risk for financial instruments designated at fair value through profit or loss.

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

The following table represents the carrying value of financial liabilities designated at fair value through profit or loss and the amount that the Group is contractually required to pay to the holder of the obligation at maturity. Also refer to note 60 for further detail.

	Group			
	2014		2013	
	Carrying value Rm	**Contractual obligation Rm**	Carrying value Rm	Contractual obligation Rm
Liabilities				
Deposits from banks	**16 501**	**21 898**	9 320	14 497
Other liabilities	**51**	**131**	36	36
Deposits due to customers	**19 206**	**19 206**	17 862	18 045
Debt securities in issue	**5 112**	**7 206**	3 543	4 223
Liabilities under investment contracts	**23 299**	**23 299**	19 773	23 025
	64 169	**71 740**	50 534	59 826

62. Credit risk of financial instruments designated at fair value *(continued)*

Decrease in fair value attributable to changes in credit risk during the reporting period

	Group	
	2014 Rm	2013 Rm
Liabilities		
Deposits from banks	**(183)**	(245)

Cumulative adjustment in fair value attributable to changes in own credit risk

	Group	
	2014 Rm	2013 Rm
Liabilities		
Deposits from banks	**90**	(255)

The following approaches are used in determining changes in fair value due to changes in credit risk for loans and advances designated at fair value through profit or loss:

- Internal risk grading approach: the cumulative change in fair value due to changes in credit risk is calculated by assigning each customer an internal risk grading based on the customer's PD. The risk grading determines the credit spread incorporated in the valuation curve. Changes in the risk grading will result in a change in fair value of the loan due to changes in credit risk.
- The disclosed 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.

The following approach is used in determining changes in fair value due to changes in credit risk for deposits from banks 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 spreads on Barclays Africa Group issued funding. Most market parameters are either directly observable or are implied from instrument prices. The model may perform numerical procedures in the pricing such as interpolation when input values do not directly correspond to the most actively traded market trade parameters.

In the current reporting period the fair value attributable to changes in credit risk was reviewed and assessed. This resulted in a restatement of the previous reporting period. Previously reported as: Decrease in fair value during the reporting period (R13m); cumulative adjustment due to own credit risk R20m.

63. Risk management

63.1 Effective risk management and control are essential for sustainable and profitable growth

The role of risk management is to evaluate, respond to and monitor risks (the ERM process) that arise in the execution of the strategy to become the 'Go-To' bank in Africa. It is essential that business growth plans are properly supported by an effective risk management infrastructure. Risk culture is closely aligned to that of the business, whilst retaining independence in analysis and objective decision-making.

Clear risk management objectives are in place, in addition to a well-established risk strategy, delivered through core risk management processes. The approach to managing risk is contained in the Enterprise Risk Management Framework ("ERMF"). The ERMF defines the risk management process and sets out the activities, tools, techniques and organisational arrangements so that material risks can be better identified and managed. It also ensures that appropriate responses are in place to protect the Group and prevent detriment to its customers, colleagues or community, thereby enabling the Group to meets its goals and enhancing its ability to respond to new opportunities.

The ERMF includes those risks incurred by the Group that are foreseeable, continuous, and material enough to merit establishing specific group-wide control frameworks. These are known as Key Risks and are grouped into five Principal Risk categories with Reputation Risk now a Key Risk under Conduct Risk. For each risk, a control framework with supporting policies and standards outlines risk, control, and governance.

63. Risk management *(continued)*

63.1 Effective risk management and control are essential for sustainable and profitable growth *(continued)*

The three lines of defence have been defined in the ERMF, the scope of which has been extended to all businesses and functions. The ERMF creates the proper context for setting standards and establishing the right practices throughout the Group. The three lines of defence operating model enables the assignment of risk management activities appropriately between those parties that:

- Own and take risk, and implement controls (first line);
- Oversee and challenge the first line, provide independent second line risk management activity and support controls (second line); and
- Provide assurance that the ERM process is fit for purpose, and that it is being carried out as intended (third line).

The framework enables businesses and functions to be organised along the three lines, thereby enhancing the ERM process by formalising independence and challenge, while still promoting collaboration and the flow of information between all areas.

Credit risk

The risk of financial loss should the Group's customers, clients or market counterparts fail to fulfill their contractual obligation.

Factors that influence this risk

Specific scenarios which could impact credit risk in both the retail and wholesale portfolios include:

- Continuing uncertainty in the macroeconomic prospects of the Euro Monetary Area and increasing probability of normalisation of United States monetary policy is expected to stimulate increased levels of global risk aversion. This is evident in the rand and other emerging market currencies weakening in the final quarter of 2014.
- Slowdown in China's economy could further undermine commodity prices, especially copper, platinum and crude oil. This poses downside risks to the Investment Banking portfolio, especially in sub-Saharan Africa where economies are largely driven by commodities. Country and sovereign risk in those countries with high exposure to commodity prices such as Ghana, Zambia and Nigeria will be closely monitored.
- Persistent electricity supply constraints in South Africa reduce growth prospects. Nevertheless, lower oil prices will help to constrain increases in the import bill, reduce inflation and increase consumer disposable income.

How the Group manages this risk

- Define clear risk appetite thresholds and triggers, using applicable stress test measures.
- Understand the target market.
- Establish risk acceptance criteria.
- Undertake sound credit origination, monitoring and account management.
- Ensure appropriate risk infrastructure and controls.

Future priorities

The Group will continue to focus on delivering effective and efficient risk management, while meeting regulatory requirements. The Group will continue to keep its customers and clients at the centre of what it does and strive to deliver sustainable returns above the cost of equity. Specific risk management priorities for 2015 include:

- Achieve a uniform approach to managing risk across Africa.
- Embed the ERMF and the three lines of defence operating model.
- Continue to improve risk measurement models, and enhance risk-adjusted returns while reducing volatility in performance.
- Ensure performance is in line with risk appetite, and refine the risk appetite approach for insurance and country risk.
- Continue to strengthen controls and infrastructure, specifically in the areas of technology, financial crime, fraud and transactional operations.
- Continue to build upon the recovery plan and develop an approach to resolution.
- Embed conduct risk frameworks and strengthen controls. Enhance conduct risk management tools and reporting.

63. Risk management *(continued)*

63.2 Credit risk

Performance

Wholesale credit risk (unaudited)

- **Growth:** Total loans and advances growth was fairly muted at 6,0% when compared to 14,7% in 2013. Growth continued to be dominated by Corporate and Investment Banking with Africa outside South Africa growing strongly at 12,7%.
  - While regional diversification continues to grow in the CIB portfolio as new opportunities across Africa are explored, new business within South Africa has been buoyed by increased corporate activity across the mining, transportation and retail sectors.
  - The Business Banking South Africa portfolio remained stable. The growth in other debt products was offset by a decline in the Commercial Property finance book of 9%, resulting from the inability of new business to outweigh both the significant repayment and early settlement of the loans.
- **Portfolio performance:** The non-performing coverage ratio continued to decrease to **34,7%** (2013: 42,4%) as the risk profile of the Rest of Africa Wholesale portfolio continued to improve over 2014.
- **Impairments:** The wholesale portfolio credit impairment charge decreased 18% to **R815m** (2013: R990m). The improvement was largely driven by the overall positive Rest of Africa and Business Banking portfolios performance, down 52% and 36% respectively.

Future priorities

- Continue to embed the operating model for the credit sanctioning across the Rest of Africa, through the effective combination of tiered sanctioning, local knowledge and global and regional expertise.
- Continue to respond to regulatory changes while continuing to make efficient use of capital.
- Ensure that our delivery capability is grounded on a progressive and cost effective infrastructure which will enable us to deliver forward thinking, relevant and scalable approaches to manage and report credit risk.
- Deliver a relevant and scalable risk appetite operating model under a fit for purpose stress loss framework.
- Refine stress testing and concentration risk methodologies to ensure all potential stresses are understood and quantified.
- Refine sovereign and country risk management approach.

Retail credit risk (unaudited)

- **Growth:** The 0,1% growth in Home Loans was offset by the reducing legal book, resulting in a net decrease of 1,4%. Both these drivers are positive developments. Vehicle and Asset Finance grew **9,1%** (2013: 8,9%). The Credit Card portfolio grew 10,0%, mainly due to a number of initiatives in the Absa Card book and the inclusion of the Edcon portfolio. Portfolios in Rest of Africa grew 34,8%.
- **RWA:** Overall RWA as a percentage of gross credit extended has increased to 42,4% from 34,9% driven by asset growth in the VAF and Cards portfolios.
- **Non-performing loans:** Non-performing loans continued to decrease. The NPL coverage increased to **46,1%** (2013: 41,0%) primarily as coverage was increased on unsecured lending, including Cards.
- **Impairments:** The impairment loss ratio improved to 1,4% from 1,5%, reflecting our enhanced collections capability and improving quality of new business. The loss ratio decreased in Home Loans, increased in VAF and Credit Cards and remained stable in Personal Loans. The impairment loss ratio in Rest of Africa reduced to 1,7% from 2,2%.

Future priorities

- Embed the Pan-African target operating model for retail credit risk management.
- Continue to invest in models/analytics to improve the Group's risk profile, measurement and risk-adjusted returns, with a focus on unsecured lending.
- Respond effectively to the deteriorating macroeconomic environment.
- Improve debt counselling and other rehabilitation programmes to ensure appropriate management of customers in financial difficulty.
- Continue to improve risk infrastructure, processes and controls.

63. Risk management *(continued)*

63.2 Credit risk *(continued)*

The following table demonstrates the neither past due and past due loans. Past due loans are further analysed in the tables to follow.

Maximum exposure to credit risk	Group 2014 Gross maximum exposure Rm	Neither past due nor impaired[1] DG 1 – 11 Rm	DG 12 – 19 Rm	DG 20 – 21 Rm	Total past due loans Rm
Balances with other central banks	9 400	8 754	646	—	—
Balances with the SARB	12 621	12 621	—	—	—
Money market assets	15 411	11 868	3 543	—	—
Cash, cash balances and balances with central banks (refer to note 2)	37 432	33 243	4 189	—	—
Government bonds	47 128	47 128	—	—	—
Other	13 945	9 329	4 616	—	—
Treasury bills	18 526	18 526	—	—	—
Investment securities (refer to note 3)	79 599	74 983	4 616	—	—
Loans and advances to banks (refer to note 4)	72 225	69 677	2 463	—	85
Debt instruments	31 549	29 320	2 229	—	—
Derivative assets	40 315	39 585	730	—	—
Money market assets	7 021	6 580	441	—	—
Trading portfolio assets (refer to note 5)	78 885	75 485	3 400	—	—
Derivatives designated as cash flow hedging instruments	1 116	1 084	32	—	—
Derivatives designated as fair value hedging instruments	1 234	1 208	26	—	—
Hedging portfolio assets (refer to note 5)	2 350	2 292	58	—	—
Accounts receivable	10 759	9 278	1 456	4	21
Settlement accounts	2 100	2 086	10	—	4
Other assets (refer to note 6)	12 859	11 364	1 466	4	25
RBB	478 406	138 206	260 087	27 174	52 939
Retail Banking South Africa	373 537	104 133	204 517	23 253	41 634
Credit cards	40 622	4 797	14 768	12 043	9 014
Instalment credit agreements	71 587	12 218	53 582	1 751	4 036
Loans to associates and joint ventures	13 012	3 269	9 575	168	—
Mortgages	228 006	80 695	115 688	6 653	24 970
Other loans and advances	410	91	302	17	—
Overdrafts	2 337	318	1 731	5	283
Personal and term loans	17 563	2 745	8 871	2 616	3 331
Business Banking South Africa	63 028	14 833	38 900	2 193	7 102
Loans to associates and joint ventures	305	99	75	131	—
Mortgages (including CPF)	31 035	6 746	19 615	1 167	3 507
Overdrafts	18 661	4 625	11 981	488	1 567
Term loans	13 027	3 363	7 229	407	2 028
RBB Rest of Africa	41 841	19 240	16 670	1 728	4 203
CIB	162 853	101 015	55 453	4 519	1 866
WIMI	10 659	2 176	7 370	860	253
Head Office and other operations	538	528	10	—	—
Loans and advances to customers (refer to note 8)	652 456	241 925	322 920	32 553	55 058
Insurance contracts	597	597	—	—	—
Investment contracts	134	134	—	—	—
Reinsurance assets (refer to note 10)	731	731	—	—	—
Debt instruments	582	582	—	—	—
Derivative instruments	19	19	—	—	—
Money market assets	749	749	—	—	—
Investments linked to investment contracts (refer to note 11)	1 350	1 350	—	—	—
Total gross maximum exposure to credit risk	937 887				
Impairments raised (refer to note 9)	(16 130)				
Total net exposure to credit risk as disclosed on the statement of financial position	921 757				
Assets not subject to credit risk	69 657				
Total assets per the statement of financial position	991 414				

Note
[1]Refer to note 1.2 for DG bucket definitions.

