

Financial review

Simon Ridley, group financial director

THIS REVIEW PROVIDES

- An overview of the key features of the group's 2015 financial results.
- An analysis of the impact of the economic environment on our banking results.
- An analysis of the group's financial performance and financial position.
- Details of the dividend to shareholders.

What were the highlights of the group's results in 2015?

Global economic growth in 2015 remained moderate at 3.1%, with growth in emerging markets and developing economies expected to have declined for the fifth consecutive year. Despite the challenging economic environment, the group's headline earnings and headline earnings per share increased by 27%.

This increase was assisted by substantially lower headline earnings losses in the group's discontinued operation Standard Bank Plc (SB Plc), reducing from R3 745 million in 2014 to R90 million in 2015.

As mentioned in the 2014 financial review, 100% of the results of the discontinued operation (formerly known as SB Plc in London and now known as ICBCS are required to be separately disclosed in the income statement, despite us retaining a 40% interest in the business. Our 2014 financial results therefore reflect the discontinued operation's results for 12 months and, following the disposal of the discontinued operation in February 2015, one month in the

FINANCIAL RESULTS AND RATIOS

	% Change	2015	2014
Headline earnings (Rm)	27	22 002	17 323
<i>Pro forma</i> continuing operation's headline earnings (Rm)	13	22 056	19 570
Headline earnings per ordinary share (cents)	27	1 359,3	1 070,3
Dividend per ordinary share (cents)	13	674,0	598,0
ROE (%)		15,3	12,9
Tier I capital adequacy ratio (%)		13,3	12,9
Net asset value per share (cents)	9	9 395	8 625
Banking activities			
Net interest margin (%)		3,50	3,80
Non-interest revenue to total income (%)		45,9	46,2
Credit loss ratio (%)		0,87	1,00
Cost-to-income ratio (%)		56,7	55,0

This finance review is presented on a normalised basis, which reflects the basis on which management manages the group, unless indicated as being on an IFRS basis. The principal differences between the group's normalised and IFRS results are set out on page 86. The results from SB Plc, of which 60% was disposed of in 2015, are reflected as a single line item in the group's income statement as a discontinued operation. The analysis which follows is for the group's banking activities (unless stated otherwise) and excludes, unless otherwise stated, the discontinued operation's results.

group's 2015 results. With effect from that date the group equity accounts for its 40% interest in ICBCS within the group's continuing operations' results. In order to provide a consistent measure of our performance of the businesses that the group continues to hold, we have disclosed a *pro forma* continuing operations' headline earnings result which includes 40% of the discontinued operation's headline earnings loss in the group's continuing operations' headline earnings. This measure reflected a 13% improvement over the previous period and should be regarded as a more relevant view of the group's continuing operations' result. Our total dividend per share increased 13% from 2014 to 674 cents, in line with this earnings measure and increased the group's dividend cover from 1.8 in 2014 to 2 times. The final dividend was declared as a cash dividend.

Total income increased by 8%. While our credit impairments increased by 4%, our credit loss ratio decreased from 1.00% in 2014 to 0.87%. Staff and other operating expenses increased by 12% and 8% respectively. The staff cost increase was inflated by the conversion of approximately 4 400 people from temporary to permanent staff, and contributing to the increase in other operating expenses was the increased amortisation of core banking IT systems taken into production.

“ Despite the economic headwinds that we experienced during 2015, our financial results demonstrate our franchises' resilience and we are pleased that our group ROE for 2015 is within our target range of 15 to 18%. ”



Mention is made throughout this report to various earnings measures – for a full explanation of these measures, please refer to **page 86** in this report.

What were the challenges that the group experienced in 2015?

Globally, the continued fall in commodity prices resulted in another round of global deflation. This has prompted several central banks to retain and extend ultra-low interest rate monetary policy and quantitative easing programmes. Manufacturing and trade activity remained weak globally, not only due to developments in China, but also as a result of subdued global demand and investment more broadly.

Market concerns reflected the weaker commodity prices, diminishing confidence and increased currency volatility. The combination of weaker commodity prices and tightening monetary policy, notably that of the United States, placed further pressure on exchange rates in all of our regions and is expected to result in sub-Saharan Africa economic growth of 3.5% in 2015, down from 5% in 2014. While economic activity remains more robust than in many other developing regions in the world, the strong growth momentum evident in sub-Saharan Africa in recent years has dissipated, particularly within oil-exporting countries. Climate conditions resulted in extreme drought conditions that have contributed to an increase in food-related inflation which is expected to continue into 2016. This is also expected to contribute to further monetary policy intervention and currency volatility into 2016.

From a South African perspective, economic growth forecasts were marked down progressively during the year as a result of weaker commodity prices, weakening business and consumer confidence, unfolding drought conditions, higher interest rates and policy uncertainty. Manufacturing and mining production remain below their pre-crisis peaks as

de-industrialisation continued to intensify. A sharply weaker ZAR exchange rate as a result of investment portfolio outflows, a stubborn current account deficit and broad market volatility towards the end of the year, exacerbated by market concerns regarding removal of South Africa's finance minister, contributed to further market uncertainty.

In January 2016 the newly appointed Minister of Finance met with the chief executives of most major South African corporations, including Sim Tshabalala, our group chief executive. This meeting was encouraging and agreed on the need to attract more local and foreign investment and for business and government to work together to tackle short-term challenges that put South Africa's investment grade sovereign credit rating at risk. As a group we are positioned and committed to support this initiative.

Despite these challenges the performance of our franchises were resilient. Our rest of Africa franchise increased total income by 11% and lifted headline earnings by 12% to R5 511 million. This was despite credit impairments increasing by 71%. SBSA, the group's principal operating subsidiary, grew headline earnings by 11% which benefited from growth in total income and lower credit impairment charges.

What were the key events that resulted in stock exchange announcements?

The group disposed of its controlling interest in its SB Plc to ICBC with effect from 1 February 2015. The group retained a 40% interest in SB Plc (subsequently renamed ICBCS). Through ICBCS the group will continue to partner with ICBC in global markets and to build a sustainable commodity and financial markets platform.

The transaction provided the group with additional capital and significantly reduced the negative headline earnings impact to the group. The disposal gain of R3,2 billion, largely driven by a foreign currency reserve realisation, of which R2,8 billion was excluded from headline earnings, has been included in the group's discontinued operation's result.

In April 2015, the group completed the disposal of Banco Standard de Investimentos S.A. (Brazil), its Brazilian subsidiary. The disposal resulted in a gain of R262 million, of which R111 million was included in headline earnings. The group also disposed of its associate interest in Ünlü Menkul Değerler A.S. (Turkey) for a disposal gain of R24 million which was excluded from headline earnings. The disposal of SB Plc, Brazil and Turkey has further cemented our strategic focus to pursue our growth objectives on the African continent.

As noted in the 2014 financial review, the group instituted legal proceedings against several parties with respect to the group's rights to physical aluminium held in bonded warehouses in China. In January 2015, we wrote down the remaining exposure of USD20 million of this aluminium as part of our discontinued operation's results. In June 2015, the group successfully claimed USD65 million from its insurers with respect to these exposures. 40% of this recovery was recognised in the group's continuing operations with the remaining 60% recognised in the group's discontinued operation's results. Efforts continue through a number of avenues to recover a further amount claimable from an insurer and to pursue other recovery mechanisms from other counterparties, as well as to access metal stocks held by the authorities in China.

