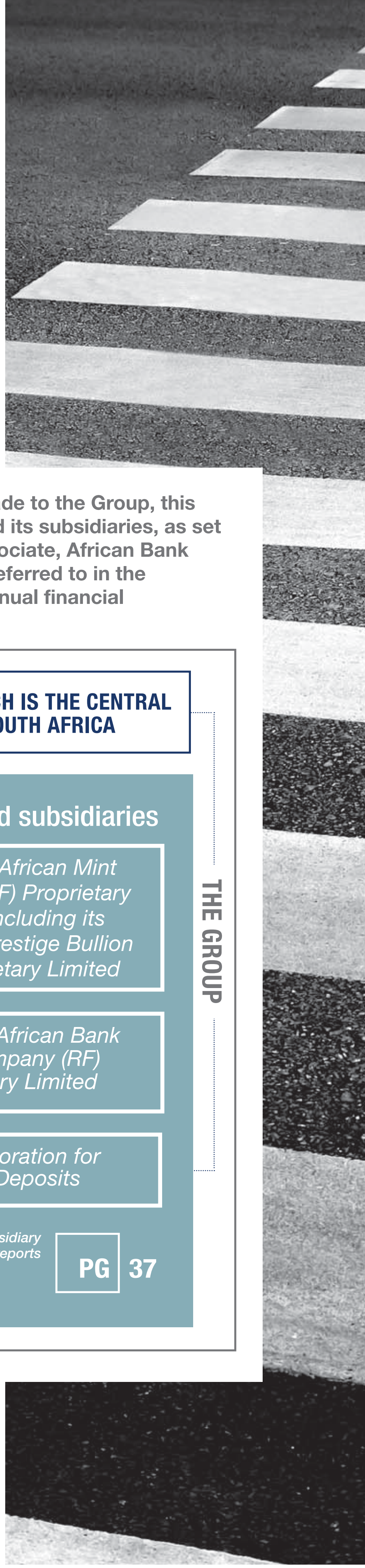
South African Reserve Bank

Promoting the economic well-being of South Africans

ANNUAL REPORT 2016/17

ABOUT THIS REPORT



The South African Reserve Bank (the SARB) is pleased to present its annual report (this report) for the year ended 31 March 2017. The report forms part of the SARB's public accountability and responsibility to a broad range of stakeholders.

The intended readers of this report are inter alia principally the Members of Parliament of South Africa and specifically the Standing Committee on Finance, to which the SARB is accountable, as well as the SARB's shareholders. In line with the intention to become more accessible to the citizens of South Africa, the report is also considered relevant to a broader readership interested in how the SARB implements its mandates of price and financial stability.

The focus of this year's annual report is to explain the mandate entrusted to the SARB. Taking a long-term view, the SARB has reflected on what it would mean to be a relevant central bank of the future. In response, the SARB has adopted a strategy to achieve this, with clear and measurable strategic focus areas (SFAs) and targets in the medium term.

MATERIALITY

The annual report provides a holistic account of the SARB's strategy, performance and impact on society. It therefore contains financial and non-financial information that is material to the SARB's ability to sustainably implement its mandate. The determination of material matters for inclusion in this report is undertaken at executive level, with due consideration of stakeholders' information requirements, and with oversight provided by the Board of Directors (the Board).

CHANGES TO THE GROUP STRUCTURE

The South African Reserve Bank Captive Insurance Company (RF) Limited was a wholly owned subsidiary of the SARB, registered in terms of the Companies Act 73 of 2008 as a public company to comply with the provisions of section 9(3)(a)(i) of the Short-term Insurance Act 53 of 1998. The subsidiary was deregistered with effect from 21 July 2016 and has been incorporated into the SARB's results for the reporting year.

Where reference is made to the Group, this includes the SARB and its subsidiaries, as set out below and the associate, African Bank Holdings Limited, as referred to in the summarised Group annual financial statements.

REPORTING SCOPE AND BOUNDARY

THE SARB WHICH IS THE CENTRAL BANK OF SOUTH AFRICA

THE GROUP

Wholly owned subsidiaries

The South African Mint Company (RF) Proprietary Limited, including its subsidiary Prestige Bullion (RF) Proprietary Limited

The South African Bank Note Company (RF) Proprietary Limited

The Corporation for Public Deposits

Subsidiary reports PG 37

REPORTING FRAMEWORKS

The SARB has considered best reporting practice in the preparation of this report and the following frameworks have been used to guide and prepare the report.

The King Report on Corporate Governance in South Africa 2009 (King III): this report is compiled with reference to the King III principles and instances of non-compliance are explained in the King III compliance report on page 58.
International Financial Reporting Standards (IFRS): in compiling and presenting its Group annual financial statements, the SARB has elected to use IFRS as a guide, except where IFRS conflicts with the provisions of the South African Reserve Bank Act 90 of 1989, as amended (SARB Act). In such instances, the SARB Act takes precedence. The SARB's summarised Group annual financial statements, starting on page 64 of this report, provide further detail.
The International Integrated Reporting Council's Integrated Reporting Framework: the principles set out in this framework are balanced against their practicality and relevance to a central bank, taking into account overriding legislation and confidentiality requirements.

ASSURANCE

The summarised Group annual financial statements presented in this report and the full Group annual financial statements available on the SARB's website (https://www.resbank.co.za/Publications/Reports/Pages/Annual-Reports.aspx) have both been independently audited by PricewaterhouseCoopers Inc. and SizweNtsalubaGobodo Inc., the SARB's external auditors.

APPROVAL

In the Board's opinion, this report provides a fair and balanced account of the Group's performance and material matters. The annual financial statements of the Group for the year ended 31 March 2017 were approved by the Board on 7 June 2017 and signed on its behalf by:

E L (LESETJA) KGANYAGO
GOVERNOR OF THE SARB

FEEDBACK

The SARB welcomes feedback on its annual report to inform the continuous improvement of its communication to stakeholders. Your feedback, comments and/or questions can be sent to Sheenagh Reynolds, the Secretary of the Bank, at Sheenagh.Reynolds@resbank.co.za.

CONTENTS

INTRODUCING THE SARB

ABOUT THE SARB

Founded in 1921, the South African Reserve Bank is the oldest central bank in Africa.

Following its first issue of banknotes to the public on 19 April 1922, the SARB shortly thereafter became the sole issuer of banknotes in South Africa.

At the time of its founding, most central banks worldwide had private shareholders and the SARB adopted a similar structure, listing on the Johannesburg Stock Exchange (JSE) on 7 April 1922. Following a change in the Listings Requirements, the SARB delisted on 2 May 2002. The SARB still has private shareholders, who help strengthen governance arrangements, but who have no influence in the implementation of its mandate. SARB shares are traded by way of an over-the-counter share-trading facility maintained by the SARB.

The SARB's head office is in Pretoria, where it conducts its annual Ordinary General Meeting (AGM) of shareholders. It also operates branches in Johannesburg, Cape Town, Bloemfontein, Durban, Port Elizabeth and East London and a depot in Pretoria North.

The SARB is regulated in terms of the SARB Act, read with section 223 of the Constitution of the Republic of South Africa, Act 108 of 1996 (the Constitution). The SARB's primary mandate and independence are entrenched in sections 224 and 225 of the Constitution.

Vision

The SARB leads in serving the economic well-being of South Africans through maintaining price and financial stability.

Mission

To protect the value of the currency in the interest of balanced and sustainable economic growth in South Africa.

Values

The SARB actively encourages and strives towards the following values:

RESPECT AND TRUST

OPEN COMMUNICATION

INTEGRITY

ACCOUNTABILITY

EXCELLENCE

TO FULFIL ITS MANDATE, THE SARB PERFORMS THE FOLLOWING KEY ACTIVITIES

Formulating and implementing monetary policy	Issuing and destroying notes and coin	Promoting financial stability which includes acting as the lender of last resort in exceptional circumstances	Managing the official gold and foreign-exchange reserves of the country

THE SARB'S CONSTITUTIONAL MANDATE

The Constitution prescribes the primary mandate of the SARB, which is to protect the value of the currency in the interest of balanced and sustainable economic growth. Achieving price stability contributes towards underpinning the stability of the entire financial system.

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Report on monetary policy.

FINANCIAL SECTOR REGULATION BILL 2014 (FSRB)

The FSRB, once promulgated, will formally mandate the SARB to protect and enhance financial stability in South Africa in addition to its primary price stability mandate. The FSRB will also establish the Prudential Authority, expanding the SARB's regulatory responsibility beyond licensed deposit-taking institutions.

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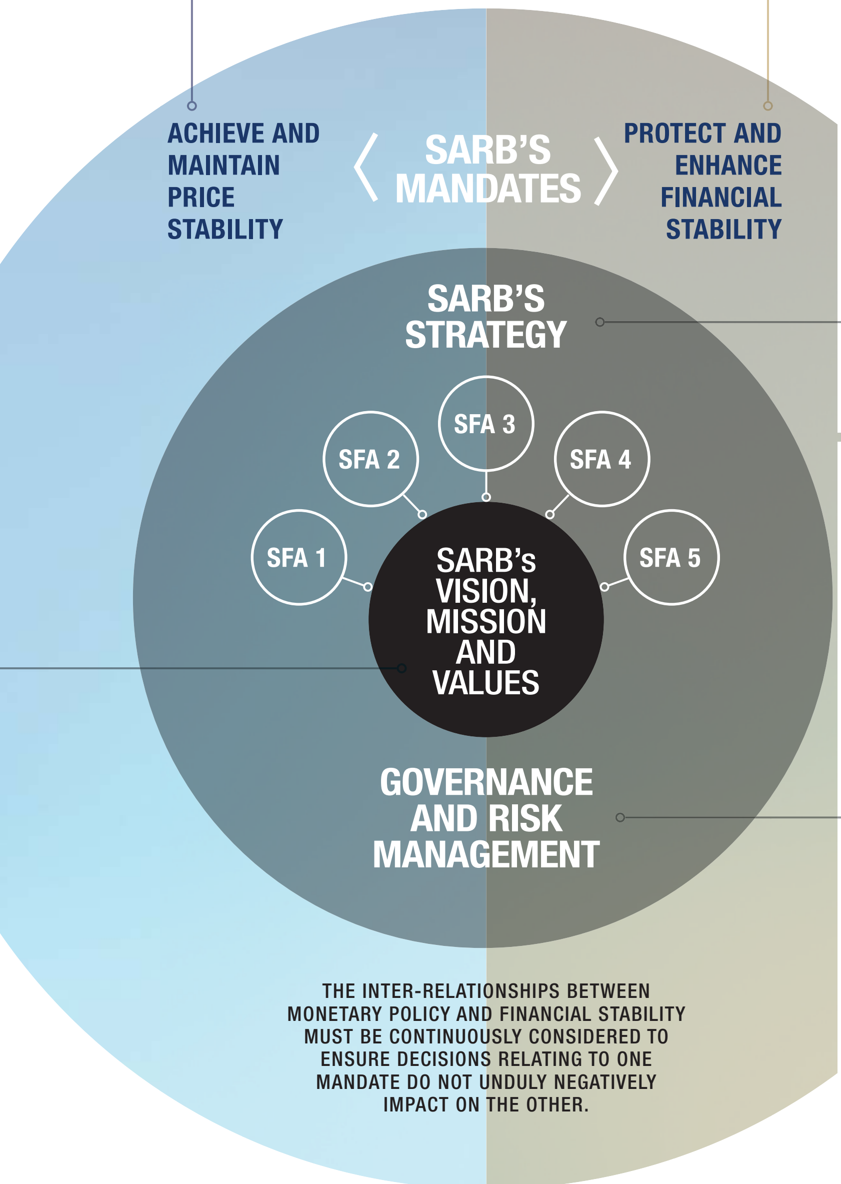
Report on financial stability.



The five-year strategic plan sets out what the SARB needs to do to achieve its vision and mission. It consists of the following three groups of strategic objectives:

- Five SFAs with unique strategic objectives.
- Cross-cutting objectives that support more than one SFA.
- Organisational capacity and capability objectives.

PG 10

Strategy.

The SARB Act and associated regulations set the framework and structure of the SARB, the way in which it is managed and the actions it may take. Governance and risk management contribute towards the SARB's ability to sustainably execute its role in society.

Private shareholders have limited rights, namely to consider the SARB's annual financial statements, elect seven of the non-executive directors of the Board, and appoint the external auditors and approve their remuneration. The shareholders have no rights or involvement in the conduct of monetary policy, financial stability policy or banking regulation.

The SARB Act stipulates that shareholders are entitled to a 10 cents per share dividend on an annual basis paid from the accumulated reserves.

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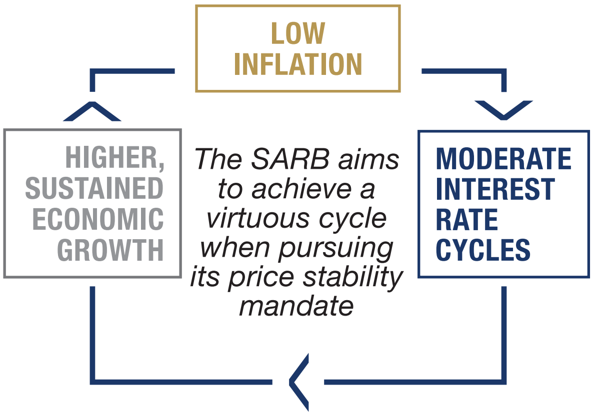
Governance and risk management reports.

Regulating and supervising the banking system	Undertaking economic data analysis and research	Ensuring the effective functioning of the National Payment System (NPS)	Administering the country's remaining exchange controls	Acting as banker to the government

INTRODUCING THE SARB – *continued*

ACHIEVE AND MAINTAIN PRICE STABILITY



HOW THIS SERVES THE ECONOMIC WELL-BEING OF SOUTH AFRICANS

Monetary policy is the process through which the SARB influences interest rates in the economy within a flexible inflation-targeting framework to ensure price stability and general trust in the value of the currency.

A monetary policy stance that provides a low and stable inflation environment:

> Protects the purchasing power of all South Africans, particularly the poor.

> Supports economic growth and contributes to South Africa's ability to create employment.

MAINTAIN THE CONSUMER PRICE INDEX (CPI) WITHIN A TARGET OF 3-6%

Why does the SARB use an inflation-targeting approach to price stability?

> It makes clear the primary objective of monetary policy.

> The predictability of this approach reduces uncertainty, and supports transparency and accountability.

> It contributes to anchoring inflation expectations.

How is inflation measured?

> Inflation is measured by defining a basket of goods and services used by a 'typical' consumer and then keeping track of changes in the cost of that basket. High inflation erodes the spending power of consumers.

How does the SARB manage inflation?

> The interest rate is the main tool used to manage inflation. The SARB sets the repurchase (repo) rate, which is the rate at which banks borrow from the SARB. This in turn impacts the interest rates that banks charge their customers.

> Interest rate decisions take into account the variable medium-term horizon for inflation and the time lags between policy adjustments and economic effects (12 to 24 months).

> The flexible inflation-targeting framework allows for temporary deviations from the target in response to shocks to inflation beyond the control of monetary policy.

> Flexible inflation targeting takes into account the impact of monetary policy on cyclical growth and employment, and aims to minimise the impact of decisions on these factors as far as possible.

What risks does the SARB face in aiming to keep CPI within the target?

> A weakening rand exchange rate could potentially accelerate inflation. For example, increasing uncertainty about future economic policy or further ratings downgrades could prompt capital outflows, pushing up borrowing costs and putting pressure on the rand.

> External shocks such as increases in international oil prices or drought-induced food price increases.

> Remuneration increases in excess of inflation and productivity increases.

PROTECT AND ENHANCE FINANCIAL STABILITY

In pursuing financial stability, the SARB strives to

01 Monitor the financial system

02 Mitigate risks to financial stability

03 Restore or maintain financial stability if a systemic event occurs or is imminent

HOW THIS SERVES THE ECONOMIC WELL-BEING OF SOUTH AFRICANS

The SARB is pursuing a financial system that is resilient to systemic shocks, enables efficient financial intermediation (deposit taking and lending) and mitigates the macroeconomic costs of disruption in such a way that confidence in the system is maintained.

A stable and safe financial system is generally regarded as an important precondition for sustainable economic growth, development and employment creation.

What is the SARB doing to ensure it is able to fulfil its mandate under the FSRB when it becomes effective?

Enhancement of the framework to monitor financial stability in line with international best practice

- Monitoring and mitigating against risks to financial stability.
- Stress testing the South African banking sector.
- Partnering with external research experts and promoting excellence in financial stability research.
- Evaluating the impact of regulatory reforms on the financial system and providing input into global regulatory, supervisory and financial sector standards.

Development of a new macroprudential policy framework

- Developing a framework that provides the Financial Stability Committee (FSC) with a calibrated toolkit of macroprudential instruments to apply in mitigating potential systemic risks.

A legal framework for resolving systemically important financial institutions[1]

- Drafting a Special Resolution Bill for systemically important financial institutions which also provides for the establishment of a deposit insurance scheme to enhance depositor protection.

1 *A systemically important institution is an entity whose failure may trigger a systemic event.*

What are some of the more material risks to the stability of the South African financial system?

- Exposure to an uncertain global economic, financial and political environment and the resultant excessive levels of volatility in financial markets.
- The low economic growth rate in South Africa may present headwinds for the domestic banking sector.

FINANCIAL OVERVIEW

for the year ended 31 March 2017

NET INTEREST INCOME (Rm)

The Group
5 582
2016: 5 687

SARB
5 443
2016: 5 546

PROFIT FOR THE YEAR (Rm)

The Group
1 383
2016: 1 581

SARB
1 405
2016: 1 514

OPERATING COSTS (Rm)

The Group
5 010
2016: 4 861

SARB
4 559
2016: 4 389

TOTAL ASSETS (Rm)

The Group
753 873
2016: 822 433

SARB
695 780
2016: 760 813

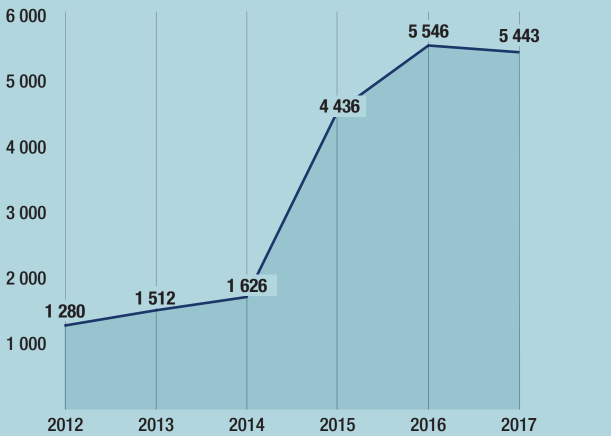
TOTAL EQUITY (Rm)

The Group
9 409
2016: 8 288

SARB
8 364
2016: 6 939

SARB

NET INTEREST INCOME/(EXPENSE) 2012 – 2017 (Rm)



Yields increased across most large fixed-income markets, the appreciation of the rand against major currencies resulted in lower income on foreign assets, offset by an increase in accommodation to banks. The overall movements resulted in marginally lower net interest income.