63. Risk management *(continued)*

63.2 Credit risk *(continued)*

Maximum exposure to credit risk

	Group				
	2013				
		Neither past due nor impaired[1]			
	Gross maximum exposure Rm	DG 1 – 11 Rm	DG 12 – 19 Rm	DG 20 – 21 Rm	Total past due loans Rm
Balances with other central banks	7 350	7 350	—	—	—
Balances with the SARB	12 417	12 417	—	—	—
Money market assets	17 711	17 711	—	—	—
Cash, cash balances and balances with central banks (refer to note 2)	37 478	37 478	—	—	—
Government bonds	41 536	41 536	—	—	—
Other	12 028	11 464	564	—	—
Treasury bills	20 519	20 519	—	—	—
Investment securities (refer to note 3)	74 083	73 519	564	—	—
Loans and advances to banks (refer to note 4)[2]	80 622	65 948	14 664	10	—
Debt instruments	25 452	25 266	186	—	—
Derivative assets	45 330	40 233	5 095	2	—
Money market assets	4 646	2 780	1 866	—	—
Trading portfolio assets (refer to note 5)[2]	75 428	68 279	7 147	2	—
Derivatives designated as cash flow hedging instruments	1 595	1 595	—	—	—
Derivatives designated as fair value hedging instruments	1 762	1 762	—	—	—
Hedging portfolio assets (refer to note 5)	3 357	3 357	—	—	—
Accounts receivable	10 052	7 762	290	24	1 976
Settlement accounts	3 453	3 452	1	—	—
Other assets (refer to note 6)	13 505	11 214	291	24	1 976
RBB	466 747	129 028	264 781	13 966	58 972
Retail Banking South Africa	365 040	107 192	204 977	9 516	43 355
Credit cards	36 934	13 648	14 806	1 223	7 257
Instalment credit agreements	65 592	12 491	47 971	946	4 184
Loans to associates and joint ventures	10 287	1 440	8 538	309	—
Mortgages	232 683	74 577	124 110	5 711	28 285
Other loans and advances	262	262	—	—	—
Overdrafts	2 102	379	1 475	4	244
Personal and term loans	17 180	4 395	8 077	1 323	3 385
Business Banking South Africa	62 991	15 290	37 942	1 983	7 776
Loans to associates and joint ventures	559	—	559	—	—
Mortgages (including CPF)	32 750	7 170	19 847	1 331	4 402
Overdrafts	17 573	4 377	11 358	462	1 376
Term loans	12 109	3 743	6 178	190	1 998
RBB Rest of Africa	38 716	6 546	21 862	2 467	7 841
CIB	144 217	82 383	56 425	1 601	3 808
WIMI	11 078	2 361	7 338	865	514
Head Office and other operations	230	95	25	—	110
Loans advances to customers (refer to note 8)	622 272	213 867	328 569	16 432	63 404
Insurance contracts	713	713	—	—	—
Investment contracts	157	157	—	—	—
Reinsurance assets (refer to note 10)	870	870	—	—	—
Debt instruments	388	388	—	—	—
Derivative instruments	23	23	—	—	—
Money market assets	651	651	—	—	—
Investments linked to investment contracts (refer to note 11)	1 062	1 062	—	—	—
Total gross maximum exposure to credit risk	908 677				
Impairments raised (refer to note 9)	(16 049)				
Total net exposure to credit risk as disclosed on the statement of financial position	892 628				
Assets not subject to credit risk	70 235				
Total assets per the statement of financial position	962 863				

The Group reassessed its methodology to ensure the DG grading represents a TTC view of the distribution of the book. Previously the grading for "Business Banking South Africa" was determined using a PIT basis. Comparatives have been restated. Previously the DG grading was disclosed as follows: DG 1 – 11 R20bn; DG 12 – 19 R35bn; DG 20 – 21 R2bn.

The segmental break-down has changed as a result of the change in the reporting structure in line with IFRS 8, refer to note 58.

Notes

[1]Refer to note 1.2 for DG bucket definitions.

[2]Comparatives have been restated, refer to note 1.21.

63. Risk management *(continued)*

63.2 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 Group 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.

	Group 2014 Rm	Group 2013 Rm
Financial guarantee contracts (refer to note 52)[3]	96	96
Guarantees (refer to note 54)	34 011	21 215
Irrevocable debt facilities (refer to note 54)[1]	125 334	127 218
Letters of credit (refer to note 54)	4 827	6 402
Other (refer to note 54)	3 774	5 674
	168 042	160 605

The Group utilised credit derivatives as a mechanism to hedge its exposure to credit risk for financial instruments designated at fair value through profit or loss. Refer to the credit risk mitigation and collateral table for more information.

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.

Geographical concentration of risk	Group 2014 Asia, Americas and Australia Rm	Europe[2] 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	58	—	21 714	15 660	37 432
Investment securities	—	—	9 160	70 439	79 599
Loans and advances to banks	5 409	36 162	12 824	17 830	72 225
Trading portfolio assets	84	23 961	5 325	49 515	78 885
Hedging portfolio assets	263	658	14	1 415	2 350
Other assets	194	324	2 803	9 538	12 859
Loans and advances to customers	5 363	4 912	71 770	554 281	636 326
Reinsurance assets	151	191	185	204	731
Investments linked to investment contracts	—	—	—	1 350	1 350
Subject to credit risk	11 522	66 208	123 795	720 232	921 757
Off-statement of financial position exposures					
Financial guarantee contracts	—	—	—	96	96
Guarantees	1 378	626	6 736	25 271	34 011
Letters of credit	1 444	1 543	1 651	189	4 827
Irrevocable debt facilities	—	—	2 476	122 858	125 334
Other	—	—	3 766	8	3 774
Subject to credit risk	2 822	2 169	14 629	148 422	168 042

Notes

[1]Comparatives have been restated, refer to note 54.

[2]The majority of the exposures are exposures to Barclays PLC.

[3]Comparatives have been restated, refer to note 52.

63. Risk management *(continued)*

63.2 Credit risk *(continued)*

Geographical concentration of risk *(continued)*	Group 2013 Asia, Americas and Australia Rm	Europe[1] Rm	Rest of Africa Rm	South[4] Africa Rm	Total exposure Rm
On-statement of financial position exposure					
Cash, cash balances and balances with central banks	6	—	21 928	15 544	37 478
Investment securities	—	—	7 625	66 458	74 083
Loans and advances to banks[4]	4 440	41 878	14 453	19 851	80 622
Trading portfolio assets[4]	1 238	27 025	1 777	45 388	75 428
Hedging portfolio assets	67	1 540	—	1 750	3 357
Other assets	4	1 366	3 656	8 460	13 486
Loans and advances to customers	4 211	4 119	66 623	531 270	606 223
Reinsurance assets	175	206	247	242	870
Investments linked to investment contracts	—	—	—	1 062	1 062
Subject to credit risk	10 141	76 134	116 309	690 025	892 609
Off-statement of financial position exposures					
Financial guarantee contracts[3]	—	—	—	96	96
Guarantees	—	24	5 353	15 838	21 215
Irrevocable debt facilities[2]	—	4 227	2 930	120 061	127 218
Letters of credit	—	—	736	5 666	6 402
Other	—	—	5 671	3	5 674
Subject to credit risk	—	4 251	14 690	141 664	160 605

IFRS disclosures in terms of credit mitigation

The financial effect and forms of collateral and credit enhancements for each class of financial instrument giving rise to credit risk are disclosed in the table to follow. The accounting policy on how the collateral impacts the impairment provisions to be carried against the financial asset balance is described further in note 1.7.6.

The Group offsets asset and liability amounts in the statement of financial position where the ability and intention to net settle exists and the Group 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 Group may also obtain collateral in the form of floating charges over receivables and inventory of corporate and other business customers. The value of this collateral varies depending on the level of receivables and inventory. It is impractical to provide an estimate of the amount (fair value or nominal value) of this collateral and the value of this collateral is not reported.

Collateral includes:

- Guarantees and/or letters of credit from third parties.
- Credit default swaps and other credit derivatives.
- Credit insurance.
- Physical collateral including highly liquid securities held under reverse repo agreements and fixed charges over property.
- Cash collateral.
- Other forms including master netting agreements and put options.

Note

[1]The majority of the exposures are exposures to Barclays PLC.
[2]Comparatives have been restated, refer to note 54.
[3]Comparatives have been restated, refer to note 52.
[4]Comparatives have been restated, refer to note 1.21.

63. Risk management *(continued)*

63.2 Credit risk *(continued)*

	Group					
	2014					
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
Balances with central banks	9 400	—	—	—	—	9 400
Balances with SARB	12 621	—	—	—	—	12 621
Money market	15 411	—	—	—	224	15 187
Cash, cash balances and balances with central banks (refer to note 2)	37 432	—	—	—	224	37 208
Loans and advances to banks (refer to note 4)	72 225	—	—	184	16 109	55 932
Government bonds	47 128	—	—	—	—	47 128
Other	13 945	—	—	—	5 723	8 222
Treasury bills	18 526	—	—	—	—	18 526
Investment securities (refer to note 3)	79 599	—	—	—	5 723	73 876
Debt instruments	31 549	—	—	—	773	30 776
Derivative assets	40 315	42	—	3 098	33 598	3 577
Money market assets	7 021	—	—	—	210	6 811
Trading portfolio assets (refer to note 5)	78 885	42	—	3 098	34 581	41 164
Accounts receivable	10 759	142	—	—	862	9 755
Settlement accounts	2 100	2	—	—	11	2 087
Other assets (refer to note 6)	12 859	144	—	—	873	11 842
RBB	478 406	2 181	304 035	1 557	19 418	151 215
Retail Banking South Africa	373 537	2	253 058	37	—	120 440
Credit cards	40 622	2	67	37	—	40 516
Instalment credit agreements	71 587	—	50 838	—	—	20 749
Loans to associates and joint ventures	13 012	—	—	—	—	13 012
Mortgages	228 006	—	202 153	—	—	25 853
Other loans and advances to customers	410	—	—	—	—	410
Overdrafts	2 337	—	—	—	—	2 337
Personal and term loans	17 563	—	—	—	—	17 563
Business Banking South Africa	63 028	205	45 153	1 329	7	16 334
Loans to associates and joint ventures	305	—	—	—	1	304
Mortgages (including CPF)	31 035	35	29 751	21	1	1 227
Overdrafts	18 661	127	7 641	1 097	3	9 793
Term loans	13 027	43	7 761	211	2	5 010
RBB Rest of Africa	41 841	1 974	5 824	191	19 411	14 441
CIB	162 853	533	730	961	36 905	123 724
WIMI	10 659	—	6 301	—	—	4 358
Head Office and other operations	538	—	—	—	—	538
Loans and advances to customers (refer to note 8)	652 456	2 714	311 066	2 518	56 323	279 835

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

63. Risk management *(continued)*

63.2 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[1] collateral Rm	Other Rm	Unsecured[1] Rm
	Group 2013					
Balances with other central banks	7 350	—	—	—	—	7 350
Balances with the SARB	12 417	—	—	—	—	12 417
Money market assets	17 711	—	—	—	—	17 711
Cash, cash balances and balances with central banks (refer to note 2)	37 478	—	—	—	—	37 478
Loans and advances to banks (refer to note 4)[1]	80 622	—	—	—	18 108	62 514
Government bonds	41 536	—	—	—	—	41 536
Other	12 028	—	—	—	—	12 028
Treasury bills	20 519	—	—	—	—	20 519
Investment securities (refer to note 3)	74 083	—	—	—	—	74 083
Debt instruments	25 452	—	—	—	—	25 452
Derivative assets	45 330	58	—	5 531	35 143	4 598
Money market assets	4 646	—	—	—	—	4 646
Trading portfolio assets (refer to note 5)[1]	75 428	58	—	5 531	35 143	34 696
Accounts receivable	10 052	121	—	—	1 022	8 909
Settlement accounts	3 453	—	—	—	—	3 453
Other assets (refer to note 6)	13 505	121	—	—	1 022	12 362
RBB	466 747	2 212	306 643	1 149	—	156 743
Retail Banking South Africa	365 040	—	243 449	—	—	121 591
Credit cards	36 934	—	—	—	—	36 934
Instalment credit agreements[2]	65 592	—	45 158	—	—	20 434
Loans to associates and joint ventures	10 287	—	—	—	—	10 287
Mortgages	232 683	—	198 291	—	—	34 392
Other loans and advances	262	—	—	—	—	262
Overdrafts	2 102	—	—	—	—	2 102
Personal and term loans	17 180	—	—	—	—	17 180
Business Banking South Africa	62 991	218	44 855	1 143	—	16 775
Loans to associates and joint ventures	559	—	—	—	—	559
Mortgages (including CPF)	32 750	28	30 547	26	—	2 149
Overdrafts	17 573	139	7 349	888	—	9 197
Term loans	12 109	51	6 959	229	—	4 870
RBB Rest of Africa[2]	38 716	1 994	18 339	6	—	18 377
CIB[2]	144 217	2 914	2 274	1 427	18 015	119 587
WIMI[2]	11 078		6 036	47	448	4 547
Head Office and other operations	230	—	—	—	—	230
Loans and advances to customers (refer to note 8)	622 272	5 126	314 953	2 623	18 463	281 107

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

Notes

[1]Comparatives have been restated, refer to note 1.21.

[2]The segmental break-down has changed as a result of the change in the reporting structure in line with IFRS 8, refer to note 58.

63. Risk management *(continued)*

63.2 Credit risk *(continued)*

Enforcement of collateral

Residential properties

The carrying value of the assets held by the Group at the reporting date as a result of the enforcement of collateral is as follows:

	Group	
	2014 Rm	2013 Rm
Balance at the beginning of the reporting period	**16**	342
Acquisitions	**16**	16
Disposals	**(1)**	(342)
Provisions	**(31)**	—
Balance at the end of the reporting period	**—**	16

The Group has further reduced the stock of the property in possession ("PIP") portfolio over the last reporting period with optimised sales strategies to manage the inflow and back-book. This has resulted in a reduction of the book from R16m in the previous reporting period to **Rnil** (including a provision for impairment).