As noted in CIB's business unit review, in November 2015 SB Plc entered into a deferred prosecution agreement (DPA) with the UK's Serious Fraud Office (SFO). The DPA relates to a self-reported event where it was alleged that SB Plc failed to prevent two executives of Stanbic Bank Tanzania Limited from engaging a local partner with the intent that the engagement would induce Tanzanian Government representatives into acting partially in awarding a capital raising mandate to SB Plc and Stanbic. The group's total settlement with respect to the DPA, related settlement with the US Securities and Exchange Commission (SEC) and legal costs in this regard amounted to USD40.3 million (R562 million), of which USD16.1 million (R226 million) was recognised in the group's continuing operations and USD24.2 million (R336 million) was included in the group's discontinued operation's results.

The lock-in period for the group's BEE initiative ended on 31 December 2014 and provided the participants with several alternatives with respect to their shareholding, including full encashment of the net realisable value. This initiative was successful in creating significant value for the participants. The initiative is one of the principal reasons why the group, since 2014, has normalised its results. Despite the lock-in period having ended, some participants have elected to retain their interest in the initiative. This remaining interest has a negligible impact on the group's IFRS results and the group has accordingly concluded that it will revert back to IFRS as its primary reporting basis with effect from its 2016 financial reporting year.

Were there any specific financial reporting-related events during the year?

During October 2015, Stanbic IBTC Bank Nigeria (Stanbic Nigeria) received

notification from the Financial Reporting Council of Nigeria (FRCN), an organisation charged with setting accounting standards in Nigeria, in which it disagreed with the continued recognition of certain liabilities due to other Standard Bank group entities. Stanbic Nigeria and its regulator, the Central Bank of Nigeria, have publically indicated that they do not agree with the most material of those findings and they continue to engage with the regulators in that regard. These findings had no material consequences for the group's 2015 and previously reported financial statements.

What are our focus areas for 2016 to achieve our financial objectives?

Our medium-term target ROE range of 15% to 18% remains intact. As referred to on page 28 our strategy and, in particular, the following value creation drivers will provide us with the means to deliver progressively improving levels of ROE:

- Placing our clients at the centre of everything that we do, leveraging our presence, knowledge and experience across Africa, our connectivity with China and other selected markets, and the heritage and extent of our operations in natural resources.
- Protecting and enhancing our strong PBB and CIB franchises, in support of our clients.
- Focusing on improving ROE in the rest of Africa by leveraging off our existing franchise, systems and investment in people to increase market share.
- Leveraging our investments in information technology assets as we move to enhance client experience using our digital platforms.
- Aligning our wealth businesses to deliver a universal customer offering and enhance returns across our franchise.

These, together with our focus on our diverse revenue streams, cost containment and our credit processes to maintain our credit loss ratio will assist in achieving our medium-term ROE target range.

What should we expect going forward?

Despite the economic headwinds experienced, global growth is expected to gradually accelerate to 3.4% in 2016 and 3.6% in 2017, with sub-Saharan Africa countries expected to generally experience an economic uptick but at lower rates than previously experienced. The group's strategic market positioning, its well-capitalised and liquid balance sheet and its talented workforce have demonstrated resilience to uncertain and volatile markets. We have a well-diversified franchise and will seek to continue growing in our rest of Africa operations. Our medium-term ROE target range of 15% to 18% remains intact but is naturally impacted by material changes to economic growth in South Africa and the rest of sub-Saharan Africa. In particular, a potential sovereign credit ratings downgrade in South Africa would impact the planned improvement in ROE in the medium term.

In closing

Having reached the group's executive retirement age in 2015, I will be retiring from the board effective 30 April 2016. Dr Arno Daehnke has been announced as the group financial director designate and will assume my role with effect from 1 May 2016. I wish Arno the very best in supporting both the achievement of the group's growth aspirations and our vision to be the leading financial services organisation in, for and across Africa.

Impact of the economic environment on our banking results

As a universal banking group we are constantly aware of the significant impact that the macroeconomic environment has on our results. We seek to anticipate changes in key economic factors and mitigate negative effects where possible, but inevitably there will be material consequences to our results from economic shifts and events. 2015 has been a year with significant economic headwinds in South Africa and in almost every other country in which we operate across the African continent. It is always misleading to view sub-Saharan Africa as a uniform region, and for this reason we have summarised the economic environment in a country-by-country analysis on the pages that follow. Some of the shifts are extraordinary and it is useful to understand this when considering our results. There are however some common themes which include:

- Commodity based activities being a moderate component of GDP in many countries but export revenues and government income being significantly dependant on commodity volumes and prices.
- Currency values and markets thus being materially impacted by both current and anticipated reductions in export revenues.
- Inflation and interest rates being consequentially materially affected by a weak currency environment.
- Banking transaction volumes being impacted by reduced access to currency markets and credit exposures coming under stress from higher interest rates and lower corporate turnover.

Despite South Africa having a relatively well-diversified economy, there were signs of most of these factors in our home market. Economic growth forecasts for South Africa in 2015 were

marked down progressively during the year as the full impact of commodity price deflation, and weakening business and consumer confidence limited demand. Although there was a notable stabilisation of electricity supply in the second half of 2015, unfolding drought conditions, higher interest rates and policy uncertainty subdued investment and cyclical consumption, resulting in economic growth of 1.3% in 2015 from 1.5% in 2014. A sharply weaker exchange rate in response to investment portfolio outflows and the current account deficit accompanied broad acceleration in market volatility towards the end of the year, exacerbated by market concerns related to the unexpected removal of South Africa's minister of finance in December.

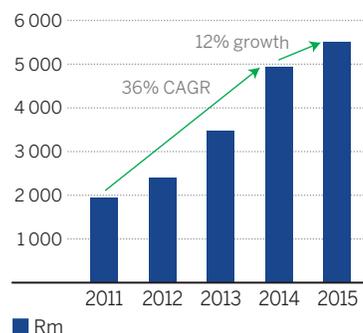
Our South African banking operations produced a satisfactory set of results despite the economic headwinds mentioned above. Moderate growth in income was supplemented by lower credit impairment charges as operating expenses were negatively impacted by rand weakness.



SBSA's income statement and balance sheet are contained in its annual report on www.standardbank.com/reporting.

With respect to our financial results from the rest of Africa, reflected in the graphic below is a very strong compound annual growth rate (CAGR) in earnings of around 36% in the years from 2011 to 2014, followed by deceleration to a 12% annual growth rate in 2015.

REST OF AFRICA LEGAL ENTITIES HEADLINE EARNINGS TREND



REST OF AFRICA LEGAL ENTITIES SUMMARISED INCOME STATEMENT

	Change %	2015		2014	
		Rm	Rm	Rm	Rm
Net interest income	12	13 704	12 262		
Non-interest revenue	10	13 111	11 909		
Total income	11	26 815	24 171		
Credit impairment charges	71	1 937	1 136		
Income after credit impairment charges	8	24 878	23 035		
Operating expenses	8	14 792	13 678		
Net income before taxation	8	10 086	9 357		
Taxation	10	2 859	2 606		
Profit for the year	7	7 227	6 751		
Attributable to non-controlling interest	(6)	1 716	1 822		
Headline earnings	12	5 511	4 929		

Looking at 2015 in more detail, two themes are evident. Firstly total income growth of 11% showed a healthy relationship with cost growth of 8%, despite the strong headwinds reducing revenues. Secondly, a 71% increase in credit impairments was the principal reason for the modest growth in headline earnings. The increase in credit impairments was entirely consistent with the weakening macroeconomic trends previously mentioned and the change was mostly incurred in our operations in the west African region.

Noting the importance of understanding the economic environment in each country, the following is a brief summary of countries which are material to the results of our rest of Africa franchise and where material volatility in economic conditions was experienced.