OPERATING COSTS

	2017 Rm	2016 Rm
Staff costs	2 130	2 018
Other operating costs	1 009	861
Cost of new currency	1 420	1 510
Total operating costs	**4 559**	4 389

Total operating costs increased by R170 million (3.9%) to R4 559 million (2016: R4 389 million). This was mainly attributable to the inflation adjustment and higher operating costs, driven by certain strategic system and infrastructure related expenses. The reduction in cost of new currency was due to a slightly reduced banknote order.

FINANCIAL REVIEW

	2017 Rm	2016 Rm
Assets		
Gold and foreign-exchange	617 783	688 403
Domestic assets	67 764	61 542
Other assets	10 233	10 868
Total assets	**695 780**	760 813
Liabilities and equity		
Foreign deposits	106 655	102 083
Domestic liabilities	205 325	204 427
Gold and Foreign-Exchange Contingency Reserve Account	231 158	304 653
Notes and coin in circulation	132 297	130 562
Other liabilities	11 981	12 149
Capital and reserves	8 364	6 939
Total liabilities and equity	**695 780**	760 813

CLOSING EXCHANGE RATE AND STATUTORY GOLD PRICE

At 31 March	2017	2016
US dollar exchange rate	13.27	14.73
Euro exchange rate	14.18	16.79
Pound sterling exchange rate	16.58	21.18
Statutory gold price (per ounce) (R)	16 473	18 178

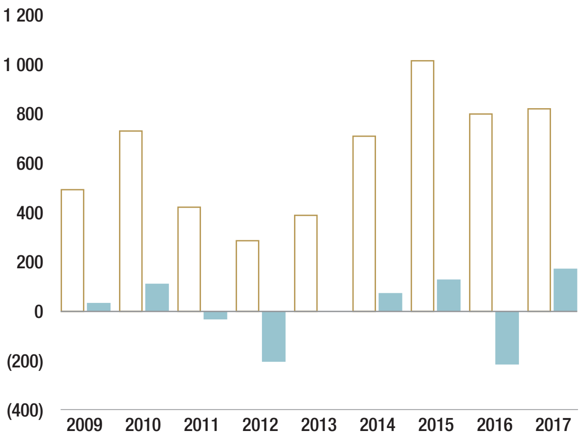
The year-on-year decrease in gold and foreign-exchange and the outstanding balance on the Gold and Foreign-Exchange Contingency Reserve Account (GEFCRA – refer to note 12) were key contributors to the overall decrease in total assets and liabilities. The drivers were the appreciation of the rand and a decrease in the statutory gold price.

For more information on the SARB's financial performance, refer to the Group annual financial statements available on the SARB website.

MANUFACTURING SUBSIDIARIES' KEY HIGHLIGHTS

THE SOUTH AFRICAN BANK NOTE COMPANY (RF) PROPRIETARY LIMITED (SABN)

REVENUE AND PROFIT/(LOSS) BEFORE TAX (Rm)



	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenue	499	737	428	292	395	716	1 022	806	827
Profit/(loss) before tax	35	113	(32)	(200)	3	75	130	(215)	174

Revenue
Profit/(loss) before tax

> The SABN reported sales of 586 million banknotes with revenue of R827 million (2016: 895 million banknotes and revenue of R806 million). The lower sales volume was attributable to a reduction in exports, and the increase in revenue was due to higher selling prices.

> Earnings before interest, taxes, depreciation and amortisation (EBITDA) for the year under review was R238 million (2016: R159 million). Substantial cost savings were achieved on substrate, ink, chemicals and the local sourcing of spares.

> Manufacturing waste was reduced to an average of 6.2% from 7.4% in the prior year.

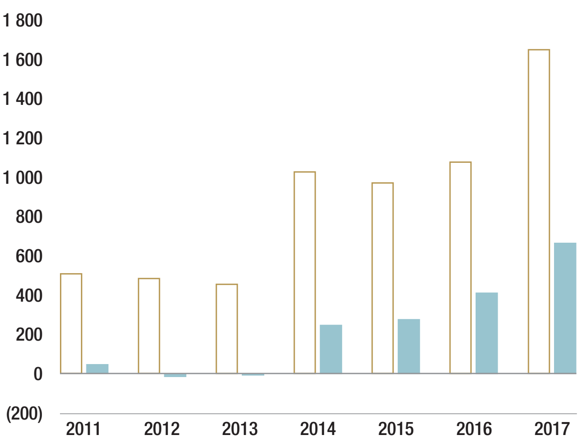
> The SABN reported a net profit before tax of R174 million (2016: net loss of R215 million). The loss in the prior year was due to an impairment charge of R293 million on manufacturing assets.

> Shareholder loans totalling R281 million were repaid and the return on net assets (RONA) was 9.3%.

> The R105 million seamless power solution, approved in the prior year, is scheduled for completion in June 2017 in line with the planned schedule and budget.

THE SOUTH AFRICAN MINT COMPANY (RF) PROPRIETARY LIMITED (South African Mint)

REVENUE AND PROFIT/(LOSS) BEFORE TAX (Rm)



	2011	2012	2013	2014	2015	2016	2017
Revenue	513	489	460	1 031	975	1 075	1 647
Profit/(loss) before tax	51	(15)	(7)	251	280	415	668

Revenue
Profit/(loss) before tax

> The South African Mint reported revenue of R1 647 million. Revenue attributable to Prestige Bullion (RF) Proprietary Limited (Prestige Bullion) increased by 62.1% to R770 million. Revenue from circulation coins amounted to R558 million (2016: R457 million) and revenue from collectables increased to R319 million (2016: R142 million).

> Total ounces of gold sold increased by 38% (2016: 18%) while the volume of circulation coins sold reduced by 22% (2016: 25% increase).

> The drive to reduce the cost of scrap resulted in a decrease to R3 million from R4 million in the prior year. The tonnage of circulation coin scrap reduced by 71 tonnes (51%) in the year under review (2016: 53%).

> EBITDA has increased significantly in the last number of years, mainly attributable to including the joint venture, Prestige Bullion, and higher profitability in circulation coins. Profit before tax in 2017 amounted to R668 million, of which R630 million was attributable to Prestige Bullion.

"I am pleased to report that the SARB remained profitable for the third consecutive financial year. The Group recorded an after-tax profit of R1.4 billion, compared with R1.6 billion in the previous financial year."

E L (LESETJA) KGANYAGO
GOVERNOR

GOVERNOR'S MESSAGE

It gives me great pleasure to present to South African citizens, shareholders and other stakeholders the annual report of the SARB for the financial year ended 31 March 2017. This report provides a comprehensive overview of the work of the SARB and its subsidiaries, as well as the financial statements of the Group.

During the past year, the SARB has had to operate in a difficult political and economic climate, both globally and in its domestic market. This challenging environment is likely to persist for some time, and the SARB has to be prepared for various eventualities and be responsive to changing conditions. Much of our emphasis this past year has been a continued focus on and refinement of the SARB's SFAs and five-year strategy plan. As elaborated in more detail in this report, the focus areas include the SARB's monetary policy objective of maintaining inflation within the target range; protecting and enhancing financial stability; promoting the safety, soundness and integrity of financial institutions; enhancing South Africa's resilience to shocks; and ensuring the availability and integrity of notes and coin.

The SARB's primary mandate is to achieve and maintain price stability. This mandate is derived from the Constitution of the Republic of South Africa. During the past financial year, monetary policy faced an increasingly difficult scenario of dealing with rising inflation in the context of slowing domestic economic growth. Headline inflation was above the upper end of the target range of 3-6% for most of the past financial year at an average 6.3%, and peaked at 6.8% in December. In the early months of 2017, inflation moderated considerably to 5.3% in April. While our forecast suggests that inflation will remain within the target range for the rest of the forecast period ending 2019, the forecast averages for these years, at around 5.5%, are uncomfortably close to the upper end of the range. With inflation expectations anchored at levels of around 6%, the monetary policy challenges are significant, particularly given that most of the pressures on inflation have emanated from the supply side and not driven by excess demand. Food price inflation has been a particular challenge, although with the end of the drought in most of the country, these pressures are dissipating.

At the same time, despite signs of a sustained recovery in the global economy, the domestic growth performance deteriorated further in 2016. At 0.3%, this was the lowest annual growth rate since the recession following the global financial crisis. While a recovery is expected this year, it is expected to be modest, at around 1%.

Faced with this policy dilemma, and in light of the improved longer-term inflation prospects, the Monetary Policy Committee (MPC) has maintained an unchanged monetary policy stance since the 25-basis point increase of the repo rate to 7% in March 2016. In March of this year, the committee indicated that the tightening cycle may have ended, but a further improvement in the inflation outlook would be required before the policy rate could be cut. In line with its strategic objective, the committee will remain focused on ensuring that headline inflation remains comfortably within the target range on a sustained basis. A detailed report on monetary policy and the rationale for the policy stance is contained in this report on pages 17 to 22.

The global financial crisis saw increased financial stability responsibilities being given to central banks around the world. Although we have had a role in ensuring financial stability for some time, our responsibilities in this area have expanded. The SARB's role in maintaining, promoting and enhancing financial stability is formally mandated in the FSRB. Unfortunately, the parliamentary processes to promulgate this Bill have taken longer than expected. This has delayed the establishment of the proposed Prudential Authority which will expand the SARB's regulatory responsibilities in the financial sector. Plans in this respect are well advanced and will be implemented as soon as the FSRB is passed. While this delay has caused some uncertainty for staff involved in the restructuring process, it has not detracted from our focus on those areas of responsibility that we currently have, both at the macroprudential and microprudential levels. Further details are contained in the report on financial stability on pages 23 to 25.

I am pleased to report that the SARB remained profitable for the third consecutive financial year. The Group recorded an after-tax profit of R1.4 billion, compared with R1.6 billion in the previous financial year. The decline relative to the previous financial year was due to lower net interest income, and higher total operating costs. It is important to emphasise however, that while we will continue to contain costs in line with good governance and operational efficiency, the SARB does not have a profit-maximising objective. Our operations are conducted in pursuit of our mandate and objectives, in the broader interest of the country.

The SARB operated with a full Board for the year under review. New additions to the Board were Dr Charlotte du Toit and Prof Nicholas Vink who were elected as non-executive directors by shareholders at the 2016 AGM. At the same meeting, Prof Ben Smit was re-elected for a further term. The terms of office of three shareholder-elected Board members expire at the 2017 AGM. They are Mr Rob Barrow, Prof Rochelle le Roux and Mr Gary Ralfe. The three Board members to fill the vacancies will be elected by shareholders at the AGM from a shortlist compiled from nominations received by the Panel established in terms of the SARB Act. All three outgoing members have indicated that they are available for re-election.

I would like to extend my sincere thanks and appreciation to the non-executive directors, the Deputy Governors and all staff for their efforts in achieving the strategic objectives of the SARB. The coming year is likely to be no less demanding than the past year, but I know I can rely on the dedication and commitment of all involved in the execution of the SARB's mandate and responsibilities.

STRATEGY

The global and domestic environments in which the SARB operates are dynamic and rapidly changing. This requires that the SARB continually reflects on how well it is executing its constitutional mandate and where it needs to adapt its strategy and processes to effectively respond to internal and external changes.

THE SARB'S 2020 STRATEGY

The successful execution of the SARB's strategy will contribute to the well-being of all South Africans, and ensure that the SARB continues to be positioned as a high-performing institution and a centre of excellence in central banking.

The strategic plan to 2019/20 explains how the SARB intends to deliver on its vision and mission, and thereby achieve its mandate. The 2016/17 financial year marks the first year of the SARB's strategy process implementation.

The strategic objectives do not represent the entire work of the SARB, but prioritise key areas of work which will drive significant change in performance and accelerate the achievement of the SARB's five SFAs. They are divided into three groups, namely objectives that are unique to each SFA, cross-cutting objectives that support multiple SFAs and objectives that relate to organisational capacity and capability.

The SARB tested the strategy during the reporting year by conducting an in-depth environmental analysis of disruptive forces. Following from this analysis, the SARB refined its strategic scorecards and portfolio of strategic initiatives, and confirmed that the five SFAs reported last year remain in place for the medium term to 2020.

The SARB recognises that a longer-term focus beyond 2019/20 is also required to ensure that it is future fit and able to respond to the megatrends that are impacting the work that it does.

THE SARB STRATEGY PLAN

Stakeholder value proposition

Strategic internal process objectives

UNIQUE

SFA	Strategic focus area	Strategic internal process objectives		
SFA 1	Maintain headline inflation within the target range	Maximise monetary policy effectiveness	Anchor inflation expectations	PG 17 *Report on monetary policy.*
SFA 2	Protect and enhance financial stability to achieve a safer financial system	Enhance the crisis management and resolution framework	Enhance financial stability monitoring and policy frameworks	Ensure that the regulatory, supervisory and oversight framework of the NPS is sound
SFA 3	Promote and enhance the safety, soundness and integrity of regulated financial institutions	Develop, improve and integrate the supervision of regulated financial institutions		PG 23 *Report on financial stability.*
SFA 4	Enhance South Africa's resilience to external shocks	Maintain an optimal level of reserves and enhance their management	Establish mechanisms to effectively manage external shocks	
SFA 5	Ensure cost effective availability and integrity of notes and coin	Optimise the notes and coin supply chain	Enhance the quality of notes and coin	PG 37 *Subsidiary reports.*

CROSS-CUTTING

- Leverage and maximise the SARB's participation in regional and international forums
- Improve targeted internal and external stakeholder communication and engagement
- Improve the strategy management process, strategic risk management and alignment with performance management
- Improve the enterprise information management and analytics processes

BUILDING BLOCKS

- Provide fit-for-purpose technology solutions to enable strategic processes
- Attract, develop and retain critical skills and competencies to drive strategic processes
- Improve organisational effectiveness by reducing bureaucracy and silos, and becoming more flexible and agile
- Embed a culture of performance, innovation and collaboration led by a team driven by the SARB's values

Organisational capacity and capability objectives

PG 29 *Human resources report.*

PG 26 *Information technology report.*

STRATEGY *– continued*

EXECUTING THE SARB'S STRATEGY

The SARB's portfolio of strategic initiatives is aimed at delivering on its mandate and driving continuous change and operational improvement. Success is measured against strategic scorecards using SMART (specific, measurable, achievable, relevant and time-bound) principles. Progress is tracked through structured review sessions at Governor, SFA and department level. The SARB's performance against its strategic objectives is reported alongside and on page 14 in a scorecard format.

Strategy management enablers

The SARB's intent is to become a strategy-focused organisation that is able to adapt to the future. Instilling a culture of performance, innovation and collaboration, led by a team that drives change in line with the SARB's values are foundational to the success of the strategy. Building on this foundation, the SARB is developing the strong capability required for strategy execution, which includes the following strategy management enablers:

Ongoing strategy communication to create alignment across the organisation.

Strategy execution support from the Strategy Management Office (SMO).

Constant testing of the alignment of the operating model to the strategy.

Strategic initiatives

Fourteen strategic initiatives are in place to achieve the strategic objectives and are transformational in nature, meaning that they are intended to facilitate significant change in performance. Key milestones and outcomes have been identified, enabling the SARB to plan for the medium to long term, allocate resources accordingly and hold people accountable for the execution of the initiatives. While these milestones and outcomes may change over time, they provide a strong focus to align the organisation on a common journey and direction.

Transparency builds trust and enhances reputation

The SARB continually seeks to become more accessible to all South Africans. It is working on improving its communication and engagement initiatives, particularly those that reach the country's general population.

Communication and engagement with stakeholders are informed by the outcomes of the Reputational Survey undertaken every two years. The survey assesses the SARB's reputation based on a framework consisting of the following four pillars: familiarity, favourability, trust and advocacy. The more familiar people are with an institution, the more likely they are to hold a favourable view of the organisation. In addition, familiarity builds trust which in turn underpins reputation.

The 2016 Reputational Survey – the most recent survey – gives the SARB's leadership useful insight into how the institution is viewed by stakeholders. Overall, the survey showed that South Africans remain positive towards the SARB, but a desire was expressed for more information about what the SARB does. This re-affirms the SARB's decision, taken last year, to improve the segmentation of stakeholders and to target communication and engagement accordingly.

MEASURING THE SARB'S SUCCESS

Strategic scorecard: strategic focus areas

SFA	STRATEGIC OBJECTIVE	PERFORMANCE MEASURE	2016/17	ACTUAL	TARGET	*NOTES*
SFA 1	Maintain headline inflation within the target range	Headline inflation versus target	X	6.30% (Average for the financial year 2016/17)	3-6%	*Note 1*
SFA 2	Protect and enhance financial stability to achieve a safer financial system	Policy action based on a set of macroprudential indicators (mitigation of vulnerabilities)	✓	» Published the macroprudential policy paper. » Held an information session with industry and received comments.	Develop a macroprudential policy framework in consultation with industry.	*Note 2*
		Framework for measuring systemic risk	X	» The research proposal for a systemic risk measurement (SRM) toolkit was not completed.	Approval of a macroprudential SRM toolkit.	
		Measures implemented for the effective supervision, regulation and oversight of financial market infrastructures (FMIs)	✓	» FMI policy paper approved.	Approval of a policy framework for the systemic surveillance of FMIs.	
		Mechanism implemented for the coordination of crisis management	→	» A contract to conduct the simulation exercise is in place. » Completed the draft Special Resolution Bill for systemically important financial institutions (SIFIs).	Complete the planning for the crisis simulation exercise and publish the Special Resolution Bill for industry comment.	

PERFORMANCE KEY

✓	Target achieved.	X	Target not met.	→	Progress made but target not yet met.

STRATEGY – *continued*

STRATEGIC SCORECARD: STRATEGIC FOCUS AREAS – *continued*

SFA	STRATEGIC OBJECTIVE	PERFORMANCE MEASURE		2016/17 ACTUAL	2016/17 TARGET	*NOTES*
SFA 3	Promote and enhance the safety, soundness and integrity of regulated financial institutions	Percentage of financial institutions that meet or exceed quantitative prudential standards for SIFIs	✓	100%	100% or specific regulatory action.	*Note 3*
		Weighted percentage of financial institutions that meet or exceed quantitative prudential standards for non-SIFIs	✓	100%	Satisfied that no specific regulatory action is required.	
		Financial institutions with sound governance and risk management practices	✓	100%	100% of institutions fully compliant or under specific regulatory action.	
		Compliance with the Principles for Financial Market Infrastructures (PFMIs)	X	» Assessment not undertaken.	Assess baseline compliance.	
SFA 4	Enhance South Africa's resilience to external shocks	Level of official gold and foreign-exchange reserves	→	» Adequate reserves accumulated.	Level of reserves accumulated. (In accordance with adequacy guidelines.)	*Note 4*
SFA 5	Ensure cost effective availability and integrity of notes and coin	On-time in-full fulfilment of orders from the cash industry	✓	100%	100% of orders fulfilled within agreed timelines as stipulated in service level agreements.	*Note 5*
		Incidence of counterfeiting measured in parts per million (ppm)	✓	10 ppm	Less than 15 ppm.	