The number of properties in possession has reduced from 398 properties to 126. It was deemed prudent to de-risk and provide in full for the portfolio as 56% of the portfolio was bought in more than a year ago. The PIP portfolio declined from R86m in the previous reporting period to R36m (pre-allowances for impairment losses). It must be noted that, despite the age of the portfolio, **53%** (2013: 67%) of the current inventory is sold pending registration.

63. Risk management *(continued)*

63.2 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 which of these are considered to be impaired.

	Group					
	2014					
	Past due not impaired[1]					
	Performing loans					
	Total past due 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
Loans and advances to banks	85	85	—	—	—	—
Accounts receivable	21	2	12	—	—	—
Settlement accounts	4	4	—	—	—	—
Other assets	25	6	12	—	—	—
RBB	52 939	1 039	234	58	20	185
Retail Banking South Africa	41 634	5	3	1	—	1
Credit cards	9 014	—	—	—	—	—
Instalment credit agreements	4 036	5	3	1	—	1
Loans to associates and joint ventures	—	—	—	—	—	—
Mortgages	24 970	—	—	—	—	—
Other loans and advances	—	—	—	—	—	—
Overdrafts	283	—	—	—	—	—
Personal and term loans	3 331	—	—	—	—	—
Business Banking South Africa	7 102	979	227	41	20	184
Loans to associates and joint ventures	—	—	—	—	—	—
Mortgages (including CPF)	3 507	392	152	11	17	110
Overdrafts	1 567	164	5	12	2	16
Term loans	2 028	423	70	18	1	58
RBB Rest of Africa	4 203	55	4	16	—	—
CIB	1 866	208	6	—	—	—
WIMI	253	—	—	—	—	—
Head Office and other operations	—	—	—	—	—	—
Loans and advances to customers	55 058	1 247	240	58	20	185

Note

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

Group

2014

Past due not impaired Past due up to one month Rm	Past due not impaired Non-performing loans Past due 1 – 2 months Rm	Past due not impaired Non-performing loans Past due 2 – 3 months Rm	Past due not impaired Non-performing loans 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
—	—	—	—	—	—	—	—
—	—	—	—	—	5	2	2
—	—	—	—	—	—	—	—
—	—	—	—	—	5	2	2
258	112	94	461	394	25 941	24 143	25 462
2	1	1	—	7	23 372	18 241	18 252
—	—	—	—	—	4 206	4 808	4 808
2	1	1	—	7	2 831	1 184	1 195
—	—	—	—	—	—	—	—
—	—	—	—	—	14 678	10 292	10 292
—	—	—	—	—	—	—	—
—	—	—	—	—	161	122	122
—	—	—	—	—	1 496	1 835	1 835
137	52	55	11	336	1 726	3 334	3 925
—	—	—	—	—	—	—	—
44	8	5	1	130	998	1 639	1 827
3	—	1	6	106	447	805	921
90	44	49	4	100	281	890	1 177
119	59	38	450	51	843	2 568	3 285
—	—	—	—	169	—	1 483	1 652
—	—	—	—	—	—	253	253
—	—	—	—	—	—	—	—
258	112	94	461	563	25 941	25 879	27 367

63. Risk management *(continued)*

63.2 Credit risk *(continued)*

	Group					
	2013					
		Past due not impaired[1] Performing loans				
	Total past due 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
Loans and advances to banks	—	—	—	—	—	—
Accounts receivable	1 976	1 931	—	4	—	41
Other assets	1 976	1 931	—	4	—	41
RBB	58 972	882	440	170	35	322
Retail Banking South Africa	43 355	8	2	2	6	—
Credit cards	7 257	—	—	—	—	—
Instalment credit agreements	4 184	8	2	2	6	—
Loans to associates and joint ventures	—	—	—	—	—	—
Mortgages	28 285	—	—	—	—	—
Other loans and advances	—	—	—	—	—	—
Overdrafts	244	—	—	—	—	—
Personal and term loans	3 385	—	—	—	—	—
Business Banking South Africa	7 776	874	438	168	29	322
Loans to associates and joint ventures	—	—	—	—	—	—
Mortgages (including CPF)	4 402	628	307	104	7	132
Overdrafts	1 376	73	29	12	7	58
Term loans	1 998	173	102	52	15	132
RBB Rest of Africa	7 841	—	—	—	—	—
CIB	3 808	—	—	—	—	—
WIMI	514	—	—	—	—	—
Head Office and other operations	110	—	—	—	—	—
Loans and advances to customers	63 404	882	440	170	35	322

The segmental break-down has changed as a result of the change in the reporting structure in line with IFRS 8, refer to note 58.

Note

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

	Group 2013							
	Past due not impaired Non-performing loans					Past due and impaired		Total
	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	Performing loans Rm	Non-performing loans Rm	Total non-performing loans Rm
	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—
	818	599	90	417	496	29 025	25 678	28 098
	5	—	—	3	6	23 657	19 666	19 680
	—	—	—	—	—	4 223	3 034	3 034
	5	—	—	3	6	2 704	1 448	1 462
	—	—	—	—	—	—	—	—
	—	—	—	—	—	14 744	13 541	13 541
	—	—	—	—	—	—	—	—
	—	—	—	—	—	148	96	96
	—	—	—	—	—	1 838	1 547	1 547
	165	16	24	15	236	1 080	4 409	4 865
	—	—	—	—	—	—	—	—
	40	—	18	—	75	380	2 711	2 844
	—	—	1	2	83	334	777	863
	125	16	5	13	78	366	921	1 158
	648	583	66	399	254	4 288	1 603	3 553
	2	—	—	—	—	2 957	849	851
	—	—	—	—	27	175	312	339
	—	—	—	—	—	110	—	—
	820	599	90	417	523	32 267	26 839	29 288

63. Risk management *(continued)*

63.2 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 Group raised the following allowances for impairments on loans and advances to customers during the reporting period.

	Group				
	2014				
	Unidentified impairment performing loans Rm	Identified individual impairment Performing loans Rm	Identified individual impairment Non-performing loans Rm	Identified collective impairment Performing loans Rm	Identified collective impairment Non-performing loans Rm
RBB	(1 382)	(301)	(2 834)	(2 246)	(8 461)
Retail Banking South Africa	(842)	(36)	(120)	(2 099)	(7 747)
Credit cards	(151)	—	—	(548)	(3 439)
Instalment credit agreements	(237)	(36)	(120)	(206)	(431)
Loans to associates and joint ventures	—	—	—	—	—
Mortgages	(319)	—	—	(1 045)	(2 599)
Other loans and advances	—	—	—	—	—
Overdrafts	(10)	—	—	(22)	(83)
Personal and term loans	(125)	—	—	(278)	(1 195)
Business Banking South Africa	(406)	(190)	(1 296)	(25)	(111)
Loans to associates and joint ventures	—	—	—	—	—
Mortgages (including CPF)	(139)	(125)	(740)	(5)	(37)
Overdrafts	(163)	(36)	(323)	(17)	(35)
Term loans	(104)	(29)	(233)	(3)	(39)
RBB Rest of Africa	(134)	(75)	(1 418)	(122)	(603)
CIB	(373)	—	(340)	—	(41)
WIMI	(57)	—	(95)	—	—
Head Office and other operations	—	—	—	—	—
Loans and advances to customers	(1 812)	(301)	(3 269)	(2 246)	(8 502)

63. Risk management *(continued)*

63.2 Credit risk *(continued)*

	Group 2013				
	Unidentified impairment	Identified individual impairment		Identified collective impairment	
	performing loans Rm	Performing loans Rm	Non-performing loans Rm	Performing loans Rm	Non-performing loans Rm
RBB	(1 145)	(290)	(3 885)	(1 996)	(7 750)
Retail Banking South Africa	(719)	(15)	(218)	(1 996)	(7 470)
Credit cards	(141)	—	—	(558)	(2 165)
Instalment credit agreements	(145)	(15)	(218)	(130)	(513)
Loans to associates and joint ventures	—	—	—	—	—
Mortgages	(364)	—	—	(963)	(3 763)
Other loans and advances	—	—	—	—	—
Overdrafts	(10)	—	—	(21)	(56)
Personal and term loans	(59)	—	—	(324)	(973)
Business Banking South Africa	(250)	(124)	(1 909)	—	—
Loans to associates and joint ventures	—	—	—	—	—
Mortgages (including CPF)	(92)	(33)	(1 235)	—	—
Overdrafts	(98)	(39)	(361)	—	—
Term loans	(60)	(52)	(313)	—	—
RBB Rest of Africa	(176)	(151)	(1 758)	—	(280)
CIB	(237)	—	(443)	—	—
WIMI	(33)	—	(160)	—	—
Head Office and other operations	—	(110)	—	—	—
Loans and advances to customers	(1 415)	(400)	(4 488)	(1 996)	(7 750)

The segmental break-down has changed as a result of the change in the reporting structure in line with IFRS 8, refer to note 58.

63. Risk management *(continued)*

63.3 Market risk

Market risk is the risk that the Group'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 Group 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 Group being unable to hedge the interest rate risk in the banking book, primarily in retail, business banking and corporate portfolios.
- 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 in the banking book to support customer products.

The Africa Market Risk Committee ("AMRC") meets monthly to review, challenge and make recommendations concerning the market risk profile, including risk appetite, policies, limits, risk utilisation and the effectiveness of the control environment.

The Trading Risk Committee ("TRC"), Africa Treasury Committee ("ATC") and the ATC subcommittees provide oversight of specific market risks.

Strategy

Market risk management objectives are to:

- ensure risk is managed within the Group'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.

63. Risk management *(continued)*

63.3 Market risk *(continued)*

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 Group 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 Group. 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.

DVaR is an important market risk measurement and control tool that is used by the Group. 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.

63. Risk management *(continued)*

63.3 Market risk *(continued)*

Backtesting

The Group 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 Group'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 Group 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.

63. Risk management *(continued)*

63.3 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 Group. 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 AMRC 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, decreased to **R19,46m** (2013: R20,73m) for the reporting period, which is down 6% compared to the previous reporting period. This was principally due to a reduction 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.

Trading book DVaR summary

	Group							
	2014				2013			
	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	14,62	27,12	7,79	17,86	16,36	37,04	7,06	11,28
Foreign exchange risk	7,59	22,68	1,68	4,42	6,96	23,59	1,20	2,93
Equity risk	3,63	11,03	1,37	3,76	4,45	15,95	1,38	4,32
Commodity risk	0,44	3,23	0,12	0,18	1,52	4,16	0,32	0,34
Inflation risk	8,51	19,33	2,53	9,26	8,29	17,37	4,36	4,46
Credit spread risk	5,82	8,26	4,04	7,70	4,52	8,98	1,96	4,35
Diversification effect	(21,14)	n/a	n/a	(23,43)	(21,37)	n/a	n/a	(14,28)
Total DVaR[2]	19,46	37,83	10,49	19,75	20,73	37,14	10,34	13,40
Expected shortfall[2]	28,90	49,85	17,75	34,56	30,53	53,81	14,48	21,66
Regulatory VaR[3]	32,69	63,42	19,45	37,36	35,94	76,09	17,35	29,65
Regulatory sVaR[3]	49,72	96,43	22,95	59,10	51,15	91,19	23,81	29,16

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.

63. Risk management *(continued)*

63.3 Market risk *(continued)*

Interest rate risk in the banking book

Interest rate risk is the risk that the Group's financial position may be adversely affected by changes in interest rate levels, yield curves and spreads. Non-traded interest rate risk arises in the banking book from the provision of retail and wholesale (non-traded) banking products and services, as well as from certain structural exposures within the statement of financial position, mainly due to repricing timing differences between assets, liabilities and equity. These risks impact both the earnings and the economic value of the Group.

Strategy

The Group's objective for managing interest rate risk in the banking book is to ensure a higher degree of interest rate mismatch margin stability and lower interest rate risk over an interest rate cycle. This is achieved by transferring the interest rate risk from the business to the local treasury or Group Treasury, which in turn hedges material net exposures with the external market. As a result of mainly timing considerations, interest rate risk may arise when some of the net position remains with Treasury. A 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 Group'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 Group'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 Group's equity, and is managed by Group 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.

Embedded customer optionality risk may also give rise to interest rate risk in the banking book. This risk arises from a customer's right to buy, sell or in some manner alter the cash flow of a financial contract. Embedded customer optionality is distinct from direct optionality, which arises through the underlying product structure (e.g. capped rate loan products). The Group's policy requires such direct option risk to be hedged explicitly.

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 Group 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.

Recruitment risk arises when the Group commits to providing a product at a predetermined price for a period into the future. Customers have the option to take up this offer. Controls include campaign rules, pre-funding of anticipated take-up and the management of the resultant residual risk.

Risk measurement

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

Repricing profiles

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

63. Risk management *(continued)*

63.3 Market risk *(continued)*

Annual earnings at risk/net interest incomes sensitivity

AEaR/net interest income sensitivity measures the sensitivity of net interest income over the next 12 months to a specified shock in interest rates. AEaR is assessed across a range of interest rate scenarios, including parallel and key rate shocks and yield curve twists and inversions as appropriate for each business. AEaR is monitored against approved internal limits.

Daily value at risk

The Group 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 measures the sensitivity of the present value of the banking book at a specific point in time to a specified shock to the yield curve. Similar to DVaR, EVE is a present value sensitivity and is complementary to income sensitivity measures such as AEaR. EVE sensitivity is measured against regulatory guidelines and not against approved internal limits.