Country of operation	Economic environment and the impact on banking results
<p>Angola</p> 	<ul style="list-style-type: none"> ◆ Oil contributed 33% to GDP and 90% to export revenue. ■ The kwanza weakened by approximately 31% against the US dollar and the Angolan foreign currency market remained closely managed by the Central Bank with foreign currency demand generally not being fully met by supply. ▲ GDP growth estimated to be 2.6% (2014: 4.0%). ● Our strongly growing transactional banking corporate franchise overcame the economic conditions and generated a strong growth in headline earnings.
<p>Botswana</p> 	<ul style="list-style-type: none"> ■ The pula strengthened by approximately 15% against the US dollar in this small but well-managed economy. ▲ GDP growth estimated to be 2.0% (2014: 4.4%). ● Strong growth in headline earnings was generated off a relatively low base.
<p>Ghana</p> 	<ul style="list-style-type: none"> ■ The cedi weakened by approximately 18% against the US dollar in the context of some stabilisation in the Ghanaian currency markets following confirmation in April 2015 by the IMF of the provision of an Extended Credit Facility to Ghana. ▲ GDP growth estimated to be 3.6% (2014: 4.0%). ● Both revenues and credit impairment charges were adversely affected by the economic conditions resulting in a reduction in headline earnings.
<p>Kenya</p> 	<ul style="list-style-type: none"> ■ The shilling weakened by approximately 13% against the US dollar. A sharp increase in interest rates in the first half of 2015, followed by a later relaxation, seemed to provide some protection to the currency. ▲ GDP growth estimated to be 5.3% (2014: 5.3%). ● Increased income, generated by good balance sheet growth. Despite sharply higher credit impairment charges driven by a single corporate exposure, a satisfactory headline earnings growth was achieved.
<p>Mozambique</p> 	<ul style="list-style-type: none"> ■ The metical weakened by approximately 47% against the US dollar as market perceptions reflected reduced optimism on future benefits of natural gas projects and concerns about fiscal imbalance. ▲ GDP growth estimated to be 6.0% (2014: 7.4%). ● Good revenue growth generated strong headline earnings performance in the context of a fast-growing universal banking franchise.

◆ Economic condition relevant to the country ■ Currency impact on the country ▲ GDP result ● Commentary on our operations' results in the country

Country of operation	Economic environment and the impact on banking results
Nigeria 	<ul style="list-style-type: none"> ◆ Oil contributed approximately 90% of export revenue in 2015. ■ The naira weakened by approximately 9% against the US dollar and remains effectively pegged at approximately N200/US dollar resulting in significant foreign currency shortages which particularly affected import-dependent businesses. ▲ GDP growth estimated to be 3.1% (2014: 6.2%). ● Lower revenues, given the economic conditions, and sharply higher credit impairment charges led to a substantial decline in headline earnings as evident in the results published for the nine months to 30 September 2015 (the results for the full year to 31 December 2015 are still to be publically announced).
Tanzania 	<ul style="list-style-type: none"> ■ The shilling weakened by approximately 24% against the US dollar, largely consistent with trends in its neighbouring countries in East Africa. ▲ GDP growth estimated to be 6.9% (2014: 7.0%). ● Higher funding costs and general market uncertainty led to a decline in headline earnings.
Uganda 	<ul style="list-style-type: none"> ■ The shilling weakened by approximately 22% against the US dollar and this led to the Central Bank taking significant monetary policy action. ▲ GDP growth estimated to be 4.8% (2014: 4.7%). ● Higher interest rates improved net interest income, assisting in a moderate increase in headline earnings.
Zambia 	<ul style="list-style-type: none"> ◆ Mining (mainly copper) contributed approximately 10% of GDP and 83% of export revenues. ◆ Higher imported electricity costs due to drought. ■ The kwacha weakened by approximately 72% against the US dollar due to concerns about copper prices, drought impacts and future fiscal pressures. ▲ GDP growth estimated to be 3.7% (2014: 6.0%). ● Higher interest rates improved net interest margin and this, together with good management of credit risk and cost containment initiatives, allowed moderate growth in headline earnings.

Economic data obtained from the group's internal research team.

- ◆ Economic condition relevant to the country
- Currency impact on the country
- ▲ GDP result
- Commentary on our operations' results in the country

Income statement analysis

The income statement reflects the revenue generated by the group and the costs incurred in generating that revenue. The analysis that follows discusses the financial performance of the group and the principal headline earnings drivers for growth in our ROE as explained further on page 28. We have also explained other material income statement items such as non-trading and capital-related items, share of results from associates and joint ventures, the result from the discontinued operation and taxation below.

CONSOLIDATED NORMALISED INCOME STATEMENT

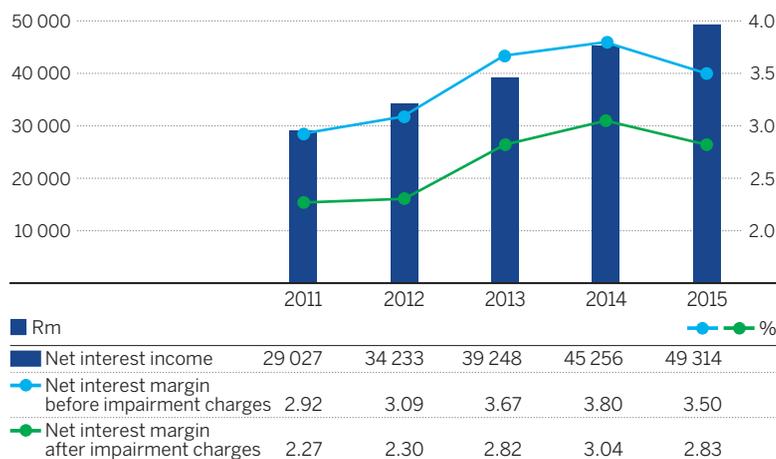
for the year ended 31 December 2015	Change %	2015	2014
		Rm	Rm
Net interest income	9	49 314	45 256
Non-interest revenue	8	41 801	38 813
Net fee and commission revenue	3	26 920	26 079
Trading revenue	20	11 014	9 216
Other revenue	10	3 867	3 518
Total income	8	91 115	84 069
Credit impairment charges	4	9 371	9 009
Specific credit impairments	(11)	8 098	9 056
Portfolio credit impairments	>100	1 273	(47)
Income before operations expenses	9	81 744	75 060
Operating expenses	10	51 434	46 596
Staff costs	12	27 968	24 961
Other operating expenses	8	23 466	21 635
Net income before non-trading and capital items	6	30 310	28 464
Non-trading and capital-related items	(>100)	(1 402)	986
Goodwill impairment	(>100)	(333)	(4)
Impairment of intangible asset	(>100)	(1 220)	(257)
Gains on disposal of businesses	(75)	311	1 265
Other non-trading and capital items	(>100)	(160)	(18)
Net income before equity accounted earnings	(2)	28 908	29 450
Share of profit from associates and joint ventures	(>100)	(340)	612
Net income before indirect taxation	(5)	28 568	30 062
Indirect taxation	13	1 981	1 747
Profit before direct taxation	(6)	26 587	28 315
Direct taxation	(4)	5 870	6 122
Profit for the year from continuing operations	(7)	20 717	22 193
Profit/(loss) for the year from the discontinued operation	>100	2 741	(4 048)
Profit for the year	29	23 458	18 145
Attributable to non-controlling interests	(8)	1 704	1 848
Attributable to preference shareholders	6	385	364
Attributable to ordinary shareholders – banking activities	34	21 369	15 933
Attributable to the group – Liberty	2	2 200	2 158
Attributable to ordinary shareholders – group	30	23 569	18 091
Headline adjustable items	(>100)	(1 567)	(768)
Standard Bank Group headline earnings	27	22 002	17 323
Continuing operations	5	22 092	21 068
Discontinued operation	98	(90)	(3 745)

Net interest income

Net interest income is the difference between interest received on lending products and investments, and the interest paid on our deposits and debt funding. The interest margin expresses net interest income as a ratio to average assets. The movement in benchmark lending rates, such as the prime rate in South Africa, is a key factor that causes the net interest margin to vary.