PERFORMANCE KEY

✓	Target achieved.	X	Target not met.	→	Progress made but target not yet met.

Notes on performance

Note 1

SFA 1

Maintain headline inflation within the target range

The average inflation rate for the 2016/17 financial year was at 6.3% and outside the target range, therefore the SARB did not achieve its measure of success for SFA 1. As per the March 2017 MPC forecast, the inflation rate is expected to come back within the target range in the second quarter of 2017.

Strategic objectives

Maximise monetary policy effectiveness	Anchor inflation expectations
The SARB is establishing a cross-functional policy-focused research agenda and committee.	The SARB continues to enhance its visibility in the public domain through the publication of assumptions that enable better understanding of the SARB's forecasts as well as economic notes. The SARB is also implementing a stakeholder engagement strategy. These initiatives will assist to improve the anchoring of inflation expectations.

Note 2

SFA 2

Protect and enhance financial stability to achieve a safer financial system

Of the four measures of success for SFA 2, the following two were not met:

- **The SRM toolkit: an ongoing initiative which will be completed in 2017/18.**
- **The crisis simulation exercise: the SARB has started the planning process to undertake a crisis simulation exercise and this will be completed in 2017/18.**

Strategic objectives

Enhance the crisis management and resolution framework	Enhance financial stability monitoring and policy frameworks	Ensure that the regulatory, supervisory and oversight framework of the NPS is sound
The SARB established a crisis planning working group which is overseeing the preparatory work for the first crisis simulation exercise. It also drafted the Special Resolution Bill which includes proposals to establish a pre-funded deposit insurance scheme.	The SRM toolkit was not approved.	The SARB completed the development of the NPS oversight framework and received approval to apply the framework.

STRATEGY – *continued*

NOTES ON PERFORMANCE – *continued*

Note 3

SFA 3

Promote and enhance the safety, soundness and integrity of regulated financial institutions

Of the four measures of success for SFA 3, only the compliance assessment against the PFMIs was not met due to the delay in the finalisation of the FSRB.

Strategic objective

Develop, improve and integrate the supervision of regulated financial institutions

Embedding the Prudential Authority is critical to achieving this strategic objective. Despite the delay in the finalisation of the FSRB, the SARB has developed the new Prudential Authority regulatory strategy and supervisory blueprint, and is refining the financial conglomerate supervision paper. In addition, the SARB finalised the amendments to the Financial Intelligence Centre Act (FICA) and addressed the shortcomings highlighted by the assessment programme for banks and insurance providers.

Note 4

SFA 4

Enhance South Africa's resilience to external shocks

Adequate levels of official gold and foreign-exchange reserves were accumulated.

Strategic objectives

Maintain an optimal level of reserves and enhance their management

The Strategic Asset Allocation was approved and the compilation of the risk budget and review of the fund management programmes are in progress.

Establish mechanisms to effectively manage external shocks

A framework to manage shocks is being developed. While progress is behind target, the Crisis Reaction Manual for Financial Markets is in the process of being finalised and will be incorporated into the SARB's Crisis Management and Resolution Framework.

Note 5

SFA 5

Ensure cost effective availability and integrity of notes and coin

Both measures of success for this SFA were achieved. The quality of the notes is testament to the quality of the security features embedded in the currency.

Strategic objectives

Optimise the notes and coin supply chain

This strategic objective is measured by calculating buffer stocks against an appropriate level, where the buffer stock level should be below the target. The buffer stock level target for notes was achieved but not the target for coins.

Enhance the quality of notes and coin

This strategic objective is measured by the percentage yield of fit notes in circulation, where the percentage yield should be above the target. A 92% yield was achieved against a target of 90%. In addition, the cash management strategy has been finalised and will be implemented during 2017/18.

MONETARY POLICY

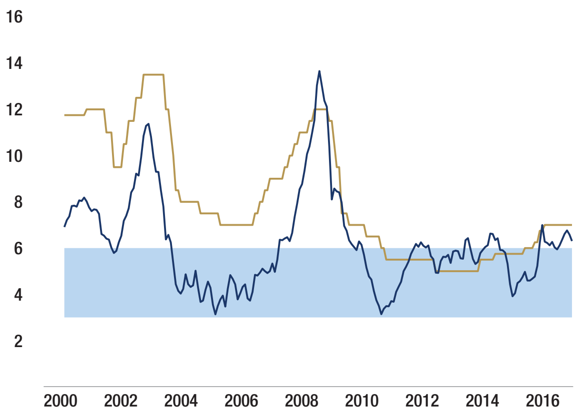
The objective of monetary policy is to achieve and maintain price stability in the interest of sustainable and balanced economic growth. Price stability helps to protect the purchasing power and living standards of all South Africans. It provides a favourable environment for investment and job creation, and helps to maintain and improve international competitiveness.

REPORT ON MONETARY POLICY *– continued*

The goal of price stability is quantified by the setting of an inflation target by government in consultation with the SARB. The SARB has operational independence, and monetary policy decisions are made by the Monetary Policy Committee (MPC), which is chaired by the Governor and includes the Deputy Governors as well as other senior SARB officials.

The MPC conducts monetary policy to keep inflation within a range of 3–6%. The inflation targeting framework is flexible, meaning inflation may be temporarily outside the target range under certain circumstances. The MPC takes into account the time lags between policy adjustments and economic effects. This provides for interest rate smoothing over the cycle, and contributes towards more stable economic growth.

INFLATION AND THE REPURCHASE RATE (REPO RATE) SINCE 2000 (%)



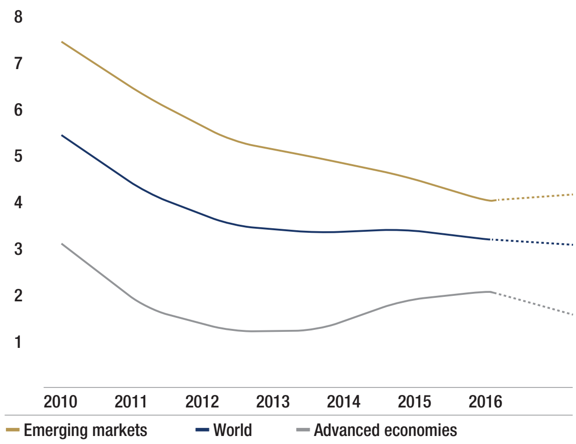
Source: Statistics South Africa and SARB.

OVERVIEW OF THE WORLD ECONOMY

The global economy slowed steadily from 2011 to 2016. Conditions for emerging markets have become progressively more challenging, with financing somewhat less freely available and commodity prices moving lower. In these circumstances, which were compounded by country-specific developments, growth in most emerging markets slowed, and some countries – notably Brazil and Russia – fell into protracted recessions.

Recent data suggest the trough of the cycle is now past. Many emerging markets have implemented difficult policy adjustments, leading to smaller external financing requirements and lower domestic inflation. External conditions have also improved. Growth in China has stabilised at relatively high levels, above 6%, with support from policy stimulus. This has benefitted commodity prices and shored up confidence that a 'hard landing' for the Chinese economy will be avoided. Advanced economies have also performed relatively well. The recovery in the United States (US), which has been one of the few good news stories for the world economy in recent years, has continued apace. Unemployment has fallen as low as 4.5% but inflationary pressures have been relatively benign, suggesting monetary policy will not tighten abruptly. Furthermore, the policy uncertainty resulting from the unexpected outcome of the November 2016 US Presidential election has not undermined confidence. Instead, investors have taken a broadly optimistic view of the likely economic consequences of the new administration's policy proposals.

WORLD GROWTH (%)



Source: IMF World Economic Outlook.

The other significant political surprise of 2016, the United Kingdom's (UK) decision to exit the European Union (Brexit), has also not had the immediate negative repercussions that were originally anticipated. Consumer confidence in the UK has been resilient while the more depreciated value of sterling has benefitted net exports. Meanwhile, across the Channel, economic spillovers from Brexit have been minimal. Indeed, many European economies have performed relatively strongly, with Spain's recovery proceeding at growth rates above 3%, Germany's growth at close to 2% and France doing somewhat better in recent quarters. Italy and Greece, however, remain cases of concern: Italian output is 8% below its pre-crisis peak and Greece's output is 26% lower.

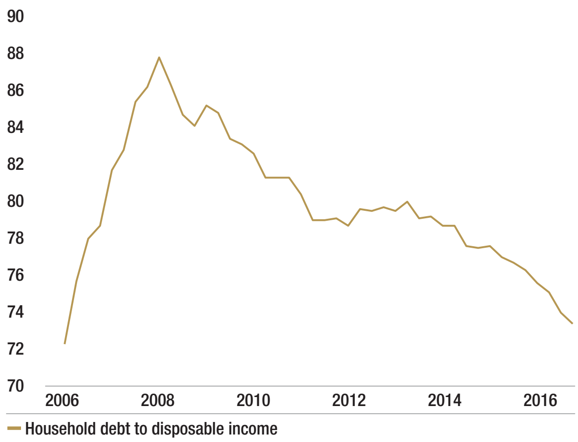
The longer-term effects of Brexit and a possible new policy direction in the US, remain uncertain.

DOMESTIC REAL ECONOMY DEVELOPMENTS

South Africa's real gross domestic product (GDP) expanded by just 0.3% in 2016, a new post-crisis low. A large portion of this slowdown was related to weakness in the primary sector, with both mining and agriculture contracting over the year. Without these negative contributions, growth would have been closer to 1%. This is nonetheless a weak rate of expansion in both historical and comparative perspectives. The average emerging market growth rate in 2016, for instance, was 4.2%; for commodity exporters, it was slightly over 1%.

The steady downward trend in South Africa's economic growth since 2011, culminating in 2016's near-zero figure, represents a combination of unsustainable imbalances and repeated shocks. Household debt levels were elevated following the boom of the late 2000s, at around 90% of disposable income, which limited prospects for consumption-led growth. Government debt levels were much lower, near 30% of GDP; but large, sustained fiscal deficits throughout the post-crisis period have pushed these levels towards 50%. This has depleted fiscal space, requiring fiscal consolidation to ensure debt sustainability and maintain the confidence of investors. Given low domestic savings, South Africa's external financing needs have been large, near 6% of GDP in 2013. Such large deficits contributed to an increasingly depreciated exchange rate and higher domestic interest rates, in turn, prompting an increase in inflation, a reduction in imports and lower domestic investment.

HOUSEHOLD DEBT AND DEBT SERVICE COSTS (ratio)

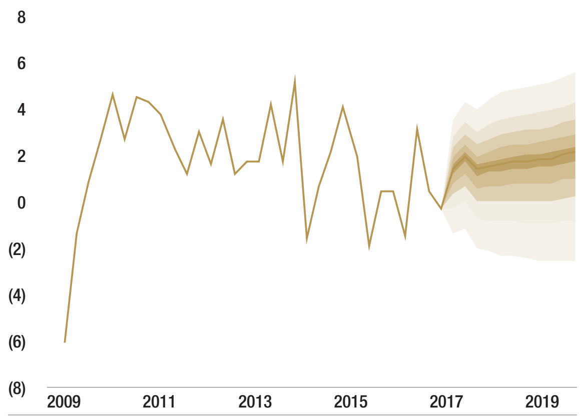


Source: SARB.

These macroeconomic drivers of slower growth were accompanied by acute shocks. In 2016, the most prominent was drought, but the post-crisis period also witnessed major labour disruptions, electricity shortages and elevated levels of political uncertainty. These circumstances have undermined household and business confidence. Meanwhile, net exports have performed less strongly than might have been expected, given the competitive value of the exchange rate, due in part to declining commodity prices as well as slowing growth in major trading partners (particularly China and the euro area).

The SARB's forecasts indicate some improvement over the medium term, with growth anticipated to reach 2% in 2019. This recovery relies on stronger business confidence, permitting private sector investment to rebound. It also entails continued growth in household disposable incomes, with the beneficial effects of falling inflation and productivity gains outweighing the drags from higher taxes and falling employment. These are not the firmest foundations for growth, and it is possible output growth may be weaker, with per capita incomes remaining stagnant in real terms, over the medium term.

REAL GDP GROWTH (% change at seasonally-adjusted annualised rates)

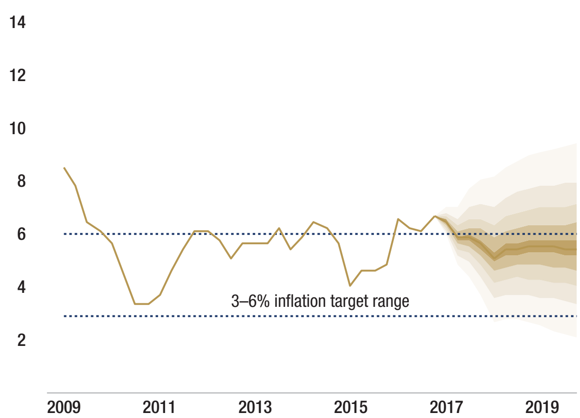


Source: Statistics South Africa and SARB.

INFLATION DYNAMICS

For the period covered by this annual report, headline CPI inflation was above the 3–6% target range for all but two months (the exceptions being July at 6% and August at 5.9%). Underlying inflation was relatively elevated, averaging 5.6% in 2016, versus a longer-term average of 5% (2003 – 2016). This left little space for shocks from the volatile components of headline inflation. Petrol prices were relatively favourable, recording inflation of just 1.6% in 2016. Food prices, however, rose rapidly in response to the drought, and this shock was sufficient to push headline inflation above 6%.

TARGETED INFLATION FORECAST (% change on a year earlier)



Source: Statistics South Africa and SARB.

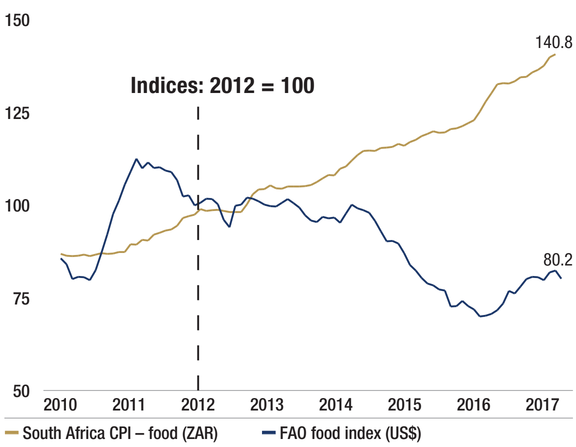
World oil prices were unusually subdued during the period under review, at times falling below US$30 per barrel in early 2016. These low prices reflected a deliberate decision by some members of the Organization for Petroleum Exporting Countries (OPEC) to protect market share by maintaining production at high levels to squeeze out marginal producers, including new shale operations in North America. This strategy prompted cutbacks by these non-traditional producers, with rig counts dropping and production levels stabilising. However, improved

REPORT ON MONETARY POLICY *– continued*

techniques and low financing costs permitted an unexpectedly large number to remain in business, prompting a re-assessment of the OPEC strategy. Accordingly, in December 2016 OPEC announced production cutbacks, with support from a number of other non-OPEC producers, including Russia. This agreement lifted prices into a range of between US$50 and US$60 per barrel. Over the medium term, prices are not expected to rise much beyond US$60, given both the resilience of new producers as well as the coordination problems usually experienced by cartels in enforcing production limits over time.

World food developments have been favourable over the past few years, with prices declining steadily in dollar terms from the high levels reached in 2011. Domestic conditions and exchange rate factors, however, have prevented these lower prices from feeding through fully into local consumer prices. South African food inflation averaged 10.6% for 2016, with a peak of 11.7% in the fourth quarter, contributing around 1.6 percentage points to annual headline inflation. Intense drought curtailed maize and wheat production, and also disrupted fruit and vegetable supplies. Meanwhile, water shortages prompted farmers to reduce their animal stocks, which moderated short-term meat price inflation but stored up future price pressure. With rainfall conditions normalising towards the end of 2016, food prices moved roughly in line with expectations. Better harvests and statistical base effects prompted substantial disinflation in most food price categories, but meat price inflation has remained quite high (it is expected to average about 10% in 2017, from 5.8% in 2016). This last development is being exacerbated by higher poultry price inflation, linked to new brining regulations among other factors. Total food inflation will likely remain above 6% in 2017, falling to about 5% in 2018.

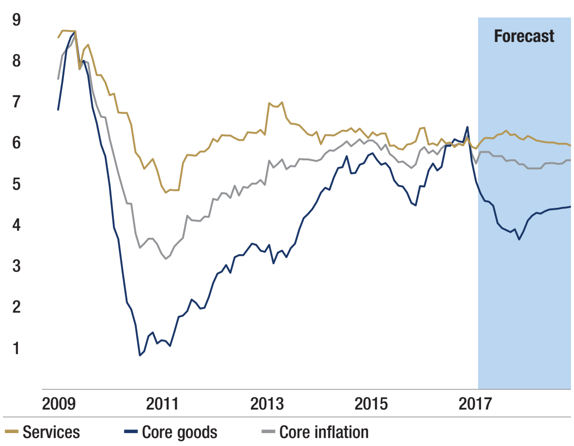
FOOD PRICE INDICES



Source: Food and Agriculture Organization (FAO) and Statistics South Africa.

Food and petrol prices are volatile and mostly unresponsive to monetary policy interventions, for which reason policymakers pay close attention to underlying inflation. The SARB's preferred core measure excludes food, fuel and electricity prices; its composition is roughly two thirds services and one third goods. The goods portion of this category reached a seven-year high in 2016, slightly above 6%, but is expected to moderate to as little as 3.5% over the forecast period. By contrast, services inflation has been stable at levels close to the upper boundary of the target range. The varying trajectories of these two core subcomponents are mainly explained by two factors: the exchange rate and inflation expectations.

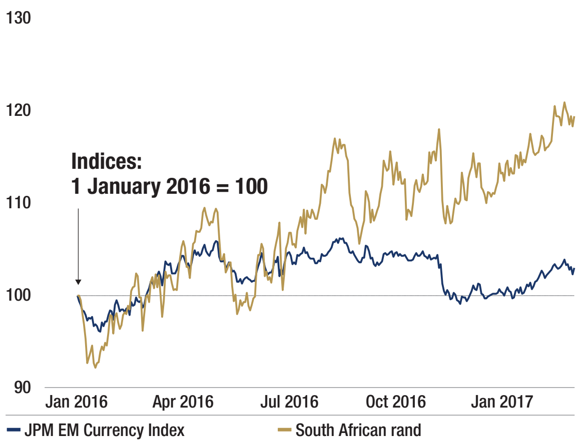
CORE INFLATION AND ITS COMPONENTS (% change over 12 months)



Source: Statistics South Africa and SARB.

Changes in the exchange rate tend to pass through to consumer prices with a lag. The rand depreciated steadily from 2011 through to early 2016, reaching an all-time nominal low of more than R16 to the US dollar. From this weak point however, it began appreciating again and by early March 2017, was back at 2015 levels against the US dollar and in trade-weighted terms. The long depreciating trend has been the chief explanation for the steady rise in core goods inflation, and its recovery explains the moderation expected over the medium term. Vehicles prices provide an especially clear illustration of the phenomenon, with inflation in this category reaching 7.6% in 2016 and a decline to under 4% expected in 2018.