Stress testing

Stress testing 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 non-DVaR triggers as well as the monthly monitoring of the risk profiles and EVE sensitivity. Limits are set and monitored in accordance with the limit frame work and stress are agreed by the AMRC. 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 by the Group Treasury and the Rest of Africa businesses respectively with the exception of two businesses, where reporting is performed on a monthly basis. The repricing profiles, AEaR, EVE sensitivity and stress results are reported monthly by both Group Treasury and the Rest of Africa.

Interest rate sensitivity analyses

Three separate interest rate sensitivity analyses for the Group's banking book are set out in the table that follows, namely, the repricing profile of the book, the potential effect of changes in market interest rates on annual earnings and impact on equity reserves.

Repricing profile

The repricing profile of the Group's South Africa and Rest of Africa banking books shows that the consolidated banking book remains asset sensitive, or positively gapped, as interest-earning assets reprice sooner than interest-paying liabilities before and after derivative hedging activities. Accordingly, future net interest income remains vulnerable to a decrease in market interest rates. However, asset sensitivity, as represented by the cumulative 12-month interest rate gap, decreased from the previous reporting period.

63. Risk management *(continued)*

63.3 Market risk *(continued)*

Expected repricing profile	Group 2014 On demand – 3 months Rm	4 – 6 months Rm	7 – 12 months Rm	Over 12 months Rm
Domestic bank book[1]				
Interest rate sensitivity gap	103 833	(20 073)	(34 648)	(31 210)
Derivatives[2]	(87 517)	(2 426)	17 244	72 699
Net interest rate sensitivity gap	16 316	(22 499)	(17 404)	41 489
Cumulative interest rate gap	16 316	(6 183)	(23 587)	17 902
Cumulative gap as a percentage of Absa Bank Limited's total assets (%)	2,0	0,8	(2,9)	2,2
Foreign subsidiaries' bank books				
Interest rate sensitivity gap	7 439	6 046	9 719	25 178
Derivatives[2]	241	(14)	(86)	(167)
Net interest rate sensitivity gap	7 680	6 032	9 633	25 011
Cumulative interest rate gap	7 680	13 712	23 345	48 356
Cumulative gap as a percentage of foreign subsidiaries' total assets (%)	4,7	8,4	14,4	29,8
Total				
Cumulative interest rate gap	23 996	7 529	(242)	66 258
Cumulative gap as a percentage of the Group's total assets (%)	2,4	0,8	(0,0)	6,7

Expected repricing profile	2013 On demand – 3 months Rm	4 – 6 months Rm	7 – 12 months Rm	Over 12 months Rm
Domestic bank book[1]				
Interest rate sensitivity gap	105 750	(12 109)	(25 622)	(31 584)
Derivatives[2]	(102 150)	17 347	22 996	61 806
Net interest rate sensitivity gap	3 600	5 238	(2 626)	30 222
Cumulative interest rate gap	3 600	8 838	6 212	36 434
Cumulative gap as a percentage of Absa Bank Limited's total assets (%)	0,5	1,1	0,8	4,6
Foreign subsidiaries' bank books				
Interest rate sensitivity gap	8 881	7 345	7 193	20 728
Derivatives[2]	232	(1)	(62)	(134)
Net interest rate sensitivity gap	9 113	7 344	7 131	20 594
Cumulative interest rate gap	9 113	16 457	23 588	44 182
Cumulative gap as a percentage of foreign subsidiaries' total assets (%)	5,4	9,8	14,0	26,3
Total				
Cumulative interest rate gap	12 713	25 295	29 800	80 616
Cumulative gap as a percentage of the Group's total assets (%)	1,3	2,6	3,1	8,4

Notes
[1]Includes exposures held in the CIB banking book.
[2]Derivatives for interest rate risk management purposes (net nominal value).

63. Risk management *(continued)*

63.3 Market risk *(continued)*

Impact on earnings

The following table shows the AEaR from impacts to net interest income for 100 and 200 bps up and down movements in market interest rates for the Group'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 **R1,65bn** (31 December 2013: R2,04bn). A similar increase would result in an increase in projected 12-month net interest income of **R1,66bn** (31 December 2013: R1,85bn). AEaR decreased by 1,7% to 6% of the Group's net interest income. A sensitivity analysis by major currency market interest rates indicates that earnings sensitivity to South African rand market interest rates constitutes 86% of the total earnings at risk at the reporting date (31 December 2013: 86%), therefore indicating that the Group remains primarily exposed to South African market interest rates.

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

	Group			
	2014 Change in market interest rates			
	200 bps decrease	**100 bps decrease**	**100 bps increase**	**200 bps increase**
Domestic bank book[1] (Rm)	**(1 416)**	**(713)**	**701**	**1 427**
Foreign subsidiaries' bank books[2] (Rm)	**(235)**	**(117)**	**117**	**235**
Total (Rm)	**(1 651)**	**(830)**	**818**	**1 662**
Percentage of the Group's net interest income (%)	**(4,6)**	**(2,3)**	**2,3**	**4,7**
Percentage of the Group's equity (%)	**(1,8)**	**(0,9)**	**0,9**	**1,8**

	2013 Change in market interest rates			
	200 bps decrease	100 bps decrease	100 bps[3] increase	200 bps increase
Domestic bank book[1] (Rm)	(1 753)	(866)	758	1 562
Foreign subsidiaries' bank books[2] (Rm)	(283)	(142)	142	283
Total (Rm)	(2 036)	(1 008)	900	1 845
Percentage of the Group's net interest income (%)	(6,3)	(3,1)	2,8	5,7
Percentage of the Group's equity (%)	(2,4)	(1,2)	1,1	2,2

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 decrease in sensitivity of the available-for-sale reserves is mainly due to the decrease in net directional risk.

Notes

[1]Includes exposures held in the CIB banking book.

[2]African subsidiaries' interest rate sensitivities are shown on a 100% (rather than actual) shareholding basis.

[3]The 100 bps increase for Foreign Branches was understated for 2013 and corrected in the table above.

63. Risk management *(continued)*

63.3 Market risk *(continued)*

Sensitivity of reserves to market interest rate movements

	Group					
	2014			2013		
	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	(654)	(837)	(647)	(883)	(1 077)	(883)
Cash flow hedging reserve	(2 198)	(2 198)	(1 832)	(1 756)	(1 851)	(1 737)
	(2 852)	(2 852)	(2 625)	(2 639)	(2 888)	(2 627)
As a percentage of Group equity (%)	(3,1)	(3,1)	(2,9)	(3,1)	(3,4)	(3,1)
– 100 bps parallel move in all yield curves						
Available-for-sale reserve	654	837	647	883	1 077	883
Cash flow hedging reserve	2 198	2 198	1 832	1 756	1 851	1 737
	2 852	2 852	2 625	2 639	2 888	2 627
As a percentage of Group equity (%)	3,1	3,1	2,9	3,1	3,4	3,1

Foreign exchange risk

The Group 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 Group's policy is for transactional foreign exchange risk to be concentrated and managed within the trading book.

In accordance with the Group'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

	Group			
	2014		2013	
	Foreign currency net investment Rm	Impact on equity from 5% currency translation shock Rm	Foreign currency net investment as at the reporting date Rm	Impact on equity from 5% currency translation shock Rm
Botswana pula	1 966	98	1 777	89
Ghana cedi	1 734	87	1 984	99
Kenya shilling	4 827	241	3 752	188
Mauritian rupee	1 299	65	789	39
Mozambican metical	1 520	76	792	40
Namibian dollar	84	4	—	—
Seychelles rupee	492	25	498	25
Sterling	2 182	109	2 339	117
Tanzanian shilling	1 913	96	1 388	69
Uganda shilling	1 117	56	1 099	55
United States dollar	3 366	168	1 779	89
Zambia kwacha	1 506	75	1 355	68
	22 006	1 100	17 552	878

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 as indicated in footnote 1 above.

63. Risk management *(continued)*

63.3 Market risk *(continued)*

Other market risks

The Group maintains different pension plans with defined benefit and defined contribution structures for current and former employees. In respect of defined benefit plans, the ability to meet the projected pension payments is maintained through investments and regular contributions. Market risk arises when the estimated market value of the pension plan assets declines, their investment returns reduce, or when the estimated value of the pension liabilities increases, resulting in a funding deficit. In these circumstances, the Group could be required or might choose to make additional contributions to the defined benefit plan.

Asset management risk arises where the fee and commission income earned by asset management products and businesses is affected by a change in market levels, primarily through the link between income and the value of assets under management. The risk is measured in terms of AEaR to reflect the sensitivity of annual earnings to shocks in market rates. Group policy dictates that businesses monitor, report and regularly assess potential hedging strategies relating to this risk. Exposure to this risk currently arises mainly in the WIMI segment. Asset management risk was not material during the reporting period.

Insurance risk management

Insurance risk is the risk that future claims, expenses, policyholder behaviour and investment returns will exceed the allowances made in measuring policyholder liabilities and in product pricing. Within the Group, four categories of insurance risk are recognised, namely short-term insurance underwriting risk, life insurance underwriting risk, life insurance mismatch risk and life and short-term insurance investment risk. These four categories of insurance risk are managed within different entities within the Group.

Short-term insurance underwriting activities are undertaken by Absa Insurance Company Limited, Absa Insurance Risk Management Services Limited, Absa iDirect Limited and Absa Manx Insurance Company Limited. Life insurance underwriting activities are undertaken by Absa Life Limited, Absa Life Botswana Limited, Absa Life Zambia Limited and Woolworths Financial Services Proprietary Limited, through an Absa Life Limited cell captive. Global Alliance Proprietary Limited underwrites both life and short-term insurance business.

Short-term insurance underwriting risk, life insurance underwriting risk, life insurance mismatch risk and investment risk are core to the business of the insurance entities. The successful management of these risks ultimately determines the success of the entities. The same risk management frameworks and governance structures that enabled the effective management of risks for South African entities are implemented and embedded in any new entities established.

63. Risk management *(continued)*

63.3 Market risk *(continued)*

Strategy

The Group's insurance risk management objectives are:

- pursuing profitable growth opportunities;
- balancing exposure between, and within, life and short-term insurance to allow for better diversification and optimal risk-adjusted returns; and
- growing risk exposures outside South Africa and leveraging off the Barclays Africa presence and infrastructure.

Risk management

Short-term insurance underwriting risk

Management monitors loss ratios on a monthly basis and identifies portions of the business where claims experience is not in line with the underlying premium rate structure. In addition, reviews of policy conditions are carried out, when necessary, to determine if any changes are needed. Volumes of business and strike rates are monitored for increases in volumes out of line with expectations, indicating rates may be low compared to market rates. There are extensive measures in place to control claims, which include assessing claims, checking total potential claims against the sum insured and procurement management on service providers required for repair of damaged insured items. The table that follow summarises risk management measures implemented per short-term insurance product line.

The table that follows summarises risk management measures implemented per short-term insurance product line.

Homeowners' comprehensive insurance	Pooling large volumes of similar claims improve the predictability of the expected claim experience in normal circumstances. Scientific pricing using multiple risk factors enable risk selection and to charge premiums matched to underlying risk. Assessment and adjustment of potential claims is undertaken. Cover is included in the catastrophe reinsurance purchase. Use of policyholder excess payments on claims to manage moral hazard.
Personal lines, accident and travel insurance	Scientific pricing using multiple risk factors enable risk selection and to charge premiums matched to underlying risk. Assessment and adjustment of potential claims is undertaken. Cover is included in the catastrophe reinsurance purchase. Use of policyholder excess payments on claims to manage moral hazard.
Commercial insurance for small, medium and large companies	In underwriting these risks, significant focus is placed on the quality of fire protection and other risk measures. Assessment and adjustment of potential claims is undertaken. Catastrophe reinsurance is purchased to protect against natural catastrophes, in particular earthquakes and against large individual losses.
Agricultural insurance	Diversification is sought across crops, seasons and geographical regions. Stop loss reinsurance is in place to protect against excessive claims. Risks are individually underwritten before being taken on. Constant assessment of crop development and adjustment of potential claims is undertaken.
Specialist lines	Risks underwritten by underwriting management agencies are only underwritten with specialists in their respective areas with track records of underwriting and claims control. Reinsurance for relevant risks is included in the main or specific reinsurance treaties.

Short-term insurance underwriting risk is managed through underwriting authority mandates and through referral to an Underwriting Review Committee, as and when required. Risk governance is monitored by the Governance and Control Committees, the Actuarial Review Committee and Key Risk Reporting.

Reinsurance and reinsurance credit risk

The impact of large individual short-term insurance claims is limited through the purchase of reinsurance that limits the risk retained on each claim. The accumulation of net retained exposures due to multiple claims is limited through the purchase of catastrophe reinsurance. Catastrophe reinsurance, particularly related to earthquake risk, is purchased to cover losses of up to **R3,3bn** (2013: R3,3bn).

The credit risk in respect of reinsurance partners is managed by ensuring the entities only transact with reinsurers with good credit ratings. The creditworthiness of reinsurers is regularly monitored. To qualify as a reinsurance partner, reinsurers must be assigned a minimum 'A' rating by the Standard and Poor's (or equivalent) rating agency. Any exceptions to this policy must be approved by management as well as by the various boards of directors of the insurance businesses.