Net interest income increased by 9% during the year. The growth was primarily attributable to balance sheet growth of 16% in loans and advances, together with the positive endowment effect of higher average interest rates during the period, the positive effect of pricing strategies on the mortgage lending business and a greater proportion of higher-margin earning customers in the card portfolio. This growth was partly offset by margin compression in the rest of Africa, the dilutive impact of high-quality liquid assets to comply with the liquidity coverage ratio, low-margin interbank placement of short-term liquidity, competitive pricing and competitive pressures for long-term deposits to meet the net stable funding ratio prescribed by Basel III.

NET INTEREST INCOME AND NET INTEREST MARGIN CAGR (2011 – 2015): 14%



Non-interest revenue

Non-interest revenue comprises net fee and commission revenue, trading and commission revenue, trading and other revenue. The net fee and commission revenue is closely linked to transactional banking volumes, which are a function of economic activity and competition for banking services. Trading revenue is a function of trading volumes and market volatility which affects trading spreads. Other revenue consists of other banking activity-related revenue, including property-related revenue and income derived from bancassurance agreements.

Non-interest revenue grew 8%, with net fee and commission revenue up 3%, trading revenue up 20% and other revenue up 10%.

Net fee and commission revenue increased largely due to the 6% increase in account transaction fees, driven by overnight increases on fees; the larger active account base and resultant higher transaction volumes; improved brand and sales campaigns; the increased use of point of sale devices in the rest of Africa and higher foreign exchange transactional volumes.

Card-based commissions grew marginally due to strong growth in transaction volumes in the rest of Africa, an increase in the fleet card account base and merchant acquisitions in South Africa, offset by the impact of regulatory reforms in South Africa through the lowering of the interchange rate and the abolishment of ATM fees and a reduction in the fees chargeable to clients in Nigeria.

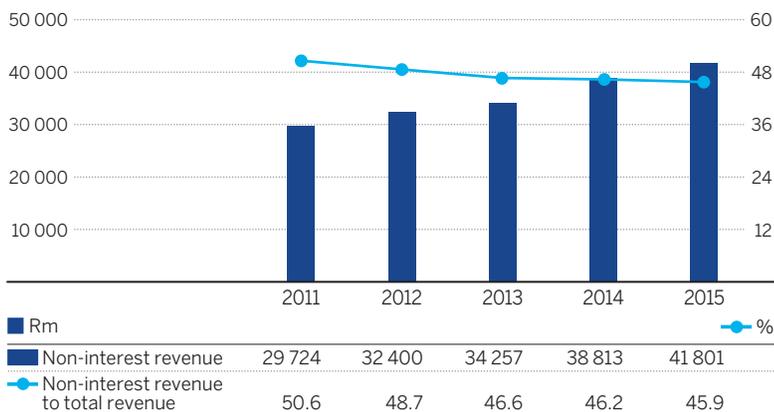
Knowledge-based fees were 9% lower due to lower capital market activity as the reduction and restriction of foreign currency liquidity in markets delayed client investment decisions in key markets in the rest of Africa.

Trading revenue increased 20%, due to a strong fixed income and currencies (FIC) trading performance as a result of volatility in foreign markets in Southern and Central Africa, good equity trading results and central hedging activities.

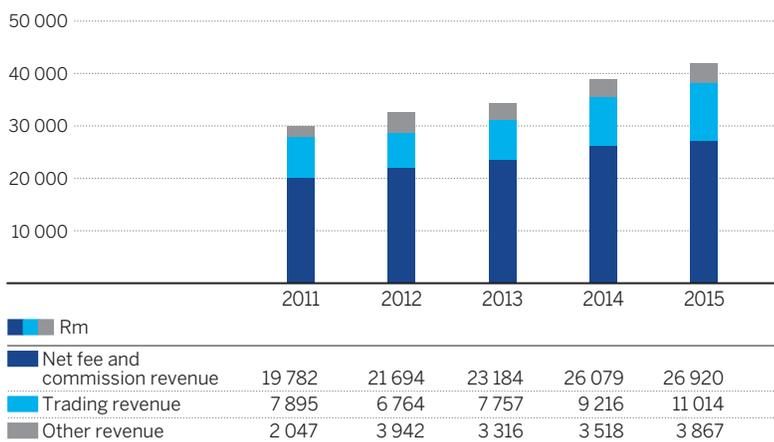
Other revenue increased by 10% as a result of the profit earned on the disposal of real estate investments in the rest of Africa.

NON-INTEREST REVENUE

CAGR (2011 – 2015): 9%



ANALYSIS OF NON-INTEREST REVENUE



Credit impairment charges

Credit impairments represent the losses incurred as a result of the inability of our customers and clients to repay their debt obligations to the group. The credit loss ratio expresses these impairments charges as a percentage of average loans and advances and indicates how much on average, of each rand lent by the group is incurred in credit impairments.

During the year, the credit impairment charge increased marginally by 4%, while the credit ratio reduced to 0.87% from 1.00% in the previous year.

In South Africa, improvements in collection strategies and new business origination contributed to lower mortgage lending and vehicle and asset finance credit impairment charges. In low income, unsecured lending, credit impairment charges reduced due to the lower loan book balance following a reduction in risk appetite for this segment of the market from 2015 and enhanced collection strategies. However, increased consumer strain in South Africa resulted in higher specific impairment charges in credit card debtors and revolving credit plans.

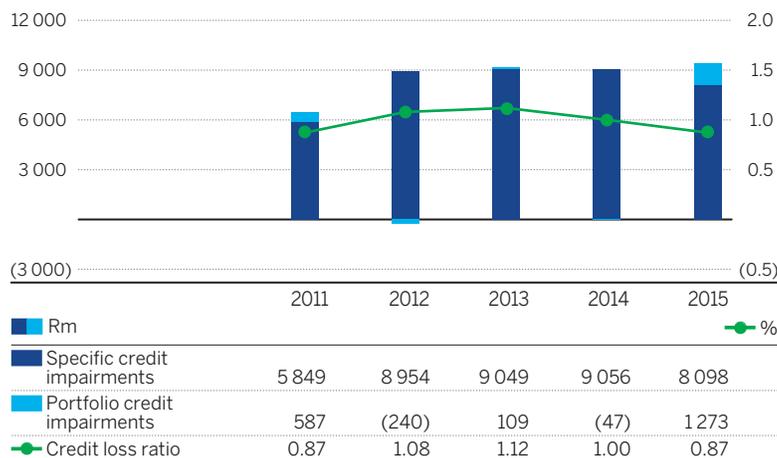
Credit impairments in some rest of Africa markets were lower as a result of improved collections and a change in the risk appetite on new loans originated. This was offset by increased defaults in Nigeria's business lending vehicle and asset finance portfolio.

In CIB, despite specific impairments being raised against clients in the oil and gas, and power and infrastructure sectors, CIB reported a reduction in

specific credit impairments, driven by the non-recurrence of prior year specific impairments on certain clients. The decrease in the specific impairments was offset by higher performing portfolio impairments, predominantly in CIB's corporate lending portfolio in Nigeria and South Africa.

CREDIT IMPAIRMENT CHARGES

CAGR (2011 – 2015): 10%



Non-trading and capital-related items

This line item materially comprises gains and losses on the disposal of businesses and property and equipment; and the impairment of goodwill; intangible assets; and associates and joint ventures.