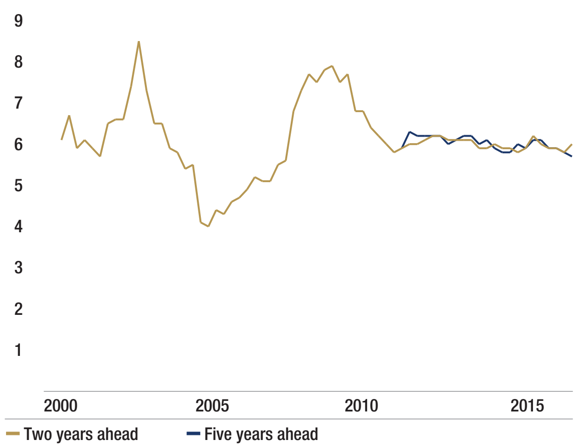
EXCHANGE RATE



Source: Bloomberg and SARB.

In contrast to the exchange rate, longer term inflation expectations have been relatively stable over the post-crisis period. The Bureau for Economic Research's (BER) survey, for instance, has shown average expectations moving in a fairly narrow range of 5.7–6.2% for two years and five years ahead. Stable medium-term expectations are a positive indicator in the context of shocks, implying expectations are well anchored. However, expectations appear to be anchored at an uncomfortably high level, close to or above 6%. As these expectations feed into price and wage setting behaviour, inflation tends to revert towards the top of the target range, with only supply-side shocks such as lower oil prices prompting temporary deviations towards the target midpoint.

BER AVERAGE INFLATION EXPECTATIONS SINCE 2000 (% change)

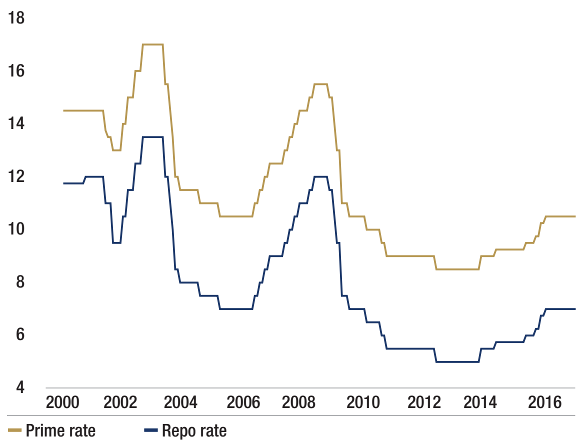


Source: BER.

MONETARY POLICY DECISIONS

Monetary policy decisions affect the economy with a lag of approximately 12 to 24 months. For this reason, policymakers aim to look through short-term factors and focus on the period one to two years ahead. Although inflation has been above the 3–6% target range through most of the past year, the SARB's inflation forecasts have consistently projected a return to below 6%. Every forecast for 2018 inflation has shown it in a narrow range of 5.4–5.5%, and the 2019 forecast has indicated much the same. In this context, the repo rate has been stable at the 7% level reached in March 2016.

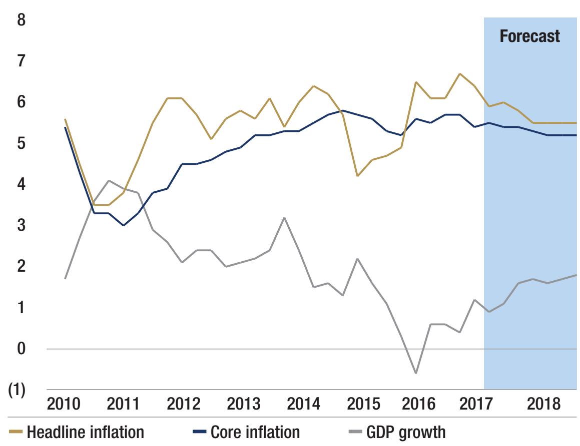
SOUTH AFRICA'S REPO AND PRIME RATES (%)



Source: SARB.

Over the past few years, monetary policy has grappled with the challenges of slowing growth and rising inflation. Growth has trended steadily lower since the post-crisis rebound of 2011. In this environment, domestic demand has been too subdued to generate much upward pressure on prices. Yet repeated supply shocks have pushed up headline inflation, while sustained exchange rate depreciation has lifted core inflation. Longer-term inflation expectations have converged on the upper end of the target range, with wage and salary agreements preventing inflation from declining in line with weaker growth.

GROWTH AND INFLATION (year-on-year %)



Source: Statistics South Africa and SARB.

Under these circumstances, monetary policy has sought to prevent inflation from breaching the target range in a sustained way. It has also aimed to avoid rapid interest rate increases which could trigger a recession. Given these goals, the policy response has taken the form of a gradual hiking cycle, with the policy rate increasing 200 basis points from its starting point of 5% in January 2014. The change in the policy rate has been accompanied by a communications strategy to assure the public that the inflation target will be a reliable anchor for price and wage demands. There is evidence that this approach is succeeding.

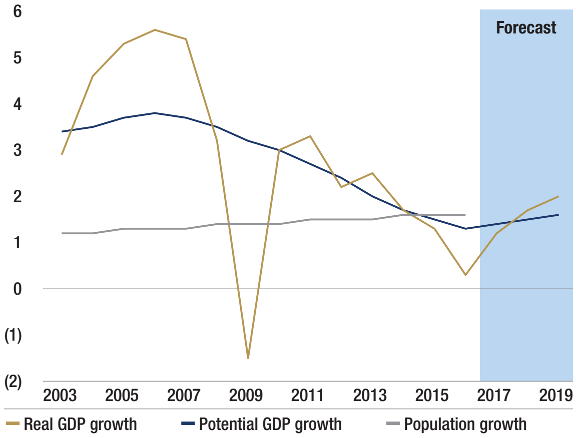
Inflation is returning to target and it now appears further increases in the repo rate may be avoided. Meanwhile, the economy seems likely to avoid a recession, and growth is anticipated to improve moderately over the medium term.

REPORT ON MONETARY POLICY – *continued*

These outcomes, however, are some way from satisfactory. Three limitations stand out.

First, growth remains feeble, close to population growth rates (of 1.6%) and below historical averages (of approximately 3%). This is mainly due to a decline in the economy's potential growth rate, and reforms to address this problem are largely outside the sphere of monetary policy. There is an element of weak demand in South Africa's disappointing growth, however, monetary policy is helping to address this through continued low rates. More crucially, and over a longer time frame, monetary policy's chief contribution to growth is to secure price stability, which protects buying power and provides a more predictable investment environment.

REAL AND POTENTIAL GDP AND POPULATION GROWTH (% change)



Source: Statistics South Africa and SARB.

Second, inflation is likely to remain relatively high across the medium term. Inflation forecasts and inflation expectations are all in or above the upper portion of the 3–6% target range. At these levels, even quite small shocks can prompt target breaches. Furthermore, sustained inflation close to 6% makes South Africa something of an outlier in world perspective, and exposes South Africans to higher longer-term interest rates as well as adverse redistributional effects. It would be preferable for inflation to moderate further and for inflation expectations to be anchored closer to the 4.5% midpoint of the target range.

Third, domestic and global factors make the economic outlook highly uncertain. Towards the end of the first quarter of 2017, the end of the period reviewed for this annual report, Standard & Poor's lowered South Africa's sovereign credit rating for foreign currency debt below investment grade, while Fitch downgraded both the local and foreign currency ratings below this threshold. World conditions are currently supportive of emerging markets such as South Africa, but these could deteriorate abruptly. The forecasts indicate 2016 will be the low point of the cycle, with inflation peaking and growth at a post-crisis low. The anticipated recovery, however, is neither robust nor assured.

MONETARY POLICY COMMITTEE

The primary purpose of the MPC is to pursue the SARB's primary objective of price stability. The committee meets every second month to take decisions on the appropriate monetary policy stance. It considers a wide range of economic data and information on global and domestic developments, financial markets and real economic activity in its decision-making process. Changes in the monetary policy stance are mainly through changes in the repo rate.

Following each meeting, the MPC communicates the monetary policy stance at a media conference. A comprehensive statement – outlining the assessment of prevailing economic conditions, forecasts for inflation and real GDP growth – is released. The media conference also provides MPC members with the opportunity to respond to questions from stakeholders on its monetary policy decision and to provide an account of how it sees economic conditions in general.

Aligned to its strategic objective to improve transparency and clarity in communicating monetary policy decisions to the public, the SARB also publishes forecasts for core inflation and the current account as a ratio of GDP, in addition to headline CPI and GDP, at each media conference. The forecasts are accompanied by a summary of assumptions for foreign and domestic variables underlying the forecasts, including information on how these assumptions have changed relative to the previous meeting, as well as brief explanatory notes.

Twice a year, the Monetary Policy Review is presented to members of the public in Pretoria and throughout the country at various Monetary Policy Forum meetings.

FINANCIAL STABILITY

During the year under review, the SARB continued its preparation to fulfil its responsibilities as set out by the Financial Sector Regulation Bill (FSRB).

The FSRB makes provision for an extended mandate for the SARB, including a specific responsibility to protect and enhance financial stability, and to restore or maintain financial stability should a systemic event occur or be imminent.

The FSRB provides the SARB and the Governor with certain powers and responsibilities related to financial stability. The SARB must monitor and review the strengths and weaknesses of the financial system and any risks to financial stability and take the necessary steps to mitigate these risks. It also needs to keep the Minister of Finance informed of any imminent or actual systemic events and the steps being taken to manage an event and its impact. To assess the build-up of risks or vulnerabilities, the Governor may direct financial sector regulators to provide the SARB with information. If the risk or vulnerability is identified as a systemic event or imminent systemic event, the Governor may direct a financial sector regulator to assist the SARB in preventing it from occurring and mitigating its effects.

The FSRB also makes provision for a Financial Stability Oversight Committee (FSOC) to support the SARB in protecting and enhancing financial stability, and a Financial Sector Contingency Forum to coordinate appropriate plans, mechanisms and structures in the financial sector to mitigate financial stability risks and vulnerabilities. In addition, the FSRB provides the Governor with the authority to designate a

FINANCIAL STABILITY – *continued*

financial institution as systemically important. The Governor may also impose requirements regarding the solvency, liquidity, leverage and organisational structures of these institutions in consultation with the Prudential Authority.

During the year under review, the SARB made significant progress through its strategic initiatives to:

> further develop and enhance the framework for monitoring financial stability in line with international best practice;

> develop a new macroprudential policy framework; and

> develop a legal framework for resolving systemically important financial institutions, including an explicit deposit insurance scheme.

The SARB regularly assesses the risks to financial stability. This assessment is reported at quarterly Financial Stability Committee (FSC) meetings. During the period under review, a number of key risks to the financial system in South Africa were identified. Exogenous risks remained elevated as the South African financial system was exposed to an unstable global economic, financial and political environment (including the outcome of the UK referendum to leave the European Union) that led to high levels of volatility in domestic financial markets. Despite large price adjustments globally following the UK referendum results, markets managed the increased volumes well and no disorderly events surfaced. Domestically, the extended period of low economic growth presented headwinds to financial stability through elevated levels of household and corporate sector vulnerability that posed a risk to the financial sector by putting pressure on impairments for banks. In addition to this, the deteriorating economic and fiscal outlook and increased political risks have been presenting threats to the country's sovereign credit rating for some time. The FSC's assessment of these risks is published in the SARB's biannual Financial Stability Review.

As part of its responsibilities, the FSC also monitors potential vulnerabilities within the banking sector and assesses the sector's resilience to adverse developments. In this regard, a common scenario stress test of the South African banking sector was conducted to evaluate its resilience to a set of plausible adverse scenarios. The risks and vulnerabilities identified in the risk assessment matrix included spillovers from excessive volatility and risk aversion in global financial markets, and the possibility of a sovereign rating downgrade to sub-investment grade for South Africa. The stress test results showed that banks could withstand significant credit losses even under the most severe adverse scenario without taking into account any mitigating action by bank management. In addition to regular stress testing, a toolkit of macroprudential instruments is being developed for possible implementation by the FSC, pending the promulgation of the FSRB and an official financial stability mandate for the SARB.

Following the publication of the results of the 2015/16 stress-testing exercise, the SARB met with all participating banks to discuss the methodology and processes followed to conduct the exercise, as well as the final results. The International Monetary Fund (IMF) will conduct a peer review of the exercise in 2017 and provide perspectives on new developments in top down stress testing by including other risk types. The stress testing team has leveraged the lessons from the previous exercise, and is closely engaging with the IMF on its peer review. The workflow arising from this review is scheduled for completion by mid-2017, and in the interim the stress testing framework is being refined and the top down stress testing model enhanced to include other risk types such as liquidity risk. This is in line with the envisaged scope of the next stress testing cycle which will include liquidity risk stress testing, among others. The stress testing governance structure dictates that the financial system will be subjected to a full macro stress-testing exercise every two years. However, intermediate exercises may be conducted, if required.

The SARB, with the cooperation of international consultants, National Treasury and a resolution working group, has prepared a draft Special Resolution Bill for systemically important financial institutions. The Bill is in line with international standards and the policy proposals set out in the Strengthening South Africa's Resolution Framework discussion paper, published in 2015. The legislation will make the necessary enhancements to South Africa's resolution framework, enabling the SARB to deal with the orderly resolution of a systemic financial institution and provide for the establishment of a deposit insurance scheme to enhance depositor protection. It is envisaged that the draft Bill will be published for public comment during 2017.

Financial market infrastructures (FMIs)[1] are critical components of domestic and international financial markets that offer essential services to participants and can help to maintain financial stability in periods of market stress. The SARB's FMI regulatory and supervisory responsibilities have been documented and approved and will be published in due course. The National Payment System Department and the Prudential Authority will be responsible for regulation and micro-supervision, and the systemic surveillance of FMIs will be the responsibility of the Financial Stability Department. In addition, the SARB has identified a number of FMIs in the domestic payment, trade, central securities depository and clearing environments. There is currently no licensed trade repository or central counterparty for-over-the counter derivatives in South Africa, and there are other financial infrastructures operating in the domestic market that may be identified as FMIs in the future.

1 *Identified FMIs include, among others, the South African Multiple Option Settlement (SAMOS) system, SADC Integrated Regional Electronic Settlement System (SIRESS), Bankserv, Strate and the JSE Ltd.*

The SARB, together with National Treasury, continues to represent South Africa on global committee structures at the Financial Stability Board (FSB). The Governor is a member of the FSB Plenary, its highest decision-making body, and the FSB Steering Committee. In addition, the Governor was appointed as the Chairperson of the Standing Committee on Standards Implementation (SCSI) for a term of two years starting on 1 April 2017. The SARB's Deputy Governors also serve on the SCSI, the Standing Committee on Supervisory and Regulatory Cooperation and the Resolution Steering Group. During the reporting period, the FSB continued to coordinate the input into global regulatory, supervisory and financial sector policies as well as monitoring the implementation of agreed policies.

FINANCIAL STABILITY COMMITTEE

The FSC was established in 2000 and restructured and elevated in 2010 in terms of its membership and responsibilities. The purpose of the FSC is to formulate financial stability policy on behalf of the SARB in support of its mandate. The FSC comprises the Governor as Chairperson, the Deputy Governors, all members of the Monetary Policy Committee and a maximum of seven other SARB officials. The SARB fulfils its responsibility to monitor and review the strengths and weaknesses of the financial system and any risks to financial stability, and take the necessary steps to mitigate these risks, through the FSC.

During the year under review, the FSC met three times to monitor vulnerabilities in the global and domestic environments, assess their possible implications for domestic financial stability and decide whether any mitigating measures needed to be taken. The issues discussed by the FSC and any decisions taken are communicated in the biannual Financial Stability Review publications.

INFORMATION TECHNOLOGY

The expanding mandates of central banks places additional demands on systems and processes to provide accurate and timely information to inform decision making.

IT supports the effectiveness of organisational capabilities and internal processes, enabling the achievement of the SARB's strategic objectives. It cuts across all aspects of the SARB's operations; and enables better collaboration, facilitates business change and improves business processes. While the opportunities presented by IT are clear, the rapid pace of technological change also introduces risks which are managed through appropriate governance, risk and control systems.

2016/17 PERFORMANCE HIGHLIGHTS

- Reviewed and updated the IT Strategy to align to the five-year strategic plan.
- Completed a number of major IT initiatives that support the SARB's strategic focus areas (SFAs).
- Reviewed the effectiveness of the IT Steering Committee (ITSC) and its subcommittees.
- Successfully transitioned from COBIT 4.1 to COBIT 5, a good practice IT governance framework.
- Achieved an average availability of critical systems of 99.93%, above the target of 99%.

IT STRATEGY

IT is regarded as a strategic asset and a key enabler of SARB's five SFAs. It is deeply entrenched in the way the SARB conducts its business. The IT Strategy sets out the strategic direction of the SARB's IT function, and recognises IT's role in conducting the SARB's business in a globalised and increasingly complex environment.

In the third quarter of 2016, the IT Strategy was reviewed with the aim of aligning it to SARB's refined five-year strategic plan, finalised in 2015.

A new IT Strategy was developed and focuses on the following:

> an IT roadmap that ensures that the SARB's IT investments align to its SFAs;

> an effective IT operating model that supports and drives the SARB's Strategy;

> identifying opportunities for synergy between the SARB and its subsidiaries in terms of common IT direction and capability;

> aligning to good practice IT trends and standards;

> ensuring that IT architecture is suitable for current and future business needs; and

> an Enterprise Information Management (EIM) Strategy that addresses current and future information requirements.

Progress made towards achieving the SARB's strategic IT objectives is measured quarterly against a strategic IT scorecard, as well as against the SARB's SFA scorecard. The key measurements of the IT scorecard include: how IT enhances SARB's efficiency and effectiveness, the internal processes that assist the IT function to deliver business value and the capabilities required to enable internal IT processes such as human resources skills, technology requirements and the desired culture within the IT function. Performance against the IT scorecard and the progress of key IT initiatives are reported to the SARB's Management Committee (Manco), the ITSC, the Governors' Executive Committee (GEC) and the Audit Committee. The IT scorecard will be revised for the 2017/18 financial year to align to the new IT Strategy.