63. Risk management *(continued)*

63.3 Market risk *(continued)*

	% of premium ceded	
	2014	2013
AA	**61**	9
A	**39**	91

Concentration risk

The main source of concentration risk is exposure to personal property, personal lines and commercial and industrial insurance business. Geographically, the main concentrations are in Pretoria, Johannesburg and the East Rand. The proportionate sum insured for these three areas are as follows:

- Pretoria – **12,6%** as at the reporting period (2013: 10,6%);
- Johannesburg – **10,7%** as at the reporting period (2013: 8,7%);
- East Rand – **11,3%** as at the reporting period (2013: 10,2%).

The maximum expected loss for a one in 250-year event is a loss of **R3,2bn** as at 31 December 2014 (31 December 2013: R3,3bn). Catastrophe cover is purchased to cover losses up to **R3,3bn** as at 31 December 2014 (31 December 2013: R3,3bn).

Outstanding claims reserves and incurred but not reported claims reserves

Outstanding claims reserves are held for claims which have been notified, but which has not been fully settled. Individual estimates are sourced from claims assessors and are reviewed as and when new information regarding a claim becomes available. The claims provision includes the expected claim cost and any associated claim handling costs. Claims development patterns are regularly monitored to assess trends and to determine the appropriate level of reserving. The provision at the reporting date amounted to **R484m** (2013: R818m).

A stochastic reserving model is applied to calculate the IBNR claim provision for the majority of the exposures. Where detailed data is not available, the provision is based on interim measures proposed by the Financial Services Board. The IBNR provision at the reporting date amounted to **R178m** (2013: R162m).

The IBNR provision is determined by taking the following factors, per class of business underwritten, into account:

- actual and expected claims experience;
- actual and expected reporting patterns; and
- premium volumes.

These factors affect the sensitivity of the IBNR and are taken into account in setting the level of reserves required.

The IBNR and outstanding claims provisions take historical data, trends and recent experience in claims processing and loss ratios into account. These calculations, together with changes in the underlying risk profile of the business, impact the determination of the final balances.

63. Risk management *(continued)*

63.3 Market risk *(continued)*

Life insurance underwriting risk

The number of risks falling outside the ambit of standard underwriting mandates is reviewed on a regular basis to determine whether underwriting rules need to be tightened and/or risk parameters extended. The business relies on annual experience investigations, ongoing studies and analyses of surplus to set pricing and valuation parameters. The non-economic pricing and reserving assumptions (i.e. mortality, morbidity, persistency and expense assumptions) are revised to determine changes in trends that are likely to continue in the future.

The table that follows summarises risk management measures implemented per life insurance product line.

Underwritten life business	The main risks are mortality and morbidity. Each life is individually underwritten. Premium rates differentiate by gender, age, smoker status, socio-economic class and occupation. Sub-standard risks generally receive additional premium loadings, specified exclusions or might be declined. Correct pricing and effective underwriting, control the mortality and morbidity risks. Exposure in excess of a retention limit for each life reinsured is re-issued to reduce the variability of the claims experience and the exposure to a single life. Most benefits have premium guarantee terms, which can be up to 10 years. For products with an investment component the overall premium rate is guaranteed; the investment portion is not guaranteed and could be reduced at the discretion of the Group. However, it is the Group's policy when products are priced to have no intention to increase premium rates over the policy term. Experience is monitored to confirm that actual experience is in line with pricing assumptions. Insurance and underwriting risks are monitored on a quarterly basis by the Underwriting Risk Committee which reports into the Wealth Investment Management and Insurance Control and Review Committee.
Limited underwritten life business	This product family consists of a wide range of individual products. Underwriting varies from a limited number of underwriting questions to the application of waiting periods, pre-existing condition exclusions and the phasing in of sums insured. The main risks are mortality, morbidity and persistency. Aids mortality represents a medium risk in the target market. There are generally limited rating factors, with age being the most prevalent. The mortality and morbidity risk is therefore exacerbated since premium rates are generally consistent across lives. The risks are managed through annual experience investigations and tracking of trends on a more regular basis. There is a contractual right to increase premiums if experience worsens. The intention is not to exercise this right, but the Group does have the option to do so. Reinsurance is utilised to manage the pricing risk, accept more risks and to gain exposure to the technical expertise of reinsurance companies.
Funeral business	The main risk is mortality increased by high Aids rates experienced in the target market. The risk is exacerbated by premium rates that are the same, irrespective of the age and gender of policyholders, since significant changes in the age and gender profile of customers could impact on experience. Limitation of cover for certain pre-existing conditions for defined time periods (generally two years) applies. There are also usually waiting periods during which no claim event is covered. Strict experience monitoring limits the risk, combined with the contractual right to increase premiums with a three-month notice period. The intention is not to exercise this right, but the Group does have the option to do so. Reinsurance is not utilised as sums assured per individual life are minor.
Credit life business	The main risks are retrenchment and mortality. Treaty reassurance arrangements are in place for some products whereby risk is shared with external business partners. The Group retains the right to change premiums within a 30-day notice period. Premiums generally do not differ by gender, age or smoker status and demographic shifts might introduce additional insurance risk. Economic conditions also influence retrenchment risk.
Group life business	The main risks are mortality and morbidity. Treaty reinsurance arrangements are in place whereby risk is shared with external business partners. Contracts and premium rates are reviewed annually. Additional catastrophe reinsurance cover will be implemented for an accumulation of losses that may occur due to the geographical concentration of a group.

Life insurance underwriting risk is monitored on a quarterly basis by the Underwriting Risk Forum to ensure the risk taken is in line with the risk priced and reserved for. Risk governance is monitored by the entity Control and Review Committees and Actuarial Review Committee.

Reinsurance and reinsurer credit risk

A formal reinsurance policy exists which is approved by each life insurance entity's board of directors. Reinsurance is used in respect of large individual risks and in respect of risks where the life insurance entity needs to build knowledge and experience as well as obtain technical assistance from the reinsurers. Catastrophe reinsurance is used as a protection against a large number of simultaneous losses.

Reinsurer credit risk is managed by transacting solely with approved reinsurers and within exposure limits as defined in the Wholesale Credit Risk policy. In existing agreements, reinsurer credit risk is managed by monitoring counterparty exposures to take corrective actions should the creditworthiness of the counterparty deteriorate materially. Reinsurer credit risk is also managed by holding capital in line with or in excess of regulatory requirements.

63. Risk management *(continued)*

63.3 Market risk *(continued)*

Credit rating of reinsurance assets

	Standard and Poor's rating	Description	Parental guarantee
Treaty and facultative reinsurer, **13,4%** (2013: 30,5%) of business ceded	AA+	Very strong	Yes
Treaty and facultative reinsurer, **44,7%** (2013: 44,1%) of business ceded	AA–	Strong	No
Treaty and facultative reinsurer, **0%** (2013: 25,1 %) of business ceded	A-	Strong	No
Treaty and facultative reinsurer, **41,5%** (2013: 0,0 %) of business ceded	BBB+	Strong	No

The individual ratings of the various reinsurers, knowledge of disputes and collection experience are used to determine whether the reinsurance assets should be impaired. The reinsurance assets were unimpaired at the reporting date as none of the reinsurance amounts receivable were past due (2013: none past due).

Concentration risk

The risk of several claims arising simultaneously ("concentration risk") on individual lives is small. The size of individual policies is low and reinsurance is used to cover larger individual exposures.

	2014				2013			
	Gross of reinsurance		**Net of reinsurance**		Gross of reinsurance		Net of reinsurance	
Benefit band per life assured (R'000)	**Total benefits assured Rm**	**%**	**Total benefits assured Rm**	**%**	Total benefits assured Rm	%	Total benefits assured Rm	%
0 – 250	**86 938**	**57**	**79 451**	**63**	86 181	57	78 936	63
250 – 500	**23 365**	**15**	**18 305**	**15**	23 398	16	18 522	15
500+	**41 652**	**28**	**27 839**	**22**	40 623	27	27 806	22
	151 955	**100**	**125 595**	**100**	150 202	100	125 264	100

In the case of the Group's Life business, geographic concentration of risk exists. For Absa Life Limited the largest concentration risk is in Johannesburg introduced by the Absa Staff Group Life Scheme. In addition to comprehensive quota share reinsurance, the Company also uses catastrophe reinsurance to provide further protection against an accumulation of losses in respect of risk retained.

Mortality and morbidity risk

The Group uses experienced underwriters to review risk cover applications in excess of specified limits and evaluated them against established standards. Where an applicant requires cover in excess of specified monetary or impairment limits, the excess is reinsured. Mortality and morbidity risks are managed per product line based on underwriting criteria, pricing, reinsurance and experience.

Effective claims management processes ensure that all valid claims are honoured, in time with policy documentation and allowances made with setting premiums or valuing liabilities. Proactive fraud detection capabilities continue to be developed and improved to minimise fraudulent claim payouts.

63. Risk management *(continued)*

63.3 Market risk *(continued)*

Human immunodeficiency virus and Aids risk

The Group's Life insurance business is exposed to human immunodeficiency virus ("HIV") and Aids risk where an insufficient allowance has been made in the pricing and valuation bases. To manage risk for the business that is medically underwritten, HIV tests are performed as part of the normal underwriting process. Cover is not provided in instances where the mortality risk is uncertain or is deemed to be too high. For other lines of business, such as funeral and credit life, general pre-existing condition clauses are included in the contract to protect against anti-selection by policyholders. In such an event, a claim will not be paid if it occurs as a result of a condition existing at the inception of the policy or within a certain period (generally 24 months) from inception.

Aids mortality investigations are performed. The results of these investigations assist in setting the premium and mortality basis for life policies. Additional allowances are included in the valuation basis to allow for a worse than expected Aids risk experience.

Lapse risk

Lapse risk is the risk of not recouping expenses such as commission and/or underwriting costs generally incurred at the inception of the policy. In such instances, a loss is incurred if the policy lapses before the costs have been recouped. This risk is managed by entering into clawback arrangements with financial advisers, whereby the commission or underwriting cost is recouped. Annual investigations of lapse experience are done to ensure pricing and valuation assumptions are appropriate, relevant and in line with experience.

Expense risk

An allowance for future maintenance and claim expenses, inflated at the assumed expense inflation rate, is included in liability calculations based on the current level of maintenance and claim expenses per policy. The risk of understating and pricing insufficiently for this risk is managed by:

- conducting annual expense investigations based on the most recent operating expenditure incurred;
- monitoring costs monthly to ensure they remain within anticipated levels and identifying trends at an early stage; and
- basing the assumed future inflation rate on observable economic indicators and experience.

Model risk

Model risk is the risk of determining expected future cash flows and liabilities from existing policies using modelling techniques or methodologies that may be incorrect or inappropriate for certain classes of business. This risk is managed by placing the models through rigorous checking procedures and processes. The modelling methodologies used are in line with guidance issued by the ASSA or, in the absence of such guidance, generally accepted actuarial methods.

Data risk

Data risk is the risk that the policy data used in the models is not accurate or incomplete, leading to incorrect premiums being set or insufficient reserves being held. This risk is managed by conducting reasonability checks on data and by reconciling the data with the previous valuation data (i.e. a movement analysis) and the financial statements.

Assumption risk

Assumption risk is the risk that the change and effect of the assumptions used in the most recent valuation are not considered. Best estimate assumptions are derived from annual investigations into the demographic experience of the business and economic assumptions are based on observable, actual, consistent economic indicators. Margins are added to best estimate assumptions to allow for variability in the assumptions. These margins include compulsory margins where considered necessary by SAP 104; issued by the ASSA – calculation of the value of assets, liabilities and capital adequacy requirements of long-term insurance further discretionary margins.

The risk discount rate used to discount future profits includes a margin over assumed investment returns to allow for the risk that experience in future years may differ from assumptions. The government bond curve is used to determine the risk free rate of return assumptions and the assumed returns on the other asset classes are calculated using a constant differential from the risk free rate curve. The economic assumptions used, including certain representative points on the risk-free curve, are as follows (gross of tax where applicable):

63. Risk management *(continued)*

63.3 Market risk *(continued)*

Economic assumptions

	2014 %	2013 %
Risk-free rate of return		
1-year term	**6,69**	5,75
5-year term	**7,62**	7,41
10-year term	**8,19**	8,40
20-year term	**9,11**	10,00
Equity return differential	**3,36**	3,36
Cash return differential	**(2,00)**	(2,00)
Overall investment return differential	**(0,44)**	(0,44)
Risk discount rate differential	**3,15**	3,15

The expense inflation assumption to a company specific inflation rate assumption of 3,5% for the first two years and the inflation rate implied by the difference between the nominal and real yield curves from the seventh year (2013 fourth year). The curve is blended between the third and the sixth year.

Additional allowances are incorporated into the liabilities to mitigate assumption risk. The compulsory margins prescribed in the SAP 104 have been applied in the valuation of liabilities.

Compulsory margins as per SAP 104	2014 %	2013 %
Mortality	**+7,5**	+7,5
Morbidity	**+10**	+10
Lapse	**±25**	±25
Surrenders	**±10**	±10
Expenses	**+10**	+10
Expense inflation	**+10**	+10
Charge against investment return	**±25 bps**	±25 bps

The results of the sensitivities disclosed in the following table indicates that assumptions regarding future mortality and morbidity experience have a significant impact on the quantum of the actuarial liability. Future developments in mortality and morbidity experience, whether positive or negative, will impact on profits in future years, particularly in areas influenced by the Aids infection rates. A further factor to take into consideration is the impact of investment returns. Although a significant portion of the book, such as credit life, is short term, the mortgage protection business increases the duration of the overall business and therefore future investment returns. The business is not sensitive to changes in other assumptions.