A loss of R1 402 million was recognised in 2015 from the non-trading and capital-related items from a profit of R986 million in the previous year. This was as a result of the recognition of an impairment of the goodwill included in the group's investment in Nigeria of R333 million, impairments of certain associates and a R1.2 billion impairment of our intangible assets. The impairment of the intangible assets followed a comprehensive review of all system-related assets particularly where there had been any changes in the strategy related to these projects. Of the R1.2 billion, R555 million related to PBB South Africa's core banking system where ring-fenced components were identified as obsolete due to final changes in the direction of the core banking journey and R342 million related to a decision made to streamline all sub-ledgers across the group, both in South Africa and the rest of Africa, on SAP products.

Operating expenses

Operating expenses represent the costs that the group incurs to generate current and future revenues. Inflation and foreign exchange rates are key external variables that contribute to the increase in operating expenses. Many internal factors also affect the growth in operating expenses, such as our staffing levels and investments in branch and IT infrastructure.

Staff costs

Staff cost growth of 12% was relatively high in 2015 due to the conversion of 4 360 staff from temporary staff to permanent staff in recognition of changes in South African legislation, as well as higher headcounts to support digital banking, and wealth and investment activities. The strong recovery in earnings at a group level, which included the 59% growth in CIB's earnings, required some recognition in the incentive line and this was also a factor.

Other operating expenses

The 8% growth in the operating expenses included the effects of ongoing IT investment as the group seeks to enhance its operational platforms and digital capabilities to support digital growth, enhance client experience and increase efficiency. Amortisation of systems costs were up 3% as major core banking systems were put in production. The group's IT spend was also adversely affected by the weaker rand. Professional fees increased during the period as a result of ongoing litigation items, IT review programmes and compulsory regulatory programmes.

Share of profit from associates and joint ventures

This comprises the group's share of results from interests in associates and joint ventures. The group's most material associates are that of ICBCS (UK) and ICBC Argentina.

The group's share of loss from associates and joint ventures was R340 million compared to a profit of R612 million in the previous year.

This reversal was as a result of the group equity accounting its investment in ICBCS for the first time in 2015. The group's share of the ICBCS loss for the year was exacerbated by the weakening of the rand. An offset to this equity accounted loss was a significant increment in earnings from the group's 20% interest in ICBC Argentina which performed well in the period under review.

Discontinued operation's result

The group's 100% interest in SB Plc was required, in terms of IFRS, to be classified as a discontinued operation up to the date of disposal, being 1 February 2015. Included in this line item are all gains and losses that arise from that discontinued operation including disposal-related gains and losses.

The group reported a profit of R2,7 billion which included one month of operating losses and disposal-related gains of R3,2 billion, of which R4,1 billion was a foreign currency translation reserve profit. In the previous year, the group reported a loss of R4 billion which included the valuation adjustments for the aluminium reverse repurchase agreements.

Taxation

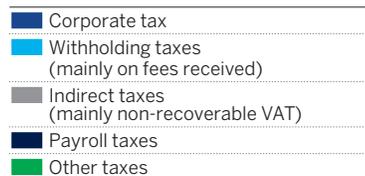
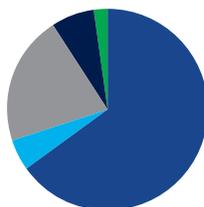
Taxation includes both direct income taxes and indirect taxes such as withholding taxes and the residual portion of value-added tax (VAT).

The effective direct tax rate increased slightly by 0.5% from 21.6% to 22.1% as a result of increased withholding taxes and non-deductible items.

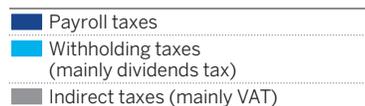
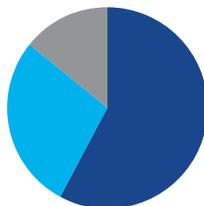
In all the countries in which the group operates, the group has a dual responsibility as both tax payer and tax collector. The group has a tax strategy that outlines the framework by which the group's tax obligations are met from an operational and risk management perspective. We adopt an overarching risk philosophy in relation to tax matters which aims to mitigate any adverse or unexpected financial consequences and protect our reputation.

Total tax actually paid by our banking operations amounted to R9 billion (2014: R9 billion) and tax collected from third parties and employees amounted to R12 billion (2014: R10 billion).

TAX INCURRED



TAX COLLECTED



Headline earnings – Liberty

The group has a 53.6% interest in Liberty, which comprises life insurance and investment management activities. The group's share of Liberty's earnings is reflected in this review as a single line item to ensure a clear distinction from the group's banking activities. Liberty's earnings are dependent on both earnings from insurance operations and from the performance of investment markets.

Liberty's headline earnings attributable to the group were up 4% on 2014 and were driven by a strong operational performance but offset by lower earnings within the LibFin investment portfolio following a volatile equity market. This contributed to the group's increase in headline earnings.

Economic returns

Risk-based performance measures are used across the group to calculate economic profit generated, and to assess and manage the creation of shareholder value. We generate economic value for our shareholders where our ROE exceeds our cost of capital. The cost of capital is based on allocated economic capital and is calculated using a cost of equity measure based on the industry standard capital asset pricing model. During 2015, the group created economic value for our shareholders of R2 857 million as compared to a loss of R375 million in 2014, primarily as a result of the 27% increase in group headline earnings despite the slightly higher cost of capital and the higher shareholders' equity required to accommodate progressively higher regulatory capital requirements.

Balance sheet analysis

The balance sheet or statement of financial position shows the position of the group's assets, liabilities and equity at 31 December 2015, and reflects what the group owns, owes and the equity attributable to shareholders.

CONSOLIDATED NORMALISED STATEMENT OF FINANCIAL POSITION

for the year ended 31 December 2015	Change %	2015	2014
		Rm	Rm
Assets			
Cash and balances with central banks	17	75 112	64 302
Derivative assets	80	111 089	61 633
Trading assets	20	86 285	72 121
Pledged assets	>100	34 429	14 185
Financial investments	8	488 124	453 398
Loans and advances	16	1 077 167	929 544
Loans and advances to banks	25	145 320	116 220
Loans and advances to customers	15	931 847	813 324
Investment property	13	30 508	27 022
Other assets	18	26 967	22 904
Interest in associates and joint ventures	>100	9 703	3 727
Non-current assets held for sale	(100)	–	219 958
Goodwill and other intangible assets	13	24 031	21 175
Goodwill	12	4 201	3 752
Other intangible assets	14	19 830	17 423
Property and equipment	6	17 670	16 737
Total assets	4	1 981 085	1 906 706
Equity and liabilities			
Equity	9	180 530	165 367
Equity attributable to ordinary shareholders	9	152 042	139 588
Preference share capital and premium		5 503	5 503
Non-controlling interest	13	22 985	20 276
Liabilities	3	1 800 555	1 741 339
Derivative liabilities	85	133 958	72 281
Trading liabilities	(1)	43 304	43 761
Deposit and current accounts	13	1 186 514	1 047 212
Deposits from banks	41	137 202	97 606
Deposit and current accounts from customers	10	1 049 312	949 606
Other liabilities	34	111 406	82 979
Non-current liabilities held for sale	(100)	–	182 069
Policyholder liabilities	4	298 232	287 516
Subordinated debt	6	27 141	25 521
Total equity and liabilities	4	1 981 085	1 906 706

Loans and advances

Loans and advances represent the largest asset class on the group's balance sheet. They provide the group's biggest source of revenue in the form of interest income, and create cross-selling opportunities to earn transactional fees and insurance-related revenues. Growing loans and advances within the group's accepted risk levels is therefore essential to growing revenue.

Growing loans and advances in the personal market in particular depends on the customers' ability to repay debt.