MAJOR INITIATIVES COMPLETED

Major IT initiatives completed during the reporting year as part of the delivery against the SFAs include:

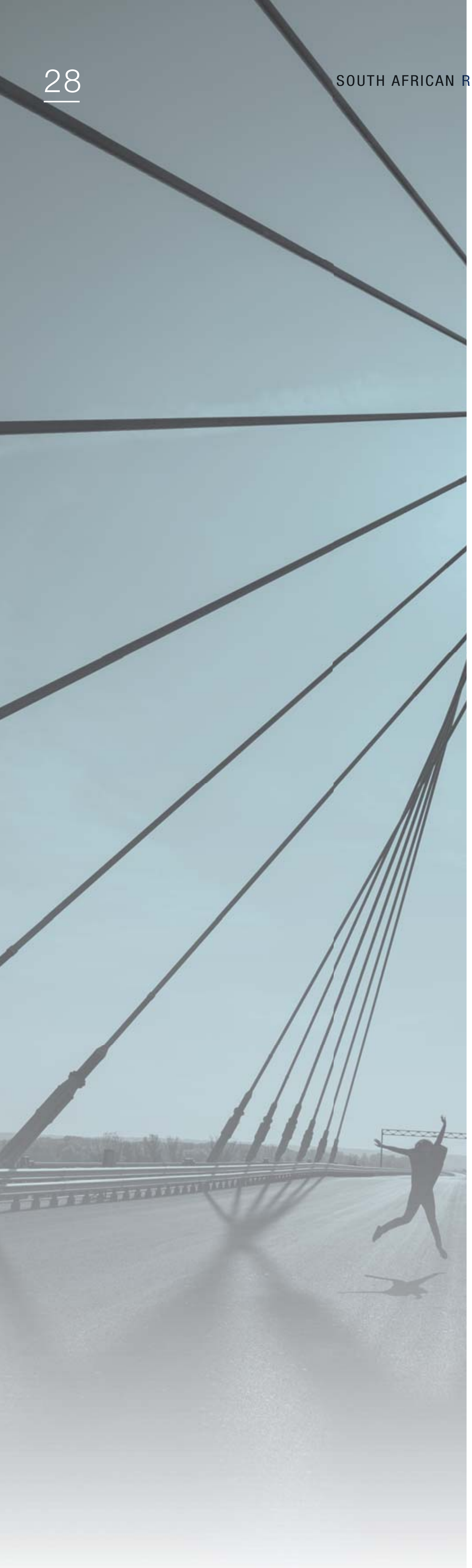
An upgrade of the scorecard and information system application used by the Financial Stability Department to capture regulatory standards and focus areas, and to rate the department's performance.

An upgrade of SADC SIRESS which ensures that southern Africa has an effective and efficient payment system and supports SADC's aim to enhance intra-regional trade. The upgrade improved functionality and integrated finance systems for automated billing and cost-recovery.

The implementation of Calypso, a reserve management system used by the Financial Markets Department. The project aims to improve business processes to effectively manage South Africa's foreign-exchange reserves.

IT OPERATING MODEL

The organisational structure of the IT function is aligned to the plan, build, run and support operating model and the IT Strategy. This operating model provides clear performance and operational management criteria and priorities.



INFORMATION TECHNOLOGY REPORT
– continued

IT GOVERNANCE

Following a review of the effectiveness of the ITSC and its subcommittees, the committees' terms of reference were revised and new membership implemented. The ITSC is mandated to provide a strategic oversight role to ensure that the IT Strategy aligns to the SARB's Strategy through the approval, prioritisation and monitoring of strategic IT projects and initiatives.

The key objectives of the ITSC include:

> ensuring that all new IT initiatives align to the SARB's Strategy and Business;
> prioritising IT projects and initiatives;
> ensuring that the IT function delivers value through effective management and monitoring of IT project risks and IT resources; and
> approving IT investments.

The SARB continues to strengthen IT assurance-based functions (governance, risk and compliance) by enhancing the process maturity for IT compliance and ensuring compliance with the King III requirements for IT governance. The SARB has successfully transitioned from COBIT 4.1 to COBIT 5, and IT and key business process owners have been trained on implementing the new framework.

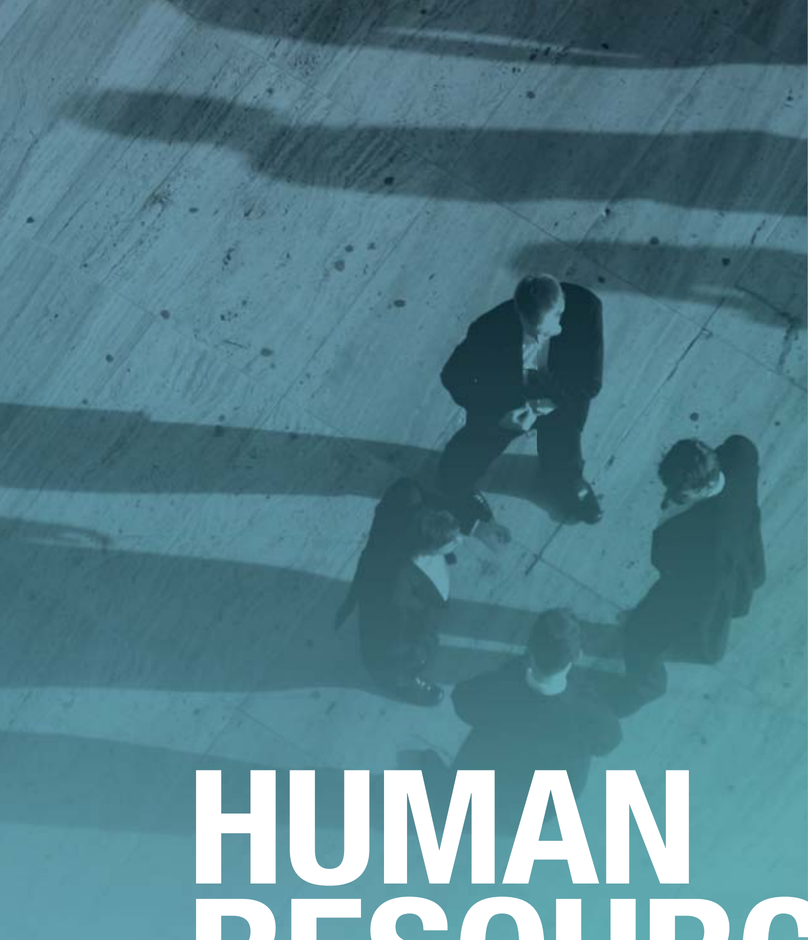
The IT Charter embraces the principles of King III and assists the Board in discharging its IT responsibilities. It also ensures effective two-way engagement between management and the Board on IT matters. The Charter outlines the roles and responsibilities of different stakeholders and assigns key decision rights. The IT Governance Framework and IT Charter are being updated to ensure relevance and alignment with the new IT Strategy.

SYSTEM AVAILABILITY

During the reporting period, the IT function also worked to ensure that the information and communications technology environments and solutions are adequately maintained with high availability and reliability. The average availability of the SARB's critical systems for the period was 99.93%, which is above the committed 99%.

LOOKING AHEAD TO 2017/18

The IT function will focus on effectively executing the new IT Strategy.



HUMAN RESOURCES

2016/17 PERFORMANCE HIGHLIGHTS

- Developed and approved an integrated talent management plan with specific, targeted interventions.
- Started aligning the performance contracts of departmental heads to their respective departmental strategic objectives.
- Training expenditure amounted to R47.3 million reaching 72% of employees.
- Completed the roll out of the Total Reward Strategy across the SARB and enhanced the SARB's recognition awards.

To effectively execute its SFAs, the SARB is working towards offering an employee value proposition that attracts, retains and develops critical skills; particularly specialist, knowledge-based skills.

2016/17 HUMAN RESOURCES STRATEGIC FOCUS AREAS

The 2020 People Strategy includes workforce planning, segmented employee value propositions, performance management, learning and development, talent management, and organisational design and culture. For 2016/17, the SARB focused on two areas, namely enhancing its talent management and performance management practices.

Talent management

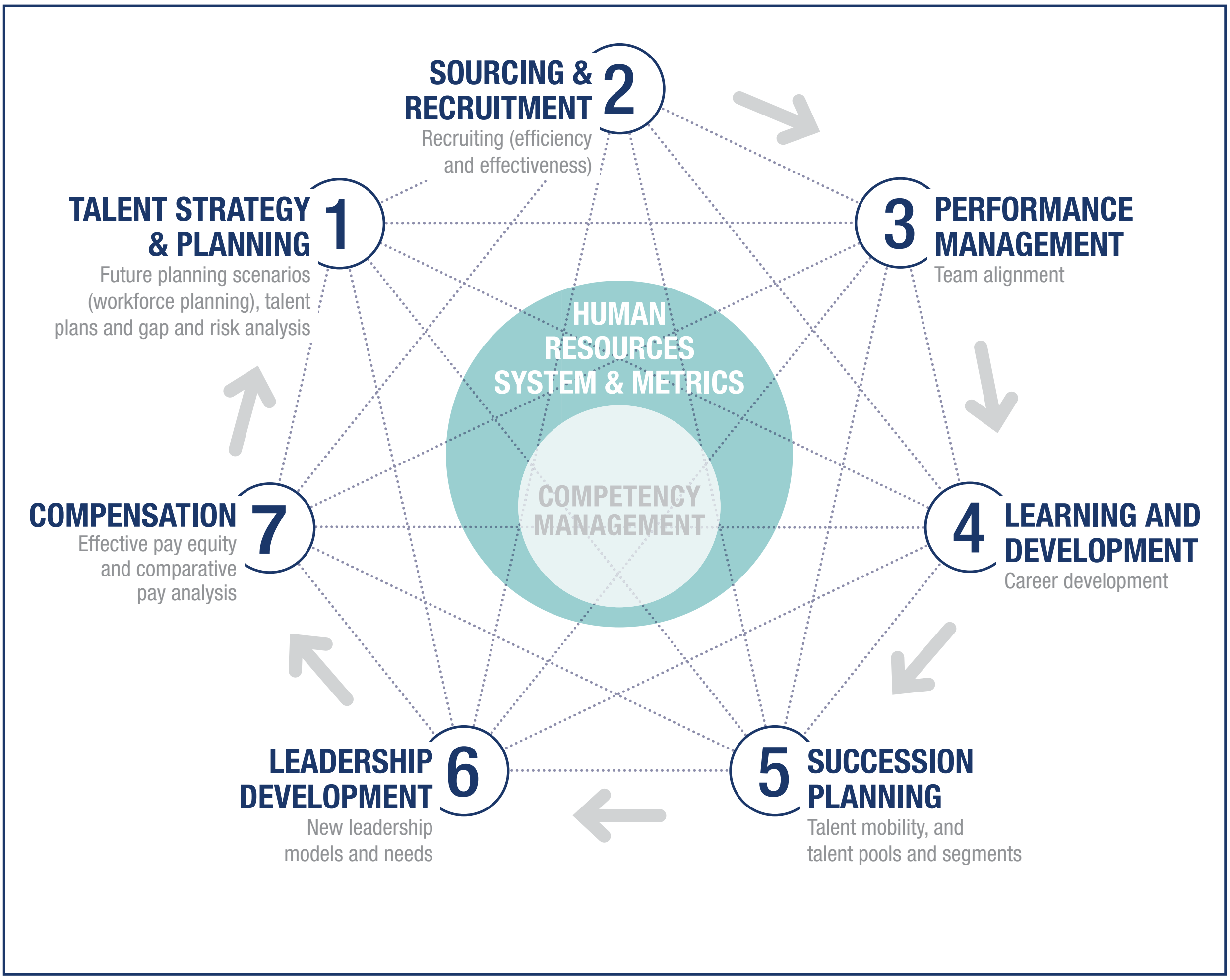
The SARB has adopted an integrated talent management process where the key determinants are:

> **performance:** staff members who consistently outperform their peers and demonstrate the potential and expertise to drive the SARB's SFAs now and into the future; and

> **potential:** a staff member's ability, attitude, ambition and agility to be effective at the next career level.

HUMAN RESOURCES REPORT – *continued*

The integrated talent management process



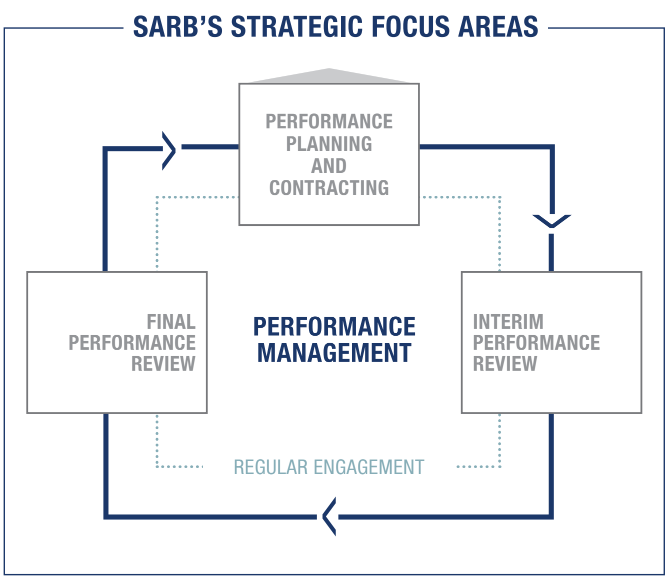
Adopted from a talent management framework developed by Josh Bersin.

A SARB-wide talent review was undertaken during the reporting year which focused on, among other things, identifying the succession cover for departmental heads and their direct reports, understanding critical roles and skills, and highlighting succession and skills gaps and risks, and action plans to manage talent pools. Informed by the review, an integrated talent management plan with specific, targeted interventions was developed and approved.

Performance management

To align performance management to strategy, the Human Resources Department has started revising the performance contracts of departmental heads to reflect the objectives set out in their respective departmental strategic scorecards. This will promote the SMART (specific, measurable, achievable, relevant and time-bound) principles that will enable the SARB's strategic objectives.

The performance process



ORGANISATIONAL CULTURE

Employee engagement is measured using an entropy score, where a lower entropy score suggests improved employee engagement. The Barrett survey is undertaken every two years, with the survey for 2015/16 indicating a slight decrease in the entropy score from 27% in the prior year to 26%. The focus for this year, has been on areas of improvement identified in the 2015/16 survey, and a repeat survey is scheduled for 2017/18.

EMPLOYMENT EQUITY

Transformation and employment equity remain key focus areas and the SARB continues to build a sustainable workforce that reflects the demographics of the economically active population in South Africa. The SARB complies with the Employment Equity Act of 1998, as amended: the 2016/17 employment equity report was accepted by the Department of Labour and the SARB's sixth employment equity plan has been submitted to the department.

Total number of employees

2 186

(2015/16: 2 233)

Average age

42 YEARS

(2015/16: 42 years)

Regrettable turnover ratio

1.46%

(2015/16: 1.3%)

Overall staff turnover

6.2%

(2015/16: 6.2%)

Average years of service

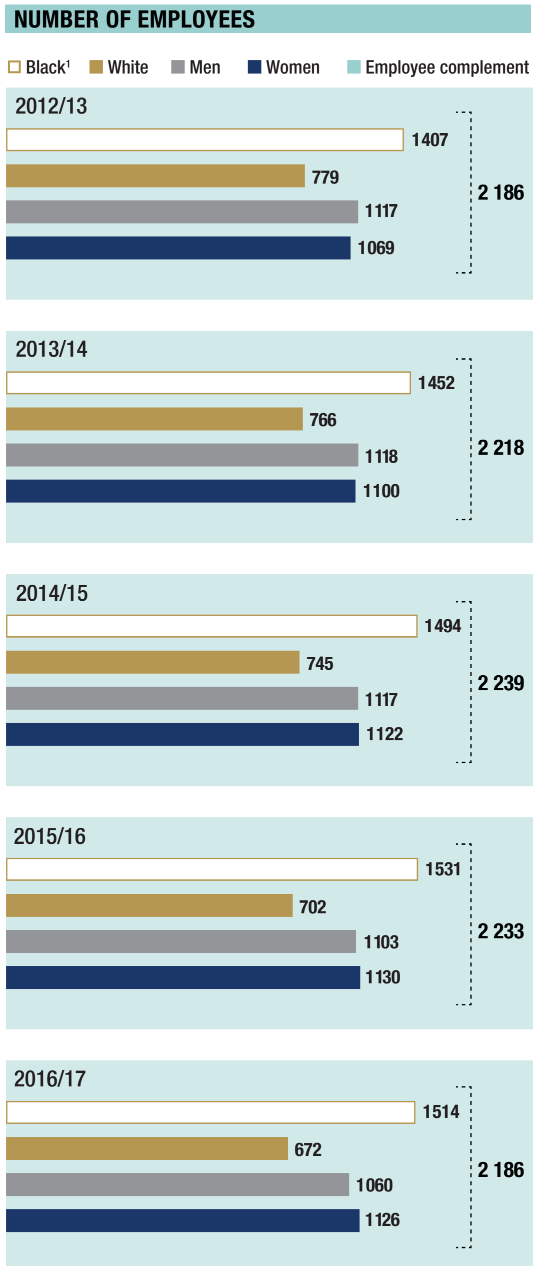
13 YEARS

Years	Employees
0 – 1	218
2 – 4	284
5 – 10	603
11 – 20	544
21 – 30	402
Above 30	135
Total	**2 186**

HUMAN RESOURCES STATISTICS

Employee profile

Headcount over five years disaggregated according to race and gender

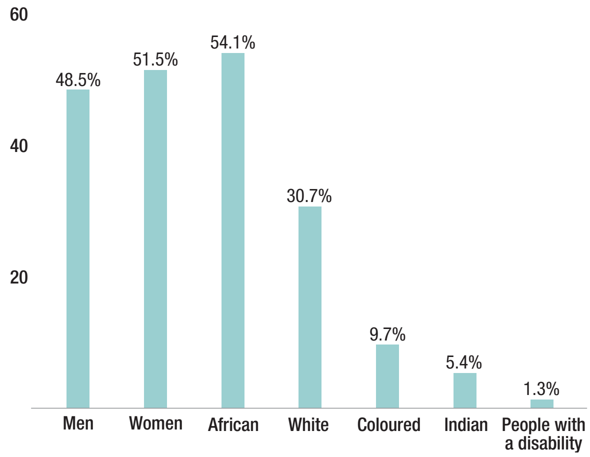


1 Black includes African, Coloured and Indian.

HUMAN RESOURCES REPORT – *continued*

Employment equity profile

EMPLOYMENT EQUITY PROFILE (%)



Learning and development

Training expenditure including study aid

R47.3 million

reaching 72% of employees

Of the 1 594 employees trained

80% ARE BLACK

52% ARE WOMEN

0.9% ARE PEOPLE WITH A DISABILITY

Training spend as a % of total payroll

3%

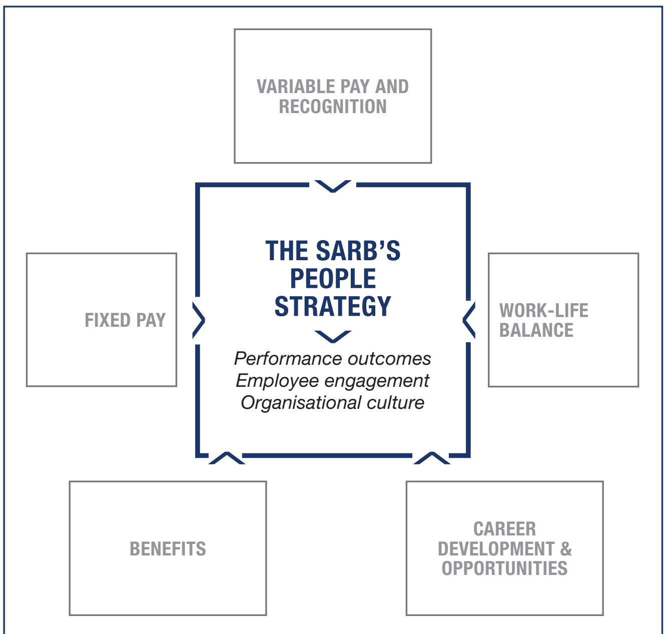
Note: comparative data for training is not available as the scope of the calculation has changed from that used in 2015/16. The figure only reflects employee learning and development and excludes training of people who are not SARB employees (as was previously reported).