63. Risk management *(continued)*

63.3 Market risk *(continued)*

Sensitivity analysis

	Group 2014 Potential effect recorded in profit or loss Rm	Group 2013 Potential effect recorded in profit or loss Rm
Mortality and morbidity +10%	115	94
Lapse rate +10%	(43)	(35)
Renewal and termination expenses +10%	39	42
Expense inflation +1%	37	37
Investment return -1%	41	38

Life insurance mismatch risk

A mismatch arises if the assets backing non-linked products do not grow sufficiently or materialise timeously to match specified amounts guaranteed on death, disability, critical illness or retrenchments, or on survival to the end of the policy. Mismatch risk is managed through setting asset allocations which appropriately match assets to underlying liabilities. Guaranteed life event benefits and guaranteed maturity benefits are each managed in terms of separate investment strategies.

Life insurance mismatch risk is monitored on a quarterly basis by the Investment Risk Committee. A quarterly review is conducted by the Wealth Investment Management and Insurance Capital and Investment Risk Committee and an annual review by the Actuarial Review Committee.

Through the use of asset-liability modelling, appropriate investment strategies for the assets backing policyholder liabilities are determined to mitigate mismatch risk as far as possible. These investment strategies are reviewed annually and the asset manager mandates amended accordingly. For guaranteed mortality, morbidity and retrenchment benefits, an asset allocation comprising cash and bonds of various terms to maturity is used. For guaranteed maturity benefits, cash and long-dated bonds are used and for policies close to maturity, hedging strategies are implemented. Quarterly meetings are held with the asset manager to monitor these asset durations and targeted levels.

Life and short-term investment risk

Investment risk relates to the variability in the value of life and short-term shareholder assets and of assets backing non-linked policyholder liabilities. Interest rate risk relates to the change in investment value of assets due to a change in interest rates. Foreign exchange risk is the risk that a change in the exchange rate could affect the financial results of the insurance entity. A portion of the current foreign exchange exposure, in respect of short-term insurance, relates to a United States dollar denominated investment used to hedge the amount payable to a foreign supplier contracted to develop an administration system. Investment risk is mitigated through diversified asset allocations and investment mandates.

Life and short-term insurance investment risk is monitored by the entity Investment Risk Committee on a quarterly basis.

A single investment strategy is maintained for short-term insurance shareholder assets and for assets backing short-term insurance policy holder liabilities. Assets are invested in short-dated interest-earning assets and preference shares. The duration of interest-earning assets is monitored against a maximum effective duration.

The Life insurance shareholders' funds in South Africa are invested in a balanced portfolio to provide secure and stable growth over the long term. For entities outside of South Africa the shareholder funds are invested in money market type instruments.
The following charts indicate the asset allocations as at the reporting date:

Life shareholder funds – actual asset allocation (%)

	Group 2014 (%)	Group 2013 (%)
Offshore equities	6	8
Offshore bonds	2	2
Offshore alternatives and cash	1	1
Domestic equities	28	29
Domestic bonds	18	18
Domestic cash	45	42
	100	100

63. Risk management *(continued)*

63.3 Market risk *(continued)*

Domestic assets have a limit on active equity exposures or tracking error taken on by the asset manager versus the underlying equity benchmark.

Counterparty credit risk in respect of investments is managed by investing with a spread of issuers as defined and approved in the Wholesale Credit Risk policy. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. Liquidity risk is managed in the short-term insurance businesses by investing in short-dated interest-earning assets, with limits on investments in less liquid assets such as preference shares and corporate bonds. The life insurance businesses are less exposed to liquidity risks due to the low risk of large cumulative claims. Liquidity risk is managed through close management of potential cash outflow in discussion with the asset managers.

63.4 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 Group's equity investment risk objective is to balance the portfolio composition in line with the Group's risk appetite, with selective exits as appropriate.

Approach

The Group'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 Group's equity investments are held in CIB and RBB – Business Banking. Equity and other investments held by insurance entities are addressed in the insurance risk management section of this report.

The CPF Equities portfolio decreased during the current reporting period due to fair value revaluations and planned sell-downs in line with the Group'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 Group 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 Group applies a 300% risk weighting 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 Group's shareholding in those investments and also in relation to the Group's capital. For those financial investments constituting a significant minority investment (i.e. 20% – 50%) with no other significant shareholder, the Group 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%.

63. Risk management *(continued)*

63.4 Equity investment risk *(continued)*

Analysis of equity investment risk in the banking book

The following table presents the equity sensitivity analysis and discloses the impact on pre-tax profit or loss and equity after the effect of hedges. Debt instruments have been excluded from the sensitivity analysis. Equity hedge structures were in place for the shareholders' equity investment portfolio in previous reporting periods. This assisted to hedge downside risk on equities if market values decrease with more than 6% and resulted in counterparties sharing in positive returns if market values increased by between 2% and 4%. No equity hedge structures were in place at the reporting date.

	Group									
	2014					2013				
	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
Insurance activities' listed and unlisted equity investments[1,2]	(128)	—	2 528	128	—	(42)	—	843	42	—
Listed equity investments	(123)	—	2 426	123	—	(39)	—	786	39	—
Unlisted equity investments	(5)	—	102	5	—	(3)	—	57	3	—
Group listed and unlisted equity investments, excluding insurance activities' investments	(176)	(12)	3 758	176	12	(186)	(9)	3 915	186	9
Listed equity investments	(21)	(3)	478	21	3	(28)	(3)	622	28	3
Unlisted equity investments	(155)	(9)	3 280	155	9	(158)	(6)	3 293	158	6
	(304)	(12)	6 286	304	12	(228)	(9)	4 758	228	9

Notes

[1]The above sensitivities were only calculated on shareholder and non-linked policyholder assets (for unit linked policyholder liabilities there is no impact on the sensitivity analysis due to the fact that the asset and liability is 100% matched) and exclude all assets linked to investment and unit linked contracts due to the fact that the asset and liability is 100% matched.

[2]The figures exclude all associates and joint ventures, which account for the differences in fair value compared to that shown in the table titled equity investments in the banking book.

63. Risk management *(continued)*

63.5 Liquidity risk

Liquidity risk is the risk that the Group 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 group-specific and market-wide events.

Liquidity risk is monitored at a group level under a single group framework. Each entity is responsible to implement appropriate processes and controls to ensure compliance with local liquidity appetite, regulatory limits and reporting requirements.

Strategy

The Group's liquidity risk management objectives are:

- manage the funding position in line with board-approved liquidity risk appetite framework and liquidity coverage ratio requirements;
- grow and diversify the funding base to support asset growth and other strategic initiatives;
- manage the Bank's maturity profile in order to achieve planned liquidity ratios; and
- balance the above objectives against the long-term impacts on the bank cost of funding.

Approach

The efficient management of liquidity is essential to the Group. Liquidity risk is managed through the Liquidity Risk Framework, which is designed to meet the following objectives:

- to maintain liquidity resources that are sufficient in amount and quality and a funding profile that is appropriate to meet the liquidity risk framework as expressed by the board;
- to maintain market confidence;
- to set limits to control liquidity risk within and across lines of business and legal entities;
- to accurately price liquidity costs, benefits and risks and incorporate those into product pricing and performance measurement;
- to set early warning indicators to identify immediately the emergence of increased liquidity risk or vulnerabilities including events that would impair access to liquidity resources;
- to project fully over an appropriate set of time horizons cash flows arising from assets, liabilities and off-balance sheet items; and
- to maintain a Contingency Funding Plan that is comprehensive and proportionate to the nature, scale and complexity of the business and that is regularly tested to ensure that it is operationally robust.

The Barclays Africa Group 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.

63. Risk management *(continued)*

63.5 Liquidity risk *(continued)*

Stress and scenario testing

Under the Liquidity Framework, the Group has established the Liquidity Risk Appetite ("LRA"), which is the level of liquidity risk the Group 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 Barclays Africa Group 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 Group'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 Group 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 Group continues to work with the Regulator on recovery and resolution planning.

63. Risk management *(continued)*

63.5 Liquidity risk *(continued)*

Analysis of contractual mismatch

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

	Group				
	2014				
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	44 855	5 364	116	—	50 335
Investment securities	692	22 044	22 832	40 318	85 886
Loans and advances to banks	25 315	34 837	8 246	3 827	72 225
Trading portfolio assets	90 498	—	—	—	90 498
Derivative assets	40 314	—	—	—	40 314
Non-derivative assets	50 184	—	—	—	50 184
Hedging portfolio assets	15	186	876	1 273	2 350
Other financial assets	3 169	7 318	2 337	36	12 860
Loans and advances to customers	78 374	98 371	226 478	233 103	636 326
Reinsurance assets	107	606	—	18	731
Investments linked to investment contracts	829	4 271	5 998	8 219	19 317
Financial assets	243 854	172 997	266 883	286 794	970 528
Non-financial assets					20 886
Total assets					991 414
Liabilities					
Deposits from banks	20 989	26 877	3 945	1 166	52 977
Trading portfolio liabilities	49 772	—	—	—	49 772
Derivative liabilities	41 843	—	—	—	41 843
Non-derivative liabilities	7 929	—	—	—	7 929
Hedging portfolio liabilities	2	277	1 042	1 256	2 577
Other financial liabilities	10 379	5 641	273	283	16 576
Deposits due to customers	417 601	164 444	28 773	14 068	624 886
Debt securities in issue	217	56 178	36 052	13 651	106 098
Liabilities under investment contracts	4 635	2 323	5 125	11 216	23 299
Policyholder liabilities under insurance contracts	17	1 700	13	2 141	3 871
Borrowed funds	13	2 875	6 354	1 966	11 208
Financial liabilities	503 625	260 315	81 577	45 747	891 264
Non-financial liabilities					9 205
Total liabilities					900 469
Equity					90 945
Total liabilities and equity					991 414
Net liquidity position of financial instruments	(259 771)	(87 318)	185 306	241 047	79 264

63. Risk management *(continued)*

63.5 Liquidity risk *(continued)*

Discounted maturity	Group 2013 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	37 458	11 002	1 233	437	50 130
Investment securities	3 304	25 814	22 271	27 615	79 004
Loans and advances to banks	18 824	49 591	9 395	2 812	80 622
Trading portfolio assets	88 761	—	—	—	88 761
Derivative assets	45 330	—	—	—	45 330
Non-derivative assets	43 431	—	—	—	43 431
Hedging portfolio assets	13	373	1 531	1 440	3 357
Other financial assets	7 303	5 796	209	195	13 503
Loans and advances to customers	55 524	117 742	201 666	231 291	606 223
Reinsurance assets	148	442	255	25	870
Investments linked to investment contracts	—	2 534	4 193	9 407	16 134
Financial assets	211 335	213 294	240 753	273 222	938 604
Non-financial assets					24 259
Total assets					962 863
Liabilities					
Deposits from banks	20 877	47 917	1 802	195	70 791
Trading portfolio liabilities	52 128	—	—	—	52 128
Derivative liabilities	48 387	—	—	—	48 387
Non-derivative liabilities	3 741	—	—	—	3 741
Hedging portfolio liabilities	19	14	1 301	1 057	2 391
Other financial liabilities	7 734	4 731	2 960	378	15 803
Deposits due to customers[1]	362 306	178 731	32 792	15 068	588 897
Debt securities in issue	3 791	48 955	31 189	13 894	97 829
Liabilities under investment contracts	—	3 106	5 139	11 528	19 773
Policyholder liabilities under insurance contracts	107	1 405	16	2 430	3 958
Borrowed funds	—	6 513	8 442	1 570	16 525
Financial liabilities	446 962	291 372	83 641	46 120	868 095
Non-financial liabilities					9 567
Total liabilities					877 662
Equity					85 201
Total liabilities and equity					962 863
Net liquidity position of financial instruments	(235 627)	(78 078)	157 112	227 102	70 509

Comparatives have been restated, refer to note 1.21.

Note

[1] The Group reassessed its methodology to profile the maturity of "Deposits due to customers" and comparatives have been restated accordingly. The maturity has previously been disclosed as follows: On demand: R237bn; Within one year: R272bn; From one to five years: R62bn and More than five years: R15bn.

63. Risk management *(continued)*

63.5 Liquidity risk *(continued)*

Group

Undiscounted maturity (statement of financial position value with impact of future interest)	2014 On demand Rm	Within 1 year Rm	From 1 year to 5 years Rm	More than 5 years Rm	Discount effect Rm	Total Rm
Liabilities						
On-statement of financial position						
Deposits from banks	20 989	27 101	5 216	3 155	(3 484)	52 977
Trading portfolio liabilities	49 772	—	—	—	—	49 772
Derivative liabilities	41 843	—	—	—	—	41 843
Non-derivative liabilities	7 929	—	—	—	—	7 929
Hedging portfolio liabilities	2	282	1 292	4 050	(3 049)	2 577
Other financial liabilities	10 379	5 663	382	1 529	(1 377)	16 576
Deposits due to customers	417 601	167 728	34 252	41 577	(36 272)	624 886
Debt securities in issue	217	57 860	44 169	40 531	(36 679)	106 098
Liabilities under investment contracts	4 635	2 381	6 708	46 368	(36 793)	23 299
Policyholder liabilities under insurance contracts	17	1 751	15	10 802	(8 714)	3 871
Borrowed funds	13	2 925	8 111	4 078	(3 919)	11 208
Financial liabilities	503 625	265 691	100 145	152 090	(130 287)	891 264
Non-financial liabilities						9 205
Total liabilities						**900 469**
Off-statement of financial position						
Financial guarantee contracts	96	—	—	—	—	96
Loan commitments	88 016	37 318	—	—	—	125 334

Undiscounted maturity (statement of financial position value with impact of future interest)	2013 On demand Rm	Within 1 year Rm	From 1 year to 5 years Rm	More than 5 years Rm	Discount effect Rm	Total Rm
Liabilities						
On-statement of financial position						
Deposits from banks	20 877	49 360	2 245	606	(2 297)	70 791
Trading portfolio liabilities	52 128	—	—	—	—	52 128
Derivative liabilities	48 387	—	—	—	—	48 387
Non-derivative liabilities	3 741	—	—	—	—	3 741
Hedging portfolio liabilities	19	15	1 621	3 298	(2 562)	2 391
Other financial liabilities	7 734	4 919	3 686	1 181	(1 717)	15 803
Deposits due to customers[1]	362 306	183 811	40 958	45 021	(43 199)	588 897
Debt securities in issue	3 791	50 359	38 847	43 375	(38 543)	97 829
Liabilities under investment contracts	—	3 197	6 401	35 987	(25 812)	19 773
Policyholder liabilities under insurance contracts	107	1 446	18	7 586	(5 199)	3 958
Borrowed funds	—	6 704	10 643	5 063	(5 885)	16 525
Financial liabilities	446 962	299 811	104 419	142 117	(125 214)	868 095
Non-financial liabilities						9 567
Total liabilities						877 662
Off-statement of financial position						
Financial guarantee contracts[2]	96	—	—	—	—	96
Loan commitments[2]	90 887	36 331	—	—	—	127 218

Comparatives have been restated, refer to note 1.21.