Loans and advances grew 16% during the year, from R929,5 billion in 2014 to R1,1 trillion in 2015. Volumes of new business in vehicle and asset finance increased during 2015, primarily due to more efficient internal and application processes after the successful implementation of a dealer online portal. Targeted brand awareness and sales campaigns contributed to good loan book growth in the rest of Africa. Corporate, business and other term lending increased significantly due to higher demand for rand and foreign currency-based lending in South Africa as well as higher lending in the energy, infrastructure and resource sector in the rest of Africa. Competitive pricing strategies in South Africa in the commercial property finance loan book led to growth during 2015. Placements with banks grew 25% during the year, primarily to meet internal and Basel III liquidity requirements.

ANALYSIS OF LOANS AND ADVANCES

	Change %	2015	2014
		Rm	Rm
PBB	6	576 078	543 830
Mortgage loans	3	325 867	317 069
Vehicle and asset finance	11	80 278	72 483
Card debtors	4	31 174	30 029
Other loans and advances	12	138 759	124 249
CIB	29	383 432	297 846
Corporate loans	31	327 382	249 917
Commercial property finance	17	56 050	47 929
Central and other	50	(4 783)	(9 645)
	15	954 727	832 031
Less: credit impairment for loans and advances	21	(22 632)	(18 707)
Net loans and advances to customers	15	932 075	813 324
Loans and advances to banks	25	145 320	116 220
	16	1 077 395	929 544

Financial investments, trading and pledged assets and trading liabilities

Financial investments principally comprise listed and unlisted equity instruments, government and corporate debt that is listed on a recognised exchange as well as other regulatory prescribed instruments that the group is required to maintain.

Trading assets and liabilities comprise of those assets and liabilities that the group holds for short-term purposes to realise gains as a result of changes in underlying market variables.

Pledged assets are those assets that the group has provided to other market participants who may use the assets for their own purposes but may not be derecognised from the group's balance sheet.

Financial investments increased by 8%, or R35 billion, as a result of placing excess liquidity in treasury bonds and bills in the rest of Africa, coupled with the favourable foreign exchange impact.

Trading assets increased by 20% or R14 billion, due to an increase in listed equities and equity derivatives in South Africa and the effect of the weaker rand.

Pledged assets increased by R20 billion during the year, as a result of higher on-balance sheet pledged government securities pledged as well as the increase in treasury bills pledged in the rest of Africa.

Deposits, current accounts, debt funding, subordinated debt, capital and liquidity

Deposits and debt funding provides the group with the means to lend to its customers and clients. This fulfils the group's role in connecting providers of capital with those that require additional capital and thereby contributes to the functioning of the broader financial system. The group pays interest on the funds borrowed but also derive fee income from transactional activity with respect to its customer and client deposits. The group's subordinated debt provides further funding for the group's growth requirements and importantly qualifies as tier II capital.

Deposit and current accounts grew by 13% from 2014, with 20% growth in retail-priced deposits and 10% in wholesale-priced deposits. Retail-priced deposits experienced strong growth particularly in the rest of Africa and outside Africa. Further increases were achieved in the raising of term funding to meet internal net stable funding ratios in anticipation of Basel III's NSFR implementation.

The group maintained its liquidity position within the approved risk appetite and tolerance limits. Appropriate liquidity buffers were held in line with regulatory, prudential and internal stress testing requirements, taking into account the global risk profile and market conditions.

During 2015, the group maintained an average liquidity coverage ratio (LCR)

of 93.7%. As a result of the very strong LCR ratio in many of the banking subsidiaries in the rest of Africa, the group's ratio was comfortably in excess of the regulatory minimum requirement of 60%.

The group successfully accessed loan and capital markets to meet term funding and capital requirements, raising R32.1 billion in the form of senior and subordinated debt and syndicated loans.

Derivative assets and liabilities

The group transacts derivatives on behalf of its customers and clients and hedges those positions with other market participants. The group's participation in derivative transactions is primarily a flow-based business in terms of which a margin is earned.

Derivative assets increased by 80% to R111 billion and derivative liabilities increased by 85% to R134 billion as a result of higher interest rate and foreign exchange-based derivatives, mainly in South Africa as a result of the volatile foreign exchange and interest rate environment, particularly towards the end of the year.

Non-current assets and liabilities held for sale and interests in associates and joint ventures

In 2014, the assets and liabilities of SB Plc were in terms of IFRS, classified as non-current assets and liabilities held for sale. These assets and liabilities were disposed of on 1 February 2015. Following the disposal, the group recognised a new 40% investment in ICBCS which materially contributed to

the increase in the interests in associates and joint ventures from R3,7 billion in 2014 to R9,7 billion.

Goodwill and other intangible assets

Goodwill and other intangible assets increased by 13% during the year, primarily due to the capitalisation of development costs on strategic IT projects, including the group's core banking system. The group's IT intangible assets provide it with the ability to enhance client experience using its digital platforms and, as mentioned above, were subject to a comprehensive groupwide risk impairment assessment in 2015.

Ordinary shareholders' funds

Equity attributable to ordinary shareholders grew 9% or R12,5 billion. Shareholders' funds deployed outside South Africa are exposed to foreign currency translation movements resulting from the translation of these funds into rand.

The closing rand exchange rate weakened against the US dollar to R15.50 from R11.57 in 2014 resulting in a foreign currency translation gain of R2 539 million (2014: R938 million), which includes related hedging activities.

Dividends

A final dividend of 371 cents per share was declared, resulting in a total dividend for the year of 674 cents per share. The increase in the total dividend of 13% aligns to the increase in the group's *pro forma* continuing operations' headline earnings as more fully explained on page 128. The dividend cover ratio increased from 1.8 to 2.0 times, but remained at 2.0 times with respect to the *pro forma* continuing operations' headline earnings. The final dividend was declared as a cash dividend.

Key accounting concepts

IFRS 9 FINANCIAL INSTRUMENTS

Expected loss impairment requirements

Q / What is IFRS 9?

International Financial Reporting Standards (IFRS) is the rule book that the group is required to comply with in preparing and presenting its financial statements.

IFRS currently requires that credit impairment charges (losses on debt assets) are recognised only when an event happens that could lead to a future loss. Regulators suggested that the accounting standards contributed to the 2008 global financial crisis and that banks generally had insufficient impairment allowances. IFRS 9 was developed by the International Accounting Standards Board (IASB) over a period of six years following the wake of the financial crisis. It will replace the existing accounting standard for financial instruments (IAS 39) with effect from 1 January 2018 and contains new accounting rules which will impact the following areas:

- Classification and measurement of financial assets.
- Accounting for changes in credit risk for certain financial liabilities.
- Hedge accounting for financial risks.
- Impairment of debt financial assets.

Q / What is IFRS 9's biggest change and how does it differ to the current rules?

IFRS 9's biggest change is the new impairment calculation method. IAS 39 currently requires impairments to be calculated on an incurred loss basis, whereas IFRS 9 will require impairments to be calculated on an expected loss basis which incorporates forward-looking judgemental assumptions. This will result in impairments being recognised earlier in a debt asset's life. The incorporation of forward-looking information, which seeks to incorporate into loan loss provisioning events that are expected to happen in the future, differs from existing accounting rules which are 'rear-view mirror' based and rely solely on events that have already happened up to and including the reporting date.

Importantly the impairment requirements apply, as is currently the case, to those debt assets that are subsequently measured on an amortised cost basis. These rules also apply to off-balance sheet facilities such as overdrafts, credit card and mortgage loans' unutilised facility limits. The requirements are best explained in terms of the following three stages:

Stage 1: Performing loan book

This stage includes exposures for which there has been no default event and for which the credit risk has not significantly increased since origination. A 12-month expected loss will be required to be recognised, being the lifetime loss associated with defaults that are expected to arise in the next 12 months.