REMUNERATION

During the reporting period, the SARB-wide roll out of the Total Reward Strategy was completed. The strategy promotes a flexible, balanced, integrated and cost-effective reward structure comprising direct and indirect reward elements and incentives as shown in the diagram alongside.

The total reward vision

To attract, retain and engage talented, high-performing individuals and teams – the SARB's total reward vision focuses on providing simple, integrated and holistic solutions; common messages and a package that is differentiated from the market.



SARB'S TOTAL REWARDS MODEL

Adopted from a Total Reward Model developed by the World@Work.

Total reward philosophy

The core of the SARB's total reward philosophy is to reward employees for their performance and different contributions to the SARB's strategic objectives.

Fixed pay

During 2014/15, the SARB de-linked performance from fixed pay for employees outside the bargaining unit. Employees in the SARB's FC1, FC2 and FC3 employee bands are within the bargaining unit, while specialists and senior team leaders in the FC4 employee band and all managers are outside of the bargaining unit. In the current reporting period, this de-linking was extended to employees in the bargaining unit following consultation with the Finance Union (SASBO). This emphasises variable elements (incentives) for performance and means that all employees are granted across-the-board increases on an annual basis, excluding those rated 'poor performer'.

During the year under review, the SARB granted an across-the-board increase of 5.2% to employees outside the bargaining unit, based on the average consumer price index calculated from 1 April 2015 to 31 March 2016. Bargaining unit employees were granted a 6.6% across-the-board increase after consultation with SASBO.

Variable pay

The SARB makes provision for the payment of performance bonuses. This promotes a culture of high performance by increasing the variable component of reward for employees performing at acceptable levels.

The SARB revisited its performance bonus pay-outs during the year to ensure they are attractive and competitive, and take into account prevailing economic conditions and the SARB's performance.

Recognition awards

The SARB recognises and promotes positive behaviours (values) and accomplishments that support the achievement of individual, team and the SARB's objectives (mission and vision). The SARB enhanced its recognition awards during the year in an effort to create a positive work environment and improve employee morale and engagement.

SARB RETIREMENT FUND

The SARB Retirement Fund is a single scheme that provides a full spectrum of pension benefits to the employees of the SARB, the SABN and the South African Mint.

At 31 March 2017, the SARB Retirement Fund had 2 743 contributing members, 75 deferred pensioners, 733 life annuitants, 247 life annuities (formerly the SARB Pension Fund), 37 living annuitants, and three deferred retirees (members who have retired from their employer in the Group but not from the fund). The total liability towards all of the above categories of members amounted to R5 828 million at year end.

In addition to the statutory actuarial valuations performed every three years, interim actuarial evaluations are conducted annually. The latest statutory actuarial valuation, at 31 March 2015, found that the fund's financial position is sound.

The fund's assets are managed by an external asset manager, with oversight by an Investment Committee. The Board of Trustees actively monitors changes in the retirement industry; including retirement legislation reform, the advent of Treating Customers Fairly legislation and the implementation of the Protection of Personal Information Act 4 of 2013. Members are kept informed regarding these changes through road shows, circulars and fund booklets. The operations of the fund are constantly reviewed to ensure compliance with legislative changes and leading retirement fund practices. The SARB proactively adjusted its Pay Policy to enable employees to take advantage of the changes to the Taxation Laws Amendment Act, enabling employees to contribute more towards their retirement from 1 March 2016.

STAFF LOANS

The SARB provides vehicle and housing loans to its employees at competitive interest rates. Employees are encouraged to take advantage of these loans to enable faster repayments than they would otherwise have achieved, thereby reducing their debt burden sooner.

LOOKING AHEAD TO 2017/18

The main focus areas will be to:

Mature talent management.
Mature performance management.
Refine the employee value proposition.
Develop appropriate leadership and management programmes.
Continue to develop the SARB's culture to enable it to deliver on its strategy.

CORPORATE SOCIAL INVESTMENT

The SARB's corporate social investment (CSI) programme provides support to beneficiaries in line with the following three focus areas.

- Education and skills development at secondary and tertiary level.
- Social and community development facilitated by employee participation.
- Support for emerging artists and educational support for fine art students.

Education and skills development

The SARB's focus on education and skills development aligns to its price stability mandate, and has the following three interrelated objectives:

> develop skills in the field of monetary policy economics;
> improve the quality of economics and financial journalism; and
> expand the understanding of monetary policy among school learners.

The SARB has partnered with two tertiary institutions, the University of Pretoria and Rhodes University, to strengthen the understanding of monetary policy and to improve the quality of financial journalism in South Africa and the broader African continent respectively.

BENEFICIARIES OF THE SARB'S EDUCATION AND SKILLS DEVELOPMENT PROGRAMMES

Programme	2016	2015	2014
University of Pretoria[1] (postgraduate programme in Monetary Policy)	**39**	59	61
Rhodes University[2] (Economic Journalism Programme)	**10**	9	4
External bursaries	**50**	42	30
Arts and culture bursary	**1**	1	1
South African Institute of Chartered Accountants (SAICA)[3]	**5**	0	0
Sponsorship	**2**	4	2
Total beneficiaries	**107**	**115**	**98**

1 *In 2016, seven of the 39 students at the University of Pretoria were enrolled for a PhD.*

2 *In 2016, four of the 10 students at Rhodes University were enrolled for Masters degrees and will be graduating in 2017, after submitting their theses. Six students who enrolled for post graduate diplomas have graduated.*

3 *Bursary fund.*

External bursary

The SARB's bursary scheme assists students studying at higher education institutions in South Africa. Of the 50 students granted bursaries in 2016, 25 are from previously disadvantaged backgrounds and 16 are women. The total value of external bursaries for the 2016 academic year was R4.2 million.

GRADUATE STATISTICS FOR THE SARB'S EXTERNAL BURSARY SCHEME[1]

	Total number of students	Number of students suspended	Number of bursaries terminated	Number of students who graduated
2016	**50**	**2**	**1**	**9**
2015	42	2	1	1
2014	30	0	1	4
Total	**122**	**4**	**3**	**14**

1 *Four bursary students were employed by the SARB but two have since resigned.*

CORPORATE SOCIAL INVESTMENT REPORT *– continued*

MPC Schools Challenge

Established in 2012, the MPC Schools Challenge is the SARB's flagship programme at secondary school level. The programme offers Grade 12 learners and their teachers the opportunity to form a 'monetary policy committee', analyse economic data and make a recommendation on the country's repurchase (repo) rate. Schools from four provinces are currently participating in the challenge and the SARB's intention is to roll out the programme to all nine provinces by 2018. The total expenditure for the initiative was R1.1 million in 2016.

NUMBER OF SCHOOLS PARTICIPATING IN THE MPC SCHOOLS CHALLENGE PER PROVINCE[1]

	2016	2015	2014
Gauteng	**23**	42	41
Limpopo	**18**	28	43
Free State	**16**	23	0
Mpumalanga	**17**	0	0
Total	**74**	**93**	**84**

1 A requirement of the programme is that participants take a combination of economics and mathematics subjects, excluding maths literacy. Certain schools therefore do not qualify as they do not provide this learning combination.

Employee volunteering

In 2016/17, the SARB launched an employee volunteerism (EV) initiative in line with its CSI Policy. The initiative encourages staff members to volunteer their time in recognition of Mandela Day. It has been launched in five provinces where the SARB has a footprint, and is led by the Governors and senior management.

Schools that were the beneficiaries of employee volunteering include:

> Filadelfia (Gauteng): kitchen, electrical work and cleaning.

> Sibonile (Gauteng): gardening, electrical work and paving.

> Prinshof (Gauteng): painting.

> Authur Blaxall (KwaZulu-Natal): painting, tiling and electrical work.

> Khanyisa (Eastern Cape): gardening.

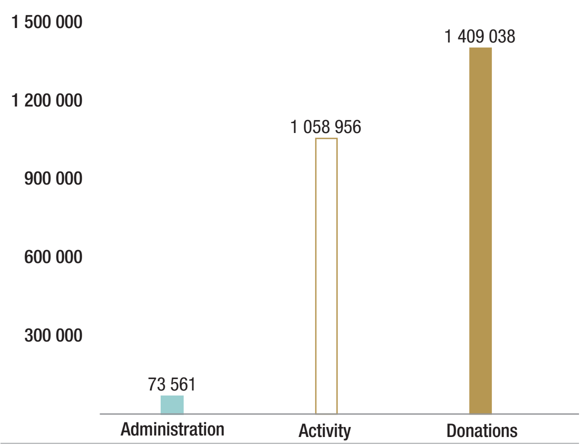
> Vukuhambe (Eastern Cape): painting, installing washing lines and fixing leaking taps.

> Bartimea (Free State): painting and electrical work.

> Athlone (Western Cape): painting, electrical work and gardening.

Over and above the activities described alongside, the SARB donated assistive devices and technology to schools for the visually impaired. Donations included walking canes, talking calculators, coin selectors, a money template, a Prodigy desktop, an A3 Epson scanner and a Smart TV, as well as boiling pots, study lamps and mounted fans. Vukuhambe, a school for children with physical disabilities in the Eastern Cape; received winter blankets, 23 steel beds and five motorised wheelchairs.

EMPLOYEE VOLUNTEERISM SPEND (R)



TOTAL = R2.5 million

TOTAL CSI EXPENDITURE (R)

	2016	2015	2014
University of Pretoria (postgraduate programme in Monetary Policy)	**1 500 000**	800 000	723 598
Rhodes University (Economic Journalism Programme)	**1 600 000**	1 600 000	1 600 000
External bursaries	**4 283 697**	2 625 000	2 625 000
Arts and culture bursaries	**50 000**	50 000	50 000
Thuthuka Educational Upliftment Fund (bursary)[1]	**0**	0	466 560
SAICA bursary fund	**574 000**	525 000	525 000
Sponsorship (matriculants)	**337 415**	360 000	360 000
Employee volunteerism	**2 541 555**	0	0
Total expenditure	**10 886 667**	**5 960 000**	**6 350 158**

Note: the sharp increase in expenditure for 2016 was due to a 63% increase in external bursaries and the introduction of employee volunteerism.

1 Thuthuka Educational Upliftment Fund is a SAICA programme.

SUBSIDIARIES

The Group has three wholly owned subsidiaries comprising: two currency-producing entities and an entity that accepts call deposits from the public sector and invests these funds in short-term money-market instruments and special Treasury bills.

SOUTH AFRICAN RESERVE BANK

- **THE SOUTH AFRICAN MINT COMPANY (RF) PROPRIETARY LIMITED** (SOUTH AFRICAN MINT)
- **THE SOUTH AFRICAN BANK NOTE COMPANY (RF) PROPRIETARY LIMITED** (SABN)
- **THE CORPORATION FOR PUBLIC DEPOSITS** (CPD)

Currency-producing

Investment services

Each subsidiary has its own Board and Board members are appointed by the Governors' Executive Committee, except for the CPD whose Board members are appointed by the Minister of Finance. Each subsidiary's Board is ultimately accountable and responsible for the entity's performance and affairs. The audited financial results of the subsidiaries are consolidated with those of the SARB in the summarised Group annual financial statements which can be found on pages 64 to 104 of this report and in the full Group annual financial statements available online.

The process to more closely align the currency-producing subsidiaries, as well as their policies and procedures with those of the SARB, is ongoing. A Group approach is in place for functions such as risk management, internal audit, company secretariat, finance and security services. This centralisation of functions ensures consistent management approaches and contributes to operational efficiencies.

SUBSIDIARY REPORTS – *continued*

THE SOUTH AFRICAN MINT COMPANY (RF) PROPRIETARY LIMITED

The core function of the South African Mint is to produce coin and coin-related products for South Africa and the international market. Its Board is chaired by Deputy Governor F E (Francois) Groepe.

The South African Mint comprises the following three business units:

CIRCULATION COINS	COLLECTIBLES	PRESTIGE BULLION (RF) PROPRIETARY LIMITED (PRESTIGE BULLION)
Manufactures and supplies legal tender coins for circulation and transactional use in the economy.	Produces premium products (primarily gold and silver) that cater for the collector, gift and investor markets.	A joint venture between the South African Mint and Rand Refinery Proprietary Limited which manufactures, sells and distributes bullion Krugerrand coins for both local and international markets.

Good progress continues to be made against the South African Mint's strategy adopted in 2014/15. A number of programmes are in place to achieve the South African Mint's strategic priorities and are contributing to its stability and profitability.

KEY 2016/17 PERFORMANCE HIGHLIGHTS

The 50th anniversary of the Krugerrand was celebrated at the World Money Fair held in Germany in February 2017, where the Krugerrand stamped its authority as a leading gold bullion product. Introduced in 1967, the Krugerrand was the world's first gold bullion coin aimed at investors and today it is the world's most widely traded bullion coin.

To further celebrate the Krugerrand, the South African Mint's collectibles product range was extended during the year by the introduction of the much anticipated silver Krugerrand and the first South African platinum coin, as well as the re-introduction of the South African Mint's largest (50 ounce) and smallest (1/50 ounce) coins ever produced. The product extension is the primary driver in the record number of sales achieved in one financial year for the collectibles business.

At the Cape Town Flower Show in October 2016, the South African Mint introduced colour coins through the launch of the Kogelberg Biosphere-inspired bird and flower coin range.

International and local sales of the bullion Krugerrand were exceptionally good, with a total of 1 255 806 ounces of gold sold, compared to 910 436 ounces in 2015.

The Circulation Coins business unit performed relatively well during the year. However, after fulfilling the SARB and other orders, factory utilisation tapered towards year-end.

Other interesting product developments, for release later in 2017, include:

> the tickey and crown to celebrate the first successful heart transplant;

> collaboration with PAMP (Produits Artistiques Métaux Précieux) Shanghai to develop a product based on the Chinese zodiac; and

> the development of a silver coin as contribution towards a silver five-coin set to celebrate 2018 FIFA World Cup Russia™.

Looking forward, a number of initiatives have been identified for 2017/18, including filling surplus capacity in circulation coins, growing domestic collectible coin demand and globally growing bullion market share.

THE SOUTH AFRICAN BANK NOTE COMPANY (RF) PROPRIETARY LIMITED

The SABN produces banknotes for the SARB and the international markets. Its Board is chaired by Deputy Governor F E (Francois) Groepe.

The SABN made significant progress against its strategic focus areas in the period under review, focusing on developing and implementing a roadmap, strategic initiatives and projects to support the achievement of its 2020 Strategy and business plan.

The SABN completed the SARB's banknote order for 2016/17.

KEY 2016/17 PERFORMANCE HIGHLIGHTS

Various types of substrates were successfully tested as potential options for the printing of future banknote series.
The overall banknote waste rate improved to 6.2% at 31 March 2017 (2015/16: 7.4%).
The Leadership Watermark initiative, launched in November 2015, defines a set of personal leadership behaviours required to drive a high-performance culture. The ongoing initiative is improving the connection between the change in the broader organisational culture and the individual employee and self-leadership.
The information and communications technology (ICT) environment is providing a stable, reliable and consistent level of service delivery that meets business requirements. This is complemented by the increased maturity of ICT governance and controls, enabling a greater focus on business value. The enterprise architecture blueprint was successfully completed and will ensure the alignment of all future business systems requirements and has identified several projects to enable the 2020 Strategy.
Project Simunye, to establish a single campus for the SABN and Pretoria North Depot, is ongoing and the focus is on aligning shared infrastructure and facilities; as well as facilities, security and catering services.
The project to establish a seamless power solution is progressing well and expected to be fully commissioned by mid-2017. The heating, ventilation and air-conditioning (HVAC) project is focusing on upgrades to the roof and supply and control HVAC systems. A feasibility study will be undertaken to ensure that SABN implements the best option. Multiple initiatives to upgrade the SABN building are also underway.
Two lost time incidents were recorded in 2016/17, with the lost time injury frequency rate increasing to 0.82 and not meeting the target of 0.5. The safety, health and environment management processes, including training and awareness, are constantly reviewed to ensure that employees remain vigilant.
Ms J (Joyce) Kumbirai, appointed in May 2011 as the Managing Director of the SABN, retired with effect from 31 March 2017. Ms Kumbirai oversaw the successful recapitalisation of the SABN and its return to profitability. A new appointment will be confirmed by June 2017.

SUBSIDIARY REPORTS – *continued*

THE CORPORATION FOR PUBLIC DEPOSITS

The CPD accepts call deposits from the public sector and invests these funds in short-term money-market instruments and special Treasury bills. Subject to approval from the Minister of Finance, the CPD may also accept call deposits from other depositors. All funds invested with the CPD and the interest that is earned on these funds are repayable on demand. The CPD's Board meets four times a year and is chaired by Deputy Governor A D (Daniel) Mminele.

The CPD is governed by the Corporation for Public Deposits Act 46 of 1984 (CPD Act). Its Board is appointed by the Minister of Finance and comprises officials from the SARB and National Treasury. Owing to the scope and risk profile of the CPD, its Board concluded that it is not necessary to appoint any Board committees to support the CPD in the discharge of its responsibilities.

The CPD is accommodated at the SARB's head office and uses the SARB's accounting systems and other infrastructure. The SARB's Financial Services Department is responsible for the administration and accounting of funds under the CPD's control, and the CPD's investment activities are performed by the SARB's Financial Markets Department.

THE SOUTH AFRICAN RESERVE BANK CAPTIVE INSURANCE COMPANY (RF) LIMITED (SARBCIC)

SARBCIC was originally established to carry out short-term insurance business for and on behalf of the Group.

At its meeting on 19 February 2016, the SARB's Board resolved that, owing primarily to the imminent implementation of the Twin Peaks Regulatory Model, as set out in the Financial Sector Regulation Bill, the Group's short-term insurance portfolio should be restructured by dissolving SARBCIC to prevent a conflict of interest for the SARB and replacing it with an appropriate and cost-effective alternative structure.

The Companies and Intellectual Property Commission deregistered SARBCIC in terms of section 82(3) of the Companies Act, 2008, on 21 July 2016, and it therefore is no longer a wholly owned subsidiary of the Group.

GOVERNANCE AND RISK MANAGEMENT

BOARD OF DIRECTORS

The SARB has a unitary board structure which functions in terms of the amended South African Reserve Bank, Act 90 of 1989 (SARB Act) and a Board Charter. Previously, the review of the Board Charter and the terms of reference of all committees was undertaken annually however, in February 2017 the Board of Directors (the Board) agreed to revise the Charter and terms of reference every three years going forward, unless otherwise required.