Notes

[1]The Group reassessed its methodology to profile the maturity of "Deposits due to customers" and comparatives have been restated accordingly. The maturity has previously been disclosed as follows: On demand: R237bn; Within one year: R280bn; From one to five years: R78bn and More than five years: R45bn.

[2]The off-balance sheet figures were restated, refer to notes 52 and 54 for details.

63. Risk management *(continued)*

63.6 Capital management

Capital risk is the risk that the Group 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 Group'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 Group 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 Group 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 economic capital requirements; and
- optimising returns through capital and balance sheet structuring.

The board sets Group and Bank target capital ranges. The Group and its regulated entities (including insurance entities) remain adequately capitalised above minimum capital requirements as at the reporting date. Target capital ratios of the Group for the current reporting period were set by considering the following:

- risk appetite;
- the preference of rating agencies for permanent capital;
- stressed scenarios;
- Basel III amendments including capital conservation buffer; and
- peer analysis.

Capital adequacy ratios (unaudited)

Group	2014	2013	2014 Board target ranges %	2014 Minimum regulatory capital requirements %
Capital adequacy ratios (%)				
Common Equity Tier 1	**11,9**	12,1	**9,5 – 11,0**	**5,5**
Tier 1	**12,7**	13,0	**10,5 – 12,0**	**7,0**
Total	**14,4**	15,5	**12,5 – 14,0**	**10,0**
Capital supply and demand for the reporting period (Rm)				
Net generated equity	**(964)**	(1 901)		
Qualifying capital	**88 004**	87 070		
Total RWA	**619 705**	560 933		

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 Group complied in full with all externally imposed capital requirements (2013: the same).

64. Going concern

The directors assess the Group's future performance and financial position on an ongoing basis and have no reason to believe that the Group 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.

65. Events after the reporting period

The directors are not aware of any events after the reporting date of 31 December 2014 and the date of authorisation of these consolidated financial statements (as defined per IAS 10 Events after the Reporting Period ("IAS 10").

Scope of the embedded value report

This report deals with the embedded value of the life insurance entities (including Absa Life Limited, Barclays Life Botswana Proprietary Limited, Barclays Life Zambia Limited and Global Alliance Seguros S.A.), including the value of new business written during the current reporting period in respect of these entities.

The embedded value as at 31 December 2014 has been calculated in accordance with the principles contained in the Actuarial Society of South Africa's guidance note APN 107: Embedded value reporting.

Embedded value

The present value of in-force business (PVIF) of the covered business is the discounted value of the projected stream of future after tax shareholder profits arising in the Company's accounts from covered business in force at the valuation date. Covered business is taken to be all long-term insurance business written on the Company's licences.

The free surplus is the excess of assets over the sum of liabilities and required capital, with assets at market value and liabilities on the statutory valuation method, adjusted to add back inadmissible assets. The required capital is taken to be two times the statutory capital adequacy requirement, in line with the results of internal capital models and the Company's dividend policy.

Value of new business

The value of new business is the discounted value, at the date of sale, of the projected after tax shareholder profits from new covered business (net of the opportunity cost of the required capital for new business). New covered business is defined as long-term insurance contracts written by the respective life insurance licences during the financial year and for which at least one premium has been recognised in the financial statements. The value of new business is calculated using closing assumptions for all basis items.

Embedded value and value of new business

	Group	
	2014 Rm	2013[3] Rm
Free surplus[1]	521	720
Required capital	798	747
Covered business adjusted net worth ("ANW")	1 319	1 467
Present value of in-force business ("PVIF")	3 017	2 591
Cost of required capital ("CoC")	(268)	(308)
Total embedded value ("EV")	**4 068**	3 750
Value of new business (before CoC)	503	479
CoC	(31)	(52)
Value of new business ("VNB")	**472**	427
Present value of future premiums (gross of reinsurance premiums)	6 582	5 600
Value of new business as a percentage of the present value of future premiums[2]		
All business (%)	7,2	7,6
Excluding investment business (%)	19,6	17,3

Note

[1]A dividend of **R324m** (2013: R519,5m) was proposed for the reporting period ended 31 December 2014.

[2]Reported gross of reinsurance premiums.

[3]Note the 2013 values were restated to take account of a change in the method of calculation reflected in the 2014 values.

Assumptions

The value of the covered in-force and new business is determined using assumptions regarding future mortality, morbidity, discontinuance rates and expenses which all equal the 'best estimate' assumptions used in the statutory valuation. These assumptions were based on recent experience investigations.

For Absa Life Limited, the government bond curve is used to determine the risk free rate of return assumptions and the assumed returns on the other asset classes are calculated using a constant differential from the risk free rate curve. The economic assumptions used including certain representative points on the risk free curve are as follows (gross of tax where applicable):

	2014 Absa Life Limited Rm	2013 Absa Life Limited Rm
Risk-free rate of return:		
1-year term	**6,69**	5,75
5-year term	**7,62**	7,41
10-year term	**8,19**	8,40
20-year term	**9,11**	10,00
Equity return differential	**3,36**	3,36
Cash return differential	**(2,00)**	(2,00)
Overall investment return differential	**(0,44)**	(0,44)
Risk discount rate differential	**3,15**	3,15

For the non South-African life licences, all values are discounted using an assumed country-specific risk discount rate. Each risk discount rate was set equal to the country-specific risk-free rate of return plus the fixed beta percentage of 90% multiplied by the assumed equity risk premium of 3.5%, plus a further company risk specific margin of 0.25%. The economic assumptions used including the country-specific risk free rates for the non South-African life insurance entities are as follows (gross of tax where applicable):

	2014			2013	
	Barclays Life Botswana Proprietary Limited Rm	Barclays Life Zambia Limited Rm	Global alliance Seguros S.A. Rm	Barclays Life Botswana Proprietary Limited Rm	Barclays Life Zambia Limited Rm
Risk-free rate of return	**5,75**	**18,0**	**10,0**	6,0	15,5
Equity return – unhedged	**n/a**	**n/a**	**n/a**	n/a	n/a
Cash return	**3,75**	**14,5**	**8,0**	4,0	12,0
Overall investment return	**3,75**	**14,5**	**8,0**	4,0	12,0
Risk discount rate	**9,15**	**21,5**	**13,4**	9,4	18,9
Expense inflation	**4,25**	**14,0**	**7,0**	4,5	11,5

Sensitivities

The following table summarises the sensitivity of the embedded value and value of new business calculation of Absa Life Limited (South Africa) to changes in the underlying assumptions. In each of the scenarios, no offsetting management actions were assumed to occur.

	Group							
	2014							
Percentage change	Risk discount rate +1%	Interest rates –1%	Equity capital values x 0,9	Equity returns +1%	Mortality/ morbidity x 0,9	Mainte-nance expenses x 0,9	Lapse/ surrender x 0,9	Initial expenses x 0,9
ANW	0,0	0,0	0,0	0,0	0,0	0,0	0,0	n/a
PVIF	(3,8)	3,3	(0,6)	0,4	3,9	2,6	4,4	n/a
CoC	11,2	14,3	0,0	(5,8)	0,3	0,0	8,9	n/a
EV	(3,6)	1,6	(0,5)	0,7	2,9	2,0	2,8	n/a
VNB	(4,4)	4,4	0,0	0,4	3,7	2,7	9,6	2,2

The development of the embedded value of Absa Life Limited (South Africa) can be analysed as follows:

	Group	
	2014 Rm	2013 Rm
Embedded value at the end of the reporting period	3 818	3 656
Dividends accrued or paid	892	798
Less: Embedded value at the beginning of the reporting period	(3 656)	(3 348)
Embedded value earnings	**1 054**	1 106
Components of embedded value earnings:		
Value of new business at point of sale	407	397
Expected return on covered business (unwinding)	296	210
Operating experience variances[1]	(88)	138
Operating assumption and model changes	335	252
Expected return on ANW[1]	90	94
Embedded value operating return[1]	**1040**	1 091
Investment return variances on in-force covered business[1]	8	6
Investment return variances on ANW[1]	5	15
Effect of economic assumption changes	1	(6)
Embedded value earnings	**1 054**	1 106
Return on embedded value (%)	**29**	33

Review by the independent actuaries

The embedded value and the value of new business written during the year have been reviewed and agreed by the independent consulting actuaries, Deloitte.

[1]Note the 2013 values were restated to take account of a change in the method of calculation reflected in the 2014 values.

Company statement of financial position
as at 31 December

	Note	Company 2014 Rm	2013 Rm
Assets			
Loans and advances to banks	2	**812**	507
Investment securities	3	**287**	279
Other assets	4	**234**	—
Investments in associates and joint ventures	5	**11**	—
Subsidiaries	6	**43 001**	38 041
Total assets		**44 345**	38 827
Liabilities			
Other liabilities	7	**150**	137
Borrowed funds	8	**506**	—
Current tax liabilities		**12**	15
Total liabilities		**668**	152
Equity			
Capital and reserves			
Attributable to ordinary equity holders of the Company:			
Ordinary share capital	9	**1 696**	1 696
Ordinary share premium	9	**23 783**	23 760
Retained earnings		**18 195**	13 193
Other reserves	10	**3**	26
Total equity		**43 677**	38 675
Total equity and liabilities		**44 345**	38 827

Company statement of comprehensive income
for the reporting period ended 31 December

		Company	
	Note	2014 Rm	2013 Rm
Net interest income			
Interest and similar income	11	**64**	150
Non-interest income			
Gains and losses from investment activities	12	**12 551**	13 051
Total income		**12 615**	13 201
Operating expenses		**(194)**	(326)
Operating expenses	13	**(12)**	(9)
Other impairments	14	**(182)**	(311)
Indirect taxation	15	**—**	(6)
Operating profit before income tax		**12 421**	12 875
Taxation expense	16	**(43)**	(65)
Profit and total comprehensive income for the reporting period		**12 378**	12 810

Company statement of changes in equity
for the reporting period ended 31 December

	Company					
	2014					
	Number of ordinary shares '000	Ordinary share capital Rm	Ordinary share premium Rm	Retained earnings Rm	Share-based payment reserve Rm	Total Rm
Balance at the beginning of the reporting period	**847 750**	**1 696**	**23 760**	**13 192**	**26**	**38 674**
Profit and total comprehensive income for the reporting period	—	—	—	12 378	—	12 378
Dividends paid during the reporting period	—	—	—	(7 375)	—	(7 375)
Movement in share-based payment reserve	—	—	23	—	(23)	—
Transfer from share-based payment reserve	—	—	23	—	(23)	—
Value of employee services	—	—	—	—	—	—
Balance at the end of the reporting period	**847 750**	**1 696**	**23 783**	**18 195**	**3**	**43 677**
Note	9	9	9		10	

	2013					
	Number of ordinary shares '000	Ordinary share capital Rm	Ordinary share premium Rm	Retained earnings Rm	Share-based payment reserve Rm	Total Rm
Balance at the beginning of the reporting period	718 210	1 436	5 652	12 002	65	19 155
Profit and total comprehensive income for the reporting period	—	—	—	12 810	—	12 810
Dividends paid during the reporting period	—	—	—	(11 619)	—	(11 619)
Shares issued	129 540	260	18 171	—	—	18 431
Transaction costs related to shares issued on the acquisition of Barclays Africa Limited	—	—	(101)	—	—	(101)
Movement in share-based payment reserve	—	—	38	—	(39)	(1)
Transfer from share-based payment reserve	—	—	38	—	(38)	—
Value of employee services	—	—	—	—	(1)	(1)
Balance at the end of the reporting period	847 750	1 696	23 760	13 193	26	38 675
	9	9	9		10	

Notes

[1]No available-for-sale reserves are displayed, as cumulative fair value is less than R1m.

[2]All movements are reflected net of taxation.