Stage 2: Significant increase in credit risk

This stage includes exposures for which there has been a significant increase in credit risk since the date of origination. A life time expected loss will be required to be recognised, being the lifetime loss associated with defaults that are expected to arise over the lifetime of the exposure.

Stage 3: Default

This stage includes debt assets that have met the default criteria, or for which there is imminent default. A lifetime loss will also be required to be recognised for these debt assets.

Q / When must the group comply with the new requirements?

From 1 January 2018, the group is required to be IFRS 9 compliant. All of the group's subsidiaries in all jurisdictions will be required to provide the group with IFRS 9 compliant impairment information as well as the associated disclosures. In addition, almost all group subsidiaries will be required to comply with the new requirements in their separate financial statements.

Q / I heard that IFRS 9 will initially reduce the group's reserves – why?

Compared to existing accounting requirements, IFRS 9 is expected to require higher impairments earlier in a debt asset's life and the recognition of losses on off-balance sheet facilities. Together this will result in a higher overall balance sheet impairment requirement. This difference is expected, on transition to IFRS 9, to be recognised as a debit to the group's retained reserves.

Q / Is the impact going to be significant?

It is anticipated that the impact will be significant to the group. Third-party market research in this regard suggests a potential increase in total balance sheet impairment provisions of 33% for the South African banking sector. The group's IFRS 9 models are currently being developed and accurate predictions at this stage are therefore not possible, but a potential impact in this range is plausible.

Should you hear about IFRS 9 impacts being quoted, it is important to understand how that impact was determined and, more specifically, whether it relates to the impact on the performing impairment provision or total impairment provisions and whether it is a pre- or post-tax impact. It should also be noted that the impact for South African banks is expected to be lower than European banks since European entities tend, under the current accounting requirements, to carry lower performing portfolio impairment provisions.

Q / Should we be concerned about the impact on the group's future performance?

Ultimately the total lifetime loss of a non-recoverable loan remains the same under both current accounting standards and IFRS 9. In the long run it is all about the timing of the recognition of impairments with IFRS 9 requiring the losses to be recognised earlier than under existing accounting standards.

Q/ Is this a stand-alone project?

No – we have identified several project dependencies, the most notable being linkages to the group's RDARR project (a Basel data and governance-related project to support the BCBS 239 requirements).

Q/ What are we doing to ensure that the group is ready?

The group's IFRS 9 project has achieved the following notable milestones:

- A formal project has been established with full governance and a project management office (with a dedicated project manager and change management function).
- A formal project plan has been developed.
- Group policies, that provide guidance on key IFRS 9 requirements, have been developed.
- The development of prototype IFRS 9 impairment models is currently in progress.
- Work has commenced on the group's proposed IFRS 9 disclosures.
- The group has presented to the SARB on the IFRS 9 implications for the group and will follow up that presentation with a further presentation to the SARB in 2016 as one of its flavour-of-the year issues.
- Training on the new requirements to both business and executive levels is in progress.

Group earnings measures

There is no single number that encapsulates the performance of an entity. Accordingly, in explaining our performance, we refer to various earnings measures. Some of these measures are required by regulators, while others have been developed by the group to explain our key performance metrics and dimensions. The following analysis explains those earnings measures, how each of the measures links with one another, where we use those measures and the result for the current and previous reporting year.

These earnings measures are included in our various financial reports which include the group's annual financial statements, annual integrated report, analysis of financial results and various other regulatory reports.

Banking activities

Our banking activities primarily comprise our PBB and CIB results. PBB comprises of the financial services that we provide to individual customers and small- to medium-sized enterprises. CIB provides services to clients including governments, parastatals, larger corporates, financial institutions and international counterparties.

Liberty

The group owns a controlling interest in Liberty, which primarily provides life insurance and investment management services to individual customers.

Group IFRS

Profit attributable to ordinary shareholders

In terms of company law and the JSE Listings Requirements, we are required to comply with IFRS as issued by the IASB. Accordingly, IFRS forms the foundation for our earnings measures.

Headline earnings

As a listed entity, we are required to calculate and report on our headline earnings. Headline earnings is determined by excluding from reported earnings specific identifiable remeasurements net of related tax and non-controlling interests.

Material exclusions from headline earnings (pre-tax):

2015: A gain on disposal of SB Plc of R2.8 billion and the impairment of intangible assets of R1.3 billion. 2014: A gain of R1.2 billion on the liquidation of certain group companies and impairment of intangibles of R450 million.

Continuing operations

Our operations other than the discontinued operation.

Discontinued operation

The disposal of our controlling interest in SB Plc to ICBC is required, in terms of IFRS, to separately be presented and reported as a discontinued operation.

Pro forma continuing headline earnings

The group's 2014 results include 12 months of the discontinued operation's results and that of 2015 includes one month. To be comparable between financial years and for future years in which the group will include 40% of ICBC's results, the group discloses a *pro forma* continuing operations' headline earnings result. This measure reflects the inclusion of 40% of the discontinued operation's headline earnings in the group's continuing operations' results. This measure is also a key input into our Performance Reward Plan (refer to page 113 for further details).

IFRS			Normalised		
Change (2014 to 2015)	2015 Rm	2014 Rm	2015 Rm	2014 Rm	Change (2014 to 2015)
34%	21 372	15 891	21 369	15 933	34%
+					
18%	2 382	2 014	2 200	2 158	2%
=					
33%	23 754	17 905	23 569	18 091	30%
↓					
29%	22 187	17 137	22 002	17 323	27%
Adjustments					
=					
7%	22 277	20 882	22 092	21 068	5%
+					
98%	(90)	(3 745)	(90)	(3 745)	98%
↓					
			22 056	19 570	13%

Explanation of principal differences between normalised and IFRS results

Transactions that we normalise

- Preference share funding provided by the group for the group's Tutuwa transaction, which is deducted from equity as a negative empowerment reserve.
- Group company shares held for the benefit of Liberty policyholders.
- The group's transactions on its own shares to facilitate client trading activities. As part of its normal trading operations, a group subsidiary offers to its clients trading positions over listed shares, including its own shares. To hedge the risk on these trades, the group buys (sells short) its own shares in the market.

Group normalised Profit attributable to ordinary shareholders

Why we normalise

A common element in these transactions relates to shares in issue that are deemed by IFRS to be treasury shares. Consequently, these shares are treated by IFRS as no longer being in issue and earnings per share is accordingly, in our view, overstated by this treatment. The legal substance of these transactions is that the shares are still in issue and the normalisation adjustments ensure that all financial metrics consistently reflect this.

Looking forward

The Tutuwa initiative resulted in the most material adjustment between the group's normalised and IFRS results. As a result of the end of the Tutuwa lock-in period on 31 December 2014, the difference has materially reduced. As a result the group will revert back to IFRS as its primary reporting basis for its 2016 financial reporting year.

For a further detailed explanation of the principal differences between the group's normalised and IFRS results refer to pages 20 to 22 of the group's analysis of financial results on www.standardbank.com/reporting.

Key IFRS financial information

The key IFRS financial information presented on pages 89 to 91 of this report has been extracted from the audited annual consolidated financial statements which were audited by KPMG Inc. and PricewaterhouseCoopers Inc., for which an unmodified opinion was provided.

The annual consolidated financial statements and auditor's report thereon are available for inspection at the company's registered office. This report itself is not audited.

The directors of the group take full responsibility for the preparation of the key IFRS financial information and that the information has been correctly extracted from the underlying consolidated annual financial statements.



The full 2015 annual financial results and related notes can be found in the risk and capital management report and annual financial statements.