GOVERNOR


1

DEPUTY GOVERNORS


2


3


4

NON-EXECUTIVE DIRECTORS


5


6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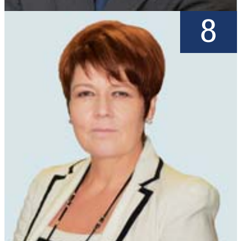
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GOVERNOR

1 **E L (Lesetja) Kganyago** *(51)*
Governor

DEPUTY GOVERNORS

2 **A D (Daniel) Mminele** *(52)*
Deputy Governor

3 **F E (Francois) Groepe** *(47)*
Deputy Governor

4 **K (Kuben) Naidoo** *(46)*
Deputy Governor

NON-EXECUTIVE DIRECTORS

5 **T (Tania) Ajam** *(46)*
Non-executive director

6 **R J G (Rob) Barrow** *(70)*
Non-executive director
Chairperson of the Audit Committee

7 **F (Firoz) Cachalia** *(59)*
Non-executive director
Chairperson of the Board Risk and Ethics Committee

8 **C B (Charlotte) du Toit** *(51)*
Non-executive director

9 **V J (Venete) Klein** *(58)*
Non-executive director
Chairperson of the Remuneration Committee

10 **R (Rochelle) le Roux** *(52)*
Non-executive director

11 **M (Maureen) Manyama** *(40)*
Non-executive director

12 **T (Terence) Nombembe** *(55)*
Non-executive director

13 **G M (Gary) Ralfe** *(72)*
Non-executive director
Chairperson of the Non-executive Directors' Committee

14 **B W (Ben) Smit** *(66)*
Non-executive director

15 **N (Nicholas) Vink** *(62)*
Non-executive director

PG 45 to 48

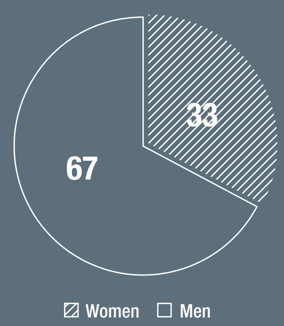
Directors' curricula vitae.

Board composition

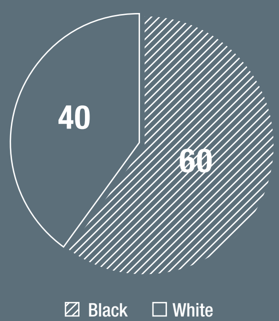
The Board comprises
15 members
as required by the SARB Act

The average age of directors is
55.2 years

GENDER COMPOSITION (%)



RACE COMPOSITION (%)



GOVERNANCE REPORT

BOARD OF DIRECTORS

The Governor and three Deputy Governors of the SARB are executive members of the Board and are appointed by the President of the Republic of South Africa after consultation with the Minister of Finance and the Board. For their first term of office, the Governor and Deputy Governors are appointed for a period of five years and thereafter, may be reappointed for further terms not exceeding five years at a time.

The President of the Republic of South Africa re-appointed F E (Francois) Groepe as Deputy Governor with effect from 1 January 2017 for a further term of five years.

The Governor effectively serves as both the Chief Executive Officer (CEO) of the SARB and Chairperson of the Board, with a casting and deliberative vote as stipulated in the SARB Act. This does not comply with the third King Report on Corporate Governance's (King III) recommendation that a chairperson be an independent non-executive director. The Chairperson of the Non-executive Directors' Committee fulfils the role of lead independent non-executive director and has unrestricted access to the Governor.

In consultation with the Minister of Finance, the President of the Republic of South Africa also appoints four non-executive directors to the Board and the remaining seven non-executive directors are elected by the SARB's shareholders. Non-executive directors can serve up to three terms of three years each, which is in line with the nine-year tenure recommended in King III as an appropriate period of service for Board members.

Details on the changes made to the Board in the current reporting year can be found on page 66 of the directors' report in the summarised Group annual financial statements. At 31 March 2017, there were no vacancies on the Board.

Non-executive directors do not have service contracts with the SARB. Amendments to the SARB Act in 2010 introduced the 'fit and proper' criterion for directorship and established a Panel to evaluate prospective non-executive directors. This ensures that the Board comprises of people with integrity and a diversity of knowledge and skills to enable effective governance.

Advertisements calling for the nomination of candidates to fill shareholder-elected Board vacancies are placed in national newspapers, on the SARB's website and with the Institute of Directors in Southern Africa. The Panel evaluates prospective non-executive directors in terms of skill, knowledge and diversity, and recommends a maximum of three candidates for each vacancy, for consideration and election by shareholders at the annual Ordinary General Meeting (AGM).

Directors perform annual self-assessments to evaluate the functioning of the Board as a whole and of its committees. The Chairperson meets annually with all directors individually; and these meetings, among other things, also serve to inform recommendations for the nomination (or otherwise) of a Board member for re-election. Recommendations are made after the needs and skills of the Board have been assessed and consideration of the non-executive director's contribution to the work of the Board.

The SARB Act stipulates the matters that the Board must consider and the Board Charter sets out the rules and procedures for the Board to ensure the proper discharge of its governance functions. The Board receives reports from the Governors' Executive Committee (GEC) (which is responsible for the day-to-day management of the SARB) and the various Board committees (which are chaired by non-executive directors). The Board ordinarily meets five times a year.

GOVERNORS' CURRICULA VITAE

GOVERNOR

E L (Lesetja) Kganyago *(51)*

Appointed Governor: 9 November 2014.
Served as a Deputy Governor:
16 May 2011 to 8 November 2014.

Responsibilities: responsible for the Executive Management Department, SARB Group Secretariat, General Counsel, Internal Audit Department and Economic Research and Statistics Department.

Before his appointment to the SARB, Mr Kganyago was Director General of National Treasury and has represented South Africa in international organisations such as the World Bank, the International Monetary Fund (IMF), the Group of 20 (G-20) and the African Development Bank. Mr Kganyago holds an MSc in Economics from London University's School for Oriental and African Studies and a BCom degree in Economics and Accounting from the University of South Africa (UNISA). He has received training in finance, economics and management.

DEPUTY GOVERNORS

A D (Daniel) Mminele *(52)*

Appointed Deputy Governor:
1 July 2009 and reappointed with effect from 1 July 2014.

Responsibilities: responsible for the SARB's Markets and International clusters and oversees the Human Capital and Operations Cluster reporting to the Chief Operating Officer (COO).

Mr Mminele is the G-20 central bank deputy for South Africa. He holds a diploma in Banking (Bankkaufmann) awarded by the Chamber of Industry and Commerce (Bielefeld, Germany), and certificates from the Chartered Institute of Bankers in London. Mr Mminele completed an Executive Leadership Programme at the Wharton School of Business and Goldman Sachs. His experience before joining the SARB includes credit-risk analysis, corporate banking, and project and structured finance at private banking institutions in Germany, the United Kingdom (UK) and South Africa.

F E (Francois) Groepe *(47)*

Appointed non-executive director:
July 2004.

Appointed Deputy Governor:
1 January 2012 and recently reappointed for a second five-year term.

Responsibilities: responsible for the SARB's Financial Stability and Currency Management clusters.

Mr Groepe represents the SARB in various international forums and standard-setting bodies such as the Bank for International Settlements' (BIS) Committee on Payments Market Infrastructures, the Financial Stability Board's Standing Committee on Standards Implementation, the Resolution Steering Group and the Regional Consultative Forum. Prior to joining the SARB, Mr Groepe was the Group Managing Director and CEO of Media24. He holds BCom (Hons), Hons B(B&A) and MBA degrees from Stellenbosch University, LLB and LLM degrees from UNISA, a MSc Finance (Economic Policy) degree from London University's School for Oriental African Studies and a postgraduate diploma in Tax Law from the University of Cape Town. He is a Chartered Management Accountant and an Advocate of the High Court of South Africa.

K (Kuben) Naidoo *(46)*

Appointed Deputy Governor:
1 April 2015.

Served as an Advisor to the Governor:
from 1 April 2013 to 31 March 2015.

Responsibilities: responsible for the SARB's Prudential Authority Cluster.

Mr Naidoo previously headed the Secretariat at the National Planning Commission (NPC) in the Presidency, and the Budget Office at National Treasury. He holds MBA and BSc degrees and a postgraduate diploma in Public Management.

GOVERNANCE REPORT – *continued*

NON-EXECUTIVE DIRECTORS' ABRIDGED CURRICULA VITAE

QUALIFICATION	REPRESENTATION AND SKILLS	COMMITTEE MEMBERSHIP	OTHER DIRECTORSHIPS
T (Tania) Ajam *(46)*			
MBusSc, BBusSc, BA (Hons) in Economics, PhD (Public Management)	**Appointed:** October 2011 and reappointed in July 2014 for another three years. Represents government.	> Board Risk and Ethics Committee > Non-executive Directors' Committee	Member of the Davis Tax Committee, Director of INCA Portfolio Managers, Director of Pan-African Investment and Research Services
R J G (Rob) Barrow *(70)*			
CA(SA) and has been actively involved in financial markets regulation and the setting of accounting standards in South Africa	**Elected:** July 2011 and re-elected in July 2014 for another three years. Has knowledge and skills in commerce and finance.	> Audit Committee (Chairperson) > Board Risk and Ethics Committee > Non-executive Directors' Committee	Non-executive director of the SARB's two currency producing subsidiaries and Strate (Pty) Ltd (the South African central securities depository)
F (Firoz) Cachalia *(59)*			
LLM, LLB, BA (Hons) and BA degrees, higher diploma in Company Law; admitted as an attorney	**Appointed:** July 2012 and re-appointed in 2015 for another three years. Represents government.	> Audit Committee > Board Risk and Ethics Committee (Chairperson) > Non-executive Directors' Committee	Adjunct Professor at the University of the Witwatersrand (Wits) Law School and participates on the boards of various organisations
C B (Charlotte) du Toit *(51)*			
PhD (Econometrics)	**Elected:** July 2016. Has knowledge and skills in industry.	> Board Risk and Ethics Committee > Non-executive Directors' Committee	Plus Economics Advisory (Pty) Ltd
V J (Venete) Klein *(58)*			
CD(SA) (Chartered Director South Africa), business and financial qualifications from Harvard, Insead Business School, the Massachusetts Institute of Technology, the International Institute for Management Development and Wits	**Elected:** July 2015. Has knowledge and skills in commerce and finance.	> Non-executive Directors' Committee > Remuneration Committee (Chairperson)	Calgo M3 Holdings, PG Group, DB Schenker, Trustee of the South African National Defence Force Education Trust

QUALIFICATION	REPRESENTATION AND SKILLS	COMMITTEE MEMBERSHIP	OTHER DIRECTORSHIPS
R (Rochelle) le Roux *(52)*			
Law degrees and diplomas from local and international universities, including a PhD	**Elected:** July 2011 and re-elected in July 2014 for another three years. Has knowledge and skills in labour.	> Non-executive Directors' Committee > Remuneration Committee	Director of the Institute of Development and Labour Law
M (Maureen) Manyama *(40)*			
CA(SA), MBA, BCompt (Hons), BCom (Hons) (Taxation), BCom (Accounting), postgraduate diploma in Integrated Reporting	**Appointed:** July 2011 and reappointed in July 2014 for another three years. Represents government.	> Audit Committee > Non-executive Directors' Committee	Non-executive director of various organisations
T (Terence) Nombembe *(55)*			
CA(SA), BCompt (Hons), BCom, conferred with an Honorary Doctorate in Accounting Science by the Walter Sisulu University	**Appointed:** July 2014. Represents government.	> Audit Committee > Board Risk and Ethics Committee > Non-executive Directors' Committee	Board member and CEO of the South African Institute of Chartered Accountants (SAICA), Pan African Federation of Accountants, International Federation of Accountants, Global Accounting Alliance, Chartered Accountants Worldwide, Trustee of the Thuthuka Bursary Fund Board of Trustees and council member of the International Integrated Reporting Council (IIRC)
G M (Gary) Ralfe *(72)*			
BA (Hons) (History), BProc	**Elected:** July 2011 and re-elected in July 2014 for another three years. Has knowledge and skills in mining.	> Audit Committee > Non-executive Directors' Committee (Chairperson) > Remuneration Committee	Chairperson or Director of four non-governmental organisations involved in education, health and the promotion of constitutional democracy

GOVERNANCE REPORT – *continued*

NON-EXECUTIVE DIRECTORS' ABRIDGED CURRICULA VITAE – *continued*

QUALIFICATION	REPRESENTATION AND SKILLS	COMMITTEE MEMBERSHIP	OTHER DIRECTORSHIPS
B W (Ben) Smit *(66)*			
DCom and MCom degrees in Economics	**Elected:** December 2010 and re-elected in July 2013 and July 2016 for another three years. Has knowledge and skills in industry.	> Board Risk and Ethics Committee > Non-executive Directors' Committee	None
N (Nicholas) Vink *(62)*			
PhD (Agriculture) in Agricultural Economics	**Elected:** July 2016. Has knowledge and skills in agriculture.	> Non-executive Directors' Committee > Remuneration Committee	Chair of the Department of Agricultural Economics at Stellenbosch University, non-executive director on the Board of Rooibos Ltd, Chairperson of the Board of Trustees for the Centre for Rural Legal Studies

FUNCTIONING OF THE BOARD

Governors and executive directors

The SARB is governed within a framework of accountability that comprises established structures, operations and controls. The framework aims to ensure the highest level of effectiveness and efficiency in achieving the SARB's objectives, which include:

- the fulfilment of the SARB's primary mandate to achieve price stability;
- accountable, effective and efficient utilisation of powers, organisational decision-making structures, and monitoring and control measures;
- maintaining sound and transparent relations with the SARB's stakeholders;
- complying with all applicable legal and regulatory requirements in terms of which the SARB carries out its activities; and
- acknowledging the needs of society and the environment in terms of the physical effects of the SARB's operations on its surroundings and its economic interaction with the general public.

The Board has a formal governance framework that sets out requirements and responsibilities in the following four areas.

The composition and membership of the Board.

Board and organisational matters.

Board committees and their terms of reference.

Policies and procedures pertaining to corporate governance.

Board and its committees

Board and committee structure at 31 March 2017

THE BOARD

AUDIT COMMITTEE

BOARD RISK AND ETHICS COMMITTEE (BREC)

NON-EXECUTIVE DIRECTORS' COMMITTEE (Nedcom)

REMUNERATION COMMITTEE (Remco)

FREQUENCY AND ATTENDANCE OF BOARD AND COMMITTEE MEETINGS (1 April 2016 to 31 March 2017)

Name	Date appointed	Board (5 meetings)	Audit Committee (4 meetings)	BREC (3 meetings)	Nedcom (3 meetings)	Remco (4 meetings)
E L (Lesetja) Kganyago^*	9/11/2014	4/5	4/4	3/3	2/3	3/4
A D (Daniel) Mminele>°*	1/7/2009	5/5	3/4	n/a	n/a	3/4
F E (Francois) Groepe>*	1/1/2012	5/5	3/4	2/3	n/a	n/a
K (Kuben) Naidoo*	1/4/2015	4/5	n/a	2/3	n/a	n/a
T N (Thandeka) Mgoduso#	19/7/2006	2/5	n/a	n/a	1/3	1/4
J F (Hans) van der Merwe#	21/9/2007	2/5	n/a	1/3	1/3	1/4
B W (Ben) Smit	8/12/2010	5/5	n/a	3/3	3/3	n/a
R J G (Rob) Barrow	1/7/2011	5/5	4/4	3/3	3/3	n/a
G M (Gary) Ralfe*Δ	1/7/2011	5/5	4/4	n/a	2/3	3/4
R (Rochelle) le Roux	1/7/2011	5/5	n/a	n/a	3/3	4/4
M (Maureen) Manyama*	6/10/2011	3/5	2/4	n/a	2/3	n/a
T (Tania) Ajam	6/10/2011	5/5	n/a	3/3	3/3	n/a
F (Firoz) Cachalia*	16/7/2012	5/5	4/4	3/3	2/3	n/a
T (Terence) Nombembe*	14/7/2014	2/5	4/4	3/3	2/3	n/a
V J (Venete) KleinΔ	31/7/2015	5/5	n/a	n/a	3/3	4/4
C B (Charlotte) du Toit†	30/7/2016	3/5	n/a	2/3	2/3	n/a
N (Nicholas) Vink+	30/7/2016	3/5	n/a	n/a	2/3	2/4

■ *Chairperson of the Board or committee.*
^ *Attends Audit Committee, Remco and Nedcom meetings by invitation.*
> *Attends Audit Committee meetings by invitation.*
° *Attends Remco meetings by invitation.*
Term expired on 30 July 2016.
† *Appointed to BREC with effect from 1 October 2016.*
+ *Appointed to Remco with effect from 1 October 2016.*
* *Apologised for absence(s).*
Δ *Appointed as Chairperson with effect from 1 October 2016.*
n/a: not applicable.

GOVERNANCE REPORT – *continued*

AUDIT COMMITTEE

MEMBERS

Chairperson: R J G (Rob) Barrow, an independent non-executive director who is also a member of the BREC.

Members: all five committee members are independent non-executive directors with financial expertise. Three are chartered accountants.

By invitation: Governor E L (Lesetja) Kganyago, Deputy Governor A D (Daniel) Mminele, Deputy Governor F E (Francois) Groepe, the COO, the Head of the Financial Services Department (FSD) and Group Chief Financial Officer (CFO), Chief Internal Auditor (CIA), Head of the Risk Management and Compliance Department (RMCD) attend meetings by invitation.

Roles and responsibilities

In line with its terms of reference the Audit Committee has an objective, independent role and assists the Board in fulfilling its oversight responsibilities for financial reporting, the system of internal controls, the audit process and, as appropriate, the SARB's compliance with laws and regulations as they relate to financial reporting. The committee also reviews the deliberations and minutes of the audit committees of the SARB's currency-producing subsidiaries (the South African Mint and the SABN).

The Chairperson, R J G (Rob) Barrow, is a non-executive director and member of the audit committees of the currency-producing subsidiaries, ensuring the sharing of information and alignment with the Group's policies.

The internal and external auditors have unrestricted access to the committee's Chairperson, and the committee meets regularly with the heads of the Business Systems and Technology Department (BSTD), the FSD, the RMCD, the Internal Audit Department (IAD) and the external auditors.

Key activities in 2016/17

> Reviewed all significant internal audit findings and monitored management response thereto.

> Received a combined assurance report at its May 2017 meeting when the draft Annual Report 2016/17 was considered. The committee was satisfied with the assurance given that the SARB's control environment is sound.

> Reviewed and approved the annual fee limits for non-audit work done by the statutory auditors for the SARB and the Group.

> Reviewed the scope of the internal audit and of the external statutory audit.

> Conducted its annual self-assessment, as well as assessments of the SARB's internal audit and financial functions, and the external auditors.

> Considered the applicability of the new guidelines set out in the independent auditors' report.

> Considered the accounting treatment of the Prudential Authority.

BOARD RISK AND ETHICS COMMITTEE

MEMBERS

Chairperson: F (Firoz) Cachalia, an independent non-executive director who also serves on the Audit Committee.

Members: comprises six non-executive directors, the Governor and two Deputy Governors, one being the Deputy Governor responsible for the RMCD.

Roles and responsibilities	The BREC assists the Board in discharging its responsibilities with regard to risk management and good corporate citizenship in the SARB. The committee oversees and monitors all matters relating to risk management by reviewing the status of risk management, the effectiveness of the risk management policy and activities, and the mitigating measures that address key risks, as well as by monitoring the Group's risk management disclosure. It also monitors the Group's activities to ensure responsible corporate citizenship, specifically social and ethics responsibilities.
Key activities in 2016/17	> Considered both Group-wide and departmental risk reports; including strategic, operational, financial, compliance and reputational risk areas, as well as the Corporate Social Investment Policy and report. > Monitored all matters reported to the whistle-blowing hotline.

NON-EXECUTIVE DIRECTORS' COMMITTEE

MEMBERS

Chairperson: G M (Gary) Ralfe, an independent non-executive director, appointed as Chairperson following the expiry of J F (Hans) van der Merwe's term in 2016.

Members: all non-executive Board directors.

By invitation: executive directors and management attend meetings by invitation.

Roles and responsibilities	Nedcom's primary function is to assist the Board in fulfilling its legal and supervisory obligations and responsibilities, enhance corporate governance practices, ensure ongoing director training and development, and annually evaluate the performance of the Governor, Deputy Governors, the Secretary of the Bank and the Assistant Secretary of the Bank.
Key activities in 2016/17	> Received presentations and discussed various topics on the local and global economic environment, as well as specific areas of interest, as part of ongoing director training and development. > Considered the performance of the Governor, Deputy Governors, the Secretary of the Bank and the Assistant Secretary of the Bank. > Considered the training needs of directors.

GOVERNANCE REPORT *– continued*

REMUNERATION COMMITTEE

MEMBERS

Chairperson: V J (Venete) Klein, an independent non-executive director, appointed as Chairperson following the expiry of T N (Thandeka) Mgoduso's term in 2016.

Members: comprises four non-executive directors.

By invitation: Governor E L (Lesetja) Kganyago, Deputy Governor A D (Daniel) Mminele, the COO, the Group Head of Human Resources and the Head of the SARB Academy attend meetings by invitation.

Roles and responsibilities

Remco reviews the Bank-wide framework for human resources, as well as remuneration policies and practices. In line with its terms of reference, the committee recommends for consideration by the Board the remuneration packages of the Governor and Deputy Governors, and the structure of the remuneration of, and incentives for, employees. The executive directors, rather than Remco, recommend the remuneration of non-executive directors for confirmation by the Board after conducting relevant enquiries and benchmarking against similar organisations and surveys to determine an appropriate increase.

Key activities in 2016/17

- Focused on the monitoring and roll out of various human resources initiatives, including the Total Reward Strategy, talent management and wellness operating model.
- Monitored the review of the SARB's human resources policies.
- Amended the Governors' Handbook, which covers the Board-approved rules in respect of the governors' benefits, privileges and terms of service.
- Reviewed the SARB Academy's strategy.

GOVERNANCE REPORT – *continued*

GENERAL MANAGEMENT

1 **J (Johann) Bence** *(56)*
Head: Currency Management Department

2 **A (André) Bezuidenhout** *(62)*
Head: Risk Management and Compliance Department (retired on 31 March 2017)

3 **B (Bulelwa) Boqwana** *(49)*
Chief of Staff – Executive Management

4 **D E (Denzel) Bostander** *(44)*
Head: Conglomerate Supervision Department

5 **R (Rashad) Cassim** *(51)*
Head: Economic Research and Statistics Department

6 **J J (Johann) de Jager** *(62)*
General Counsel

7 **N (Naidene) Ford-Hoon** *(49)*
Head: Financial Services Department and Group Chief Financial Officer

8 **D P (David) Garnett** *(50)*
Head: Security Management Department

9 **M S (Saleem) Ismail** *(56)*
Head: Business Systems and Technology Department

10 **S B (Brian) Kahn** *(63)*
Advisor to the Governor

11 **U (Unathi) Kamlana** *(37)*
Head: Policy, Statistics and Support Department

12 **H M (Ntebo) Kgoroba** *(51)*
Group Head: Human Resources Department

13 **G M (Gerdus) Lewis** *(43)*
Head: Internal Audit Department and Chief Internal Auditor

14 **C (Craig) Lister** *(42)*
Head: Strategy Management Office

15 **P (Pradeep) Maharaj** *(55)*
Group Executive Currency Management

16 **P M T (Tim) Masela** *(56)*
Head: National Payment System Department

17 **S E (Elijah) Mazibuko** *(53)*
Head: Financial Surveillance Department

18 **F S (Sandile) Mthiyane** *(43)*
Head: Corporate Services Department

19 **L R (Leon) Myburgh** *(50)*
Head: Financial Markets Department

20 **H F (Hendrik) Nel** *(56)*
Head: Financial Stability Department

21 **M (Mogam) Pillay** *(44)*
Chief Operating Officer

22 **L (Logan) Rangasamy** *(54)*
Head: International Economic Relations and Policy Department

23 **S L (Sheenagh) Reynolds** *(50)*
Head: SARB Group Secretariat and Secretary of the Bank

24 **J (Jabulani) Sikhakhane** *(52)*
Head: Communications Division

25 **R (Rob) Urry** *(54)*
Head: Specialist Risk Support Department

26 **C J (Chris) van der Walt** *(54)*
Head: Legal Services Department

27 **S (Suzette) Vogelsang** *(49)*
Head: Insurance, Banking and Financial Market Infrastructure Supervision

28 **L (Lucy) Voss-Price** *(46)*
Head: SARB Academy

GOVERNANCE REPORT *– continued*

EXECUTIVE MANAGEMENT

Governors' Executive Committee and its committees

GOVERNORS' EXECUTIVE COMMITTEE (GEC)

MONETARY POLICY COMMITTEE (MPC)

FINANCIAL STABILITY COMMITTEE (FSC)

BUDGET COMMITTEE (BC)

IT STEERING COMMITTEE (ITSC)

MANAGEMENT COMMITTEE (Manco)

RESERVES MANAGEMENT COMMITTEE (Resmanco)

RISK MANAGEMENT COMMITTEE (RMC)

PG 17 and 23

More information on the MPC and FSC respectively.

Governors' Executive Committee

In their capacity as executive directors, the Governor and Deputy Governors are responsible for the day-to-day policy decisions and management of the SARB, except for those areas entrusted to the Board, MPC and FSC. The GEC meets every two weeks to consider policy issues and other executive management matters.

The GEC comprises the Governor as Chairperson and the Deputy Governors. The COO, Group Executive Currency Management and General Counsel attend the meetings ex officio. The Secretary and Assistant Secretary of the Bank attend these meetings and maintain a record of the deliberations for dissemination to the Group (where applicable).

Budget Committee

The BC is chaired by Deputy Governor K (Kuben) Naidoo, and is attended by nine senior employees of the SARB. The Procurement Committee, chaired by the COO, is a subcommittee of the BC and fulfils an important oversight role in the governance of the SARB's procurement processes.

The BC's responsibilities include:

> developing the SARB's budget guidelines and procedures;

> monitoring monthly budget variances;

> providing quarterly reviews to the GEC for submission to the Board;

> supervising, controlling and monitoring the process and compilation of annual departmental budgets and the SARB's consolidated budget; and

> facilitating the departmental heads' annual budget proposal presentations to the committee and the GEC.

Once the GEC approves the budget – comprising operational, remuneration and capital budgets – it is tabled for Board approval.

THE SARB'S BUDGET FOR 2016/17 AND 2017/18

	Budget 2017/18 R'000	Actual 2016/17 R'000	Budget 2016/17 R'000
Personnel costs	**2 365 541**	2 125 673	2 140 996
Operational costs	**915 922**	708 180	749 183
Cost of new currency	**1 562 832**	1 419 613	1 412 843
Total operational expenditure	**4 844 295**	4 253 466	4 303 022
Capital expenditure	**549 364**	379 456	400 442

Information Technology Steering Committee

The ITSC is chaired by Deputy Governor A D (Daniel) Mminele and is attended by 11 senior employees of the SARB. The committee's primary role is to provide strategic oversight to ensure the alignment between the IT Strategy and the SARB's Strategy through the approval, prioritisation and monitoring of strategic IT projects and initiatives. It is supported by its subcommittee, the Architecture Review Committee.

PG 28

Key objectives of the ITSC.

Management Committee

Manco is chaired by Deputy Governor F E (Francois) Groepe; and all departmental heads, the Secretary of the Bank, the Group Executive Currency Management and the COO are members. The Executive Management Chief of Staff, Executive Assistants to the Deputy Governors, Head of the Strategy Management Office and Head of the Communications Division attend by invitation.

The committee is responsible for monitoring progress on strategy implementation and the day-to-day operational management of the SARB, including:

> approving the cross-cutting procedures and organisational objectives for the internal operations of the SARB;

> developing and amending the SARB's administrative and operational policies; and

> providing assurance that the policies and operational systems of the SARB are aligned with best practice.

Reserves Management Committee

Resmanco is chaired by the Deputy Governor responsible for financial markets, A D (Daniel) Mminele, and is attended by seven senior employees of the SARB. Its primary responsibilities are to oversee the implementation of the Gold and Foreign-Exchange Reserves Investment Policy, and to facilitate the prudent investment of South Africa's official reserves. Resmanco also appoints external fund managers and custodians of reserves, and determines the tranche sizes and currency composition of tranches, the allocation of the risk budget, investment guidelines, and asset classes for tranches and portfolios. The committee recommends, for approval by the GEC, changes to the Gold and Foreign-Exchange Reserves Investment Policy and strategic asset allocation.

Resmanco reports on risk and reserves management quarterly to the GEC and annually to the Board. Two representatives from National Treasury attend Resmanco meetings as observers.

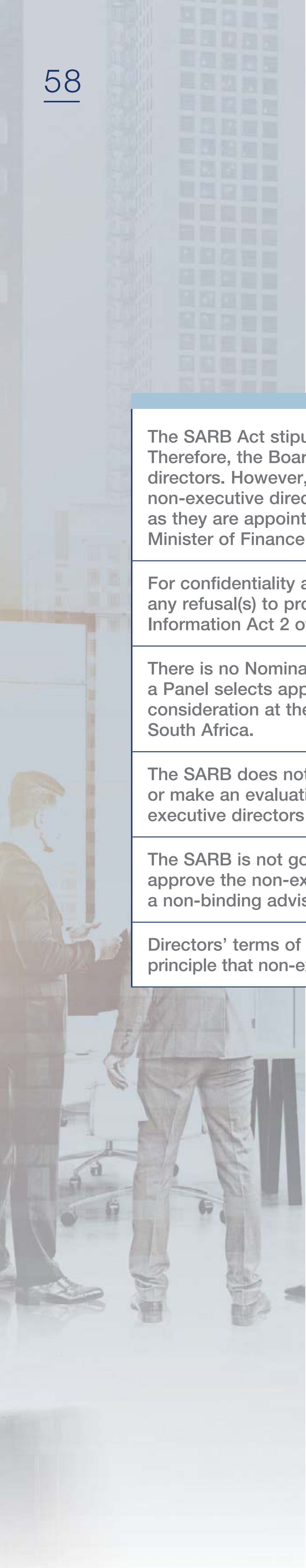
Risk Management Committee

The RMC is chaired by the Governor and comprises the Deputy Governors, the COO and six departmental heads. Its primary purpose is to assist the GEC by overseeing the risk management process in the Group and to report on this process to the GEC and BREC. Its main responsibilities are to monitor the implementation of the risk management strategy, policy and structure, and to assess and review the adequacy and effectiveness of the risk management process in the Group.

The RMC has three subcommittees: the Group Security Committee, the Business Continuity Management (BCM) Committee and the Occupational Health and Safety Committee.

PG 59

Risk management report.



KING III COMPLIANCE

The SARB supports the principles and recommendations set out in King III, and applies the principles where applicable and appropriate, and where they do not contravene the legislation governing the SARB. The Board assesses the SARB's governance framework against best practice annually.

During the period under review, the following factors are notable.

The SARB Act stipulates that the Governor of the SARB is also the Chairperson of the Board. Therefore, the Board does not have an independent non-executive chairperson appointed by the directors. However, the Chairperson of Nedcom is acknowledged as the lead independent non-executive director on the Board. No formal succession plans are in place for the Governors as they are appointed by the President of the Republic of South Africa, after consultation with the Minister of Finance and the Board.
For confidentiality and security reasons, the SARB does not give reasons in its annual report for any refusal(s) to provide information requested in terms of the Promotion of Access to Information Act 2 of 2000 (PAIA).
There is no Nomination Committee consisting of Board members. The SARB Act prescribes that a Panel selects appropriate candidates from persons nominated by the public for shareholders' consideration at the AGM. Four non-executive directors are appointed by the President of South Africa.
The SARB does not have a share incentive scheme, therefore Remco does not review this matter or make an evaluation of the executive directors' contribution to shareholder value. The SARB's executive directors do not participate in any incentive or performance bonus scheme.
The SARB is not governed by the Companies Act, which means that its shareholders do not approve the non-executive directors' fees in advance by way of a special resolution or by passing a non-binding advisory vote on the SARB's remuneration policy.
Directors' terms of office are prescribed in the SARB Act; however, the Board has adopted the principle that non-executive directors should not serve more than three terms of three years each.

The SARB is preparing its King IV report and expects to make this report available on its website before the required deadline of 31 March 2018.

RISK MANAGEMENT REPORT

RISK PHILOSOPHY

Like most central banks, the SARB is generally a risk-averse, non-profit-maximising institution. However, its ability to fulfil its role and responsibilities may be jeopardised by significant disruptions to operations and/or damage to the SARB's reputation. Given its unique role and functions, the SARB's risk management and control go beyond institutional risk and return considerations, and include public interest in line with the SARB's constitutional and statutory responsibilities. As such, the SARB views risk management and control as an essential element of good corporate governance.

While risk averse, the SARB is exposed to significant risks in fulfilling its statutory responsibilities. Besides day-to-day operational risks, risk exposures are inherent in many of the SARB's core functions. For example, the management of official reserves necessarily implies taking a degree of risk to make a reasonable profit that reduces the cost of holding reserves and implementing monetary policy.

COMBINED ASSURANCE APPROACH

The Group follows a combined assurance approach to risk management and control. This approach aims to integrate, coordinate and align the assurance processes within the Group and to optimise the level of risk, governance and control oversight.

Combined assurance approach

Departmental management

Risk management and internal control are an integral part of the Group's management and accountability functions. Management within each department is primarily responsible for the ongoing identification, assessment and management of their department's risks; including designing, implementing and maintaining an adequate and effective system of control.

The Group subscribes to the principles of the Integrated Control Framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This system of control is designed to provide reasonable assurance on the integrity and reliability of financial and management information, and is based on established policies and procedures.

The system of control is also designed to ensure the safeguarding of, and control over, assets, the efficient and cost-effective use of allocated resources, compliance with legal and regulatory requirements and the effective performance of all functions.

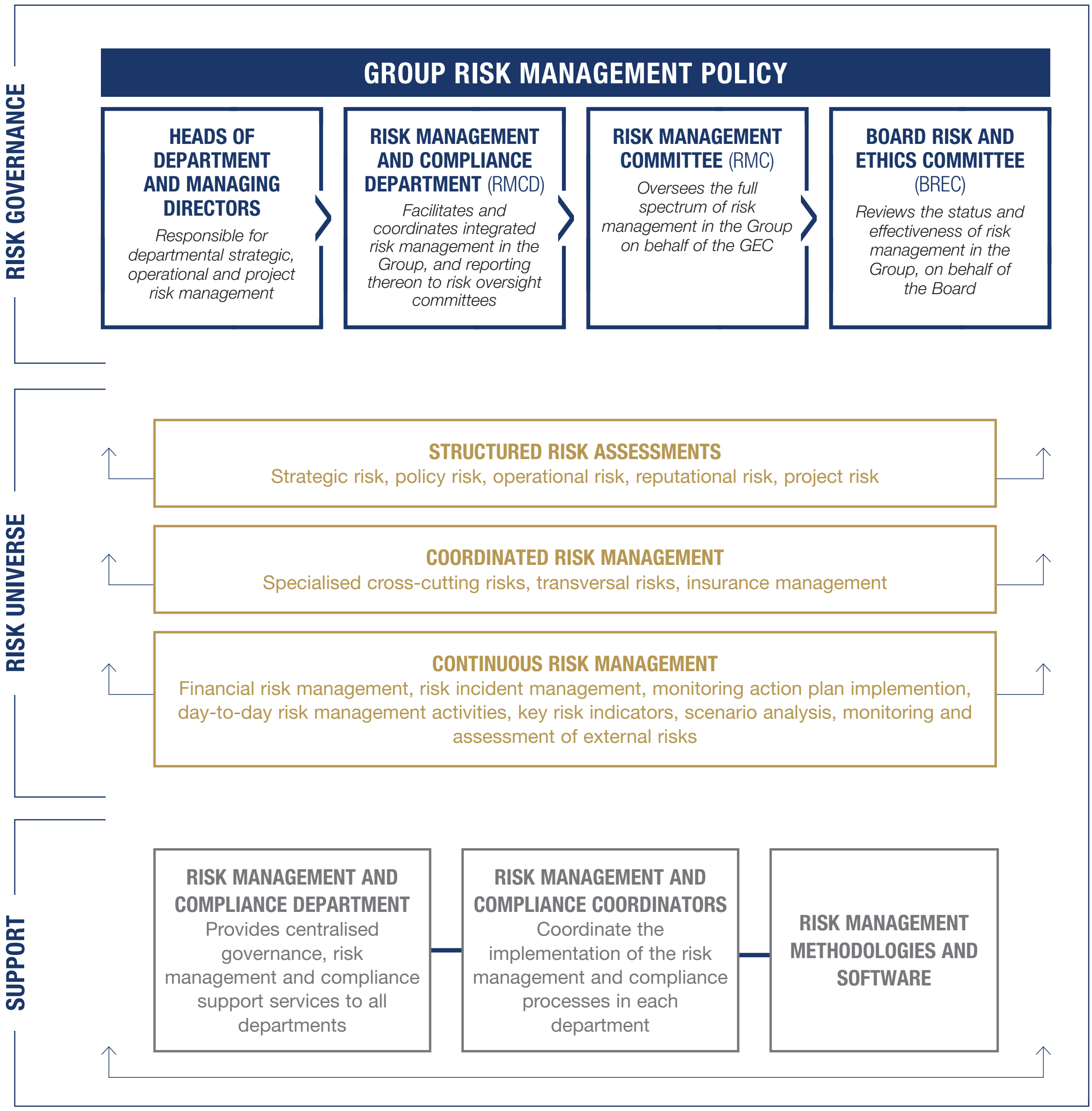
RISK MANAGEMENT