Company statement of cash flows
for the reporting period ended 31 December

	Note	Company 2014 Rm	2013 Rm
Cash flow from operating activities			
Interest and similar income		**44**	9
Cash payments to employees and suppliers		**(9)**	(15)
Dividends received from investment activities	12	**12 317**	13 051
Income taxes paid		**(47)**	(40)
Cash flow from operating activities before changes in operating assets and liabilities		**12 305**	13 005
Decrease in investment securities		**18**	—
Increase/(decrease) in other liabilities		**10**	(118)
Net cash generated from operating activities		**12 333**	12 887
Cash flow from investing activities			
Increase in investment in subsidiaries		**(5 142)**	(1 368)
Purchase of investment in associate		**(11)**	—
Net cash utilised in investing activities		**(5 153)**	(1 368)
Cash flow from financing activities			
Dividends paid		**(7 375)**	(11 619)
Proceeds from borrowed funds		**500**	—
Transaction costs related to shares issued on the acquisition of Barclays Africa Limited		**—**	(101)
Net cash utilised in financing activities		**(6 875)**	(11 720)
Net increase in cash and cash equivalents		**305**	(201)
Cash and cash equivalents at the beginning of the reporting period		**507**	708
Cash and cash equivalents at the end of the reporting period	2	**812**	507

	Company 2014 Rm	Company 2013 Rm
1. Accounting policies		
The financial statements of the Company are prepared according to the same accounting principles used in preparing the consolidated financial statements of the Group. For detailed accounting policies, refer to the Group's financial statements.		
2. Loans and advances to banks		
Subsidiary companies	**812**	507
All the aforementioned loans are at variable rates.		
3. Investment securities		
Debt instruments	**287**	279
4. Other assets		
Accrued dividends	**234**	—
5. Investments in associates and joint ventures		
Unlisted investments	**11**	—
During the current reporting period, the Company acquired 49% of Rainfin (Pty) Ltd a lending exchange company for R11m.		
6. Subsidiaries		
Equity investments	**42 267**	38 352
Impairment allowance of equity investments	**(493)**	(311)
	41 774	38 041
Debt instruments	**1 227**	—
	43 001	38 041
The debt instruments are considered subordinated Tier 2 loans.		
During the current year, the investment in subsidiaries increased mainly as a result of the Company acquiring an additional 13m "A" ordinary shares in Absa Bank Limited for R3bn. Investment in subsidiaries in 2013 increased as a result of the acquisition of Barclays Africa Limited for R18,5bn as well as an acquisition of additional "A" ordinary shares in Absa Bank Limited for R1bn.		
7. Other liabilities		
Unclaimed dividends	**150**	137

8. Borrowed funds

Subordinated callable notes issued

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

Interest rate	*Final maturity date*	*Note*	2014 Rm	2013 Rm
10,84%	19 November 2019	i	**130**	—
Three-month JIBAR + 3,30%	19 November 2019	ii	**370**	—
Accrued interest			**6**	—
			506	—

i The 10,84% fixed rate notes may be redeemed in full at the option of the Company on 19 November 2019. Interest is paid semi-annually in arrears on 19 May and 19 November. The Company has an option to exercise the redemption on any date after the original redemption date of 19 November 2019.

ii The three month JIBAR plus 3,30% floating rate notes may be redeemed in full at the option of the Company on 19 November 2019. Interest is paid quarterly in arrears on 19 February, 19 May, 19 August and 19 November. The Company has the option to exercise the redemption on any date after the original redemption date of 19 November 2019.

	Company 2014 Rm	Company 2013 Rm
9. Share capital and premium		
Ordinary share capital		
Authorised		
880 467 500 (2013: 880 467 500) ordinary shares of R2,00 each	**1 761**	1 761
Issued		
847 750 679 (2013: 847 750 679) ordinary shares of R2,00 each	**1 696**	1 696
Total issued capital		
Share capital	**1 696**	1 696
Share premium	**23 783**	23 760
	25 479	25 456

Authorised shares

There were no changes to the authorised share capital during the reporting period under review.

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

There were no shares issued during the current reporting period.

Shares issued during the prior year

During the prior reporting period, 129 540 636 ordinary shares were issued to conclude the strategic combination of the Company's operations. The transaction was a business combination of entities under common control as defined in IFRS 3.

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

10. Other reserves

Share-based payment reserve

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

	Company 2014 Rm	Company 2013 Rm
11. Interest and similar income		
Interest and similar income is earned from:		
Investment securities	**26**	149
Loans and advances to banks	**6**	1
Other	**32**	—
	64	150
Comparatives have been restated, refer to note 1.21.		
12. Gains and losses from investment activities		
Dividends received from subsidiaries	**12 551**	13 051
13. Operating expenses		
Administrative expenses	**12**	9

		Company 2014 Rm	Company 2013 Rm
14.	**Other impairments**		
	Equity investment in subsidiaries	**182**	311
15.	**Indirect taxation**		
	VAT net of input credits	**—**	6
16.	**Taxation expense**		
	Current		
	South African current tax	**43**	65
		43	65
	Reconciliation between operating profit before income tax and the taxation expense		
	Operating profit before income tax	**12 421**	12 875
		12 421	12 875
	Tax calculated at a tax rate of 28%	**3 478**	3 605
	Expenses not deductible for tax purposes	**79**	(68)
	Income not subject to tax	**(3 514)**	(3 654)
	Other	**—**	182
		43	65
17.	**Earnings per share**		
	Basic and diluted earnings per share		
	Basic earnings per share are calculated by dividing the profit attributable to ordinary equity holders of the Company, obtained from profit or loss, by the weighted average number of ordinary shares in issue during the year. Diluted earnings per share are determined by adjusting profit or loss attributable to ordinary equity holders and the weighted average number of ordinary shares in issue for the effects of all dilutive potential ordinary shares, of which there are none.		
	Basic and diluted earnings attributable to ordinary equity holders of the Company	**12 378**	12 810
	Weighted average number of ordinary shares in issue (millions)	**847,8**	772,5
	Issued shares at the beginning of the reporting period	**847,8**	718,2
	Shares issued during the reporting period	**—**	54,3
	Basic earnings per share/diluted earnings per share (cents)	**1 460,0**	1 658,3

In 2013 the Group acquired the entire issued share capital of Barclays Africa Limited and issued 129 540 636 consideration shares to Barclays Africa Group Holdings Limited (a wholly owned subsidiary of Barclays). Following this acquisition, Barclays increased its stake to 62,3% from 55,5% in the ordinary shares of the Group.

	Company			
	2014		2013	
	Gross Rm	Net Rm	Gross Rm	Net Rm
18. Headline earnings				
Headline earnings are determined as follows:				
Profit attributable to ordinary equity holders of the Company		**12 378**		12 810
Total headline earnings adjustment:		**182**		379
IAS 27 – Loss on disposal of subsidiary	**—**	**—**	68	68
IAS 36 – Impairment of investment in subsidiary (refer to note 14)	**182**	**182**	311	311
Headline earnings/diluted headline earnings		**12 560**	—	13 189
Headline earnings per share/diluted headline earnings per share (cents)		**1 481,5**	—	1 707,3

The net amount is reflected after tax.

The impairment recognised on the investment in subsidiaries in 2013 was reflected as an impairment gain, not as impairment loss, comparatives were restated accordingly (2013: (R311m)).

	Company	
	2014 Rm	2013 Rm
19. Dividends per share		
Dividends declared to ordinary equity holders		
Interim dividend (**30 July 2014: 400 cents**) (30 July 2013: 350 cents)	**3 391**	2 514
Special dividend (30 July 2013: 708 cents)	**—**	5 085
Final dividend (**3 March 2015: 525 cents**) (11 February 2014: 470 cents)	**4 451**	3 984
	7 842	11 583
Dividends paid during the reporting period		
Dividend declared to ordinary equity holders		
Final dividend (**11 February 2014: 470 cents**) (12 February 2013: 369 cents)	**3 984**	2 650
Interim dividend (**30 July 2014: 400 cents**) (30 July 2013: 350 cents)	**3 391**	2 967
Special dividend (30 July 2013: 708 cents)	**—**	6 002
	7 375	11 619

20. Related parties

Refer to note 49 of the Group'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 the Company.

20.1 Balances and transactions with subsidiaries

Debit amounts are shown as positive, credit amounts are shown as negative.

	Company	
	2014 Rm	2013 Rm
Balances		
Loans and advances to banks	**812**	507
Investment securities	**287**	279
Loan to subsidiaries	**1 227**	—
Other assets	**234**	—
Borrowed funds	**(506)**	—
Transactions		
Interest and similar income	**(64)**	(150)
Dividends received	**(12 551)**	(13 051)

During the reporting period, Barclays Africa Limited declared a dividend in specie to the Company, consisting of shares in the following subsidiaries: Barclays Africa Regional Office Proprietary Limited, Barclays Bank of Ghana Limited, and Barclays Bank of Kenya Limited. The value of the dividend in specie was equal to the underlying subsidiary's allocated cost by BAGL in Barclays Africa Limited.

21. Risk management

In order to gain an understanding of the risk management framework applied by the Company please refer to note 63 of the Group's financial statements.

Credit risk	2014 Gross maximum exposure – neither past due nor impaired Rm	2013 Gross maximum exposure – neither past due nor impaired Rm
Maximum exposure to credit risk		
Loans and advances to banks	812	507
Investment securities	287	279
Subsidiaries	1 227	—
	2 326	786

Liquidity risk

Analysis of liquidity risk:

	Company				
	2014				
Discounted maturity	On demand Rm	Within 1 year Rm	From 1 year to 5 years Rm	More than 5 years Rm	Total Rm
Assets					
Loans and advances to banks	812	—	—	—	812
Investment securities	—	—	—	287	287
Subsidiaries	—	—	—	1 227	1 227
Financial assets	812	—	—	1 514	2 326
Non-financial assets					42 019
Total assets					44 345
Liabilities					
Borrowed funds	—	6	—	500	506
Financial liabilities	—	6	—	500	506
Non-financial liabilities					162
Total liabilities					668
Equity					43 677
Total liabilities and equity					44 345
Net liquidity position of financial instruments	812	(6)	—	1 014	1 820

21. Risk management *(continued)*

Liquidity risk *(continued)*

Discounted maturity	On demand Rm	Within 1 year Rm	From 1 year to 5 years Rm	More than 5 years Rm	Total Rm
	Company 2013				
Assets					
Loans and advances to banks	507	—	—	—	507
Investment securities	279	—	—	—	279
Financial assets	786	—	—	—	786
Non-financial assets					38 041
Total assets					38 827
Liabilities					
Non-financial liabilities					152
Total liabilities					152
Equity					38 675
Total liabilities and equity					38 827
Net liquidity position of financial instruments	786	—	—	—	786

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
	Company 2014					
Liabilities						
On-statement of financial position						
Borrowed funds	—	6	—	961	(461)	506
Financial liabilities	—	6	—	961	(461)	506
Non-financial liabilities						162
Total liabilities						668

An undiscounted maturity analysis has not been presented for 2013 as the Company had no financial liabilities.

21. Risk management *(continued)*

Market risk

Interest rate risk in the banking book
Impact on earnings

	2014 Change in market interest rates 200 bps decrease	100 bps decrease	100 bps increase	200 bps increase
Change in projected net interest income (Rm)	(6)	(3)	3	6
Percentage of the Company's net interest income (%)	(9)	(5)	5	9
With respect to investment securities balance	281	284	290	293

Interest rate risk in the banking book
Impact on earnings

	2013 Change in market interest rates 200 bps decrease	100 bps decrease	100 bps increase	200 bps increase
Change in projected net interest income (Rm)	(30)	(34)	43	47
Percentage of the Company's net interest income (%)	(20)	(23)	29	31
With respect to investment securities balance	397	393	470	474

22. Fair value disclosures

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

2014	Carrying value Rm	Fair value Rm	Valuations with reference to observable prices Level 1 Rm	Valuations with reference to observable inputs Level 2 Rm	Valuations with reference to observable inputs Level 3 Rm
Financial assets					
Loans and advances to banks	812	812	812	—	—
Subsidiaries	1 227	1 227	—	506	721
Total financial assets	2 039	2 039	812	506	721
Financial liabilities					
Borrowed funds	506	506	—	506	—
Total financial liabilities	506	506	—	506	—

2013	Carrying value Rm	Fair value Rm	Valuations with reference to observable prices Level 1 Rm	Valuations with reference to observable inputs Level 2 Rm	Valuations with reference to observable inputs Level 3 Rm
Financial assets					
Loans and advances to banks	507	507	507	—	—

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

Fair value hierarchy disclosure

The Company holds investments in debt instruments which are measured at fair value.
The classification of instruments is based on the lowest level input that is significant to the fair value measurement in its entirety.

	Company			
	2014			
	Valuations with reference to observable prices Level 1 Rm	Valuations based on observable inputs Level 2 Rm	Valuations based on unobservable inputs Level 3 Rm	Total Rm
Available-for-sale financial assets				
Investment securities	—	287	—	287

	2013			
	Valuations with reference to observable prices Level 1 Rm	Valuations based on observable inputs Level 2 Rm	Valuations based on unobservable inputs Level 3 Rm	Total Rm
Available-for-sale financial assets				
Investment securities	—	279	—	279

Refer to note 1.2 of the Group's financial statements for valuation methodology and valuation techniques of fair value and non-fair value items.

23. Going concern

The directors assess the Company's future performance and financial position on an ongoing basis and have no reason to believe that the Company will not be a going concern in the reporting period ahead. For this reason, these financial statements are prepared on a going-concern basis.

24. Commitments

Refer to note 53, of Group AFS for detail disclosure on ABIL commitment.

25. Events after the reporting period

The directors are not aware of any events after the reporting date of 31 December 2014 and the date of authorisation of these financial statements (as defined per IAS 10).