IN THIS REPORT:

Significant accounting policies

Consolidated income statement

Consolidated statement of financial position

Headline earnings

Significant accounting policies

Basis of preparation

The group's annual financial statements are prepared in accordance with IFRS, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, JSE Listings Requirements, and the South African Companies Act.

Basis of consolidation

The group controls an investee when it has power over the investee; has

exposure or rights to variable returns from its involvement with the investee; and has the ability to use its power to affect the returns from its involvement with the investee. Investees are consolidated from the date the group acquires control up to the date that control is lost.

Functional and presentation currency

The annual financial statements are presented in South African rand (ZAR). All foreign-denominated transactions are recognised at the rate at which the transaction arose and all foreign-denominated balances are translated at the closing exchange rate with any differences recognised in the income statement. The assets and liabilities of the group's foreign operations are translated into ZAR using the closing exchange rate and the income statement at the average exchange rate. Any resultant exchange differences are recognised in the group's FCTR.

Financial instruments

Financial instruments, which include all financial assets and liabilities, are initially recognised at fair value. Subsequent to initial recognition, financial instruments are measured either at fair value or amortised cost depending on the classification of the financial instrument which takes into account the purpose for which the group acquired or originated the financial instrument, the group's intention and various other accounting elections.

Equity compensation plans

The fair value of equity-settled share options is determined on the grant date and recognised in staff costs over the vesting period with a corresponding increase in the share-based payment reserve. Cash-settled share-based payments are accounted for as liabilities at fair value until settled

with change in the liability being recognised over the vesting period through staff costs.

Revenue and expenditure

Revenue is derived substantially from the business of banking and related activities. Interest income and expense are recognised in profit or loss on an accrual basis using the effective interest method for all interest-bearing financial instruments, except for those classified at fair value through profit or loss. Fee and commission revenue is recognised as the related services are performed. Trading revenue comprises all gains and losses from changes in the fair value of trading assets and liabilities. Other revenue typically includes gains and losses on equity instruments designated at fair value through profit or loss, underwriting profit from the group's short-term insurance operations and related insurance activities.

Policyholder insurance and investment contracts

Long-term insurance contracts and investment contracts with discretionary participation features, being discretionary bonuses provided by the group, are valued using actuarial cash flow methodologies in accordance with actuarial guidance requirements. For short-term insurance, premiums are accounted for as income when the risk related to the insurance policy commences and are amortised over the contractual period of risk cover by using an unearned premium provision. A liability adequacy provision is recognised when it is anticipated that the unearned premium is insufficient to cover future claims. Investment contracts without discretionary participation features are accounted for as liabilities at fair value with all changes recognised in the income statement. All of these contracts are reflected as liabilities in the statement of financial position.

Consolidated income statement – IFRS

for the year ended 31 December 2015	Change %	2015	2014
		Rm	Rm
Net interest income	9	49 310	45 152
Non-interest revenue	7	41 803	38 891
Net fee and commission revenue	3	26 920	26 079
Trading revenue	19	11 016	9 294
Other revenue	10	3 867	3 518
Total income	8	91 113	84 043
Credit impairment charges	4	9 371	9 009
Specific credit impairments	(11)	8 098	9 056
Portfolio credit impairments	>100	1 273	(47)
Income after credit impairment charges	9	81 742	75 034
Operating expenses	10	51 434	46 596
Staff costs	12	27 968	24 961
Other operating expenses	8	23 466	21 635
Net income before non-trading and capital items	7	30 308	28 438
Non-trading and capital items	(>100)	(1 402)	986
Goodwill impairment	(>100)	(333)	(4)
Impairment of intangible assets	(>100)	(1 220)	(257)
Gains on disposal of businesses	(75)	311	1 265
Other non-trading and capital items	(>100)	(160)	(18)
Net income before equity accounted earnings	(2)	28 906	29 424
Share of profit from associates and joint ventures	(>100)	(340)	612
Net income before indirect taxation	(5)	28 566	30 036
Indirect taxation	13	1 981	1 747
Profit before direct taxation	(6)	26 585	28 289
Taxation	(4)	5 873	6 146
Profit for the year from continuing operations	(6)	20 712	22 143
Profit/(loss) from the discontinued operation ¹	>100	2 741	(4 048)
Profit for the year	30	23 453	18 095
Attributable to non-controlling interests	(8)	1 704	1 848
Attributable to preference shareholders	6	377	356
Attributable to ordinary shareholders – banking activities	34	21 372	15 891
Attributable to the group – Liberty	18	2 382	2 014
Attributable to ordinary shareholders – group	33	23 754	17 905
Headline adjustable items	(>100)	(1 567)	(768)
Standard Bank Group headline earnings	29	22 187	17 137
Continuing operations	7	22 277	20 882
Discontinued operation	98	(90)	(3 745)

¹ Gains and losses relating to the group's discontinued operation has been presented as a single amount relating to the after-tax losses.

Consolidated statement of financial position – IFRS

as at 31 December 2015	Change %	2015	2014
		Rm	Rm
Assets			
Cash and balances with central banks	17	75 112	64 302
Derivative assets	80	111 089	61 633
Trading assets	20	86 219	72 040
Pledged assets	>100	34 429	14 185
Financial investments	8	486 704	450 921
Current tax assets	7	534	498
Loans and advances	16	1 076 917	928 241
Non-current assets held for sale	(100)		219 958
Other assets	19	24 552	20 691
Interest in associates and joint ventures	>100	9 703	3 727
Investment property	13	30 508	27 022
Property and equipment	6	17 670	16 737
Goodwill and other intangible assets	13	24 031	21 175
Deferred tax assets	10	1 881	1 715
Total assets	4	1 979 349	1 902 845
Equity and liabilities			
Equity			
Equity attributable to ordinary shareholders	11	178 908	161 634
Preference share capital and premium	10	151 069	136 985
Non-controlling interests	17	5 503	5 503
		22 336	19 146
Liabilities	3	1 800 441	1 741 211
Derivative liabilities	85	133 958	72 281
Trading liabilities	(1)	43 304	43 761
Current tax liabilities	(4)	4 304	4 505
Deposits and debt funding	13	1 186 514	1 047 212
Non-current liabilities held for sale	(100)		182 069
Policyholder liabilities	4	298 232	287 516
Subordinated debt	6	27 141	25 521
Provisions and other liabilities	38	101 894	73 871
Deferred tax liabilities	14	5 094	4 475
Total equity and liabilities	4	1 979 349	1 902 845

Headline earnings – IFRS

	Change %	2015 Rm	2014 Rm
for the year ended 31 December 2015			
Profit for the year from continuing operations	(4)	21 013	21 953
Headline adjustable items added/(reversed)		1 264	(1 071)
Goodwill impairment – IAS 36		333	4
Loss on sale of property and equipment – IAS 16		38	14
Gains on disposal of business – IAS 27		(180)	(62)
Realised foreign currency profit on foreign operations – IAS 21		(5)	(1 203)
Impairment of associate – IAS 27/IAS 36		112	
Impairment of intangible assets – IAS 36		930	194
Realised gains on available-for-sale assets – IAS 39		36	(18)
Standard Bank Group headline earnings from continuing operations	7	22 277	20 882
Profit/(loss) for the year from discontinued operation	>100	2 741	(4 048)
Headline adjustable items (reversed)/added		(2 831)	303
Impairment of intangible assets – IAS 38		1 303	150
Loss on disposal of subsidiary – IFRS 10		(4 054)	
Realised foreign currency profit on foreign operations – IAS 21		(80)	
Net investment hedge gain – IAS 39			
Impairment of non-current assets held for sale – IFRS 5			153
Standard Bank Group headline earnings from discontinued operation	98	(90)	(3 745)
Standard Bank Group headline earnings	29	22 187	17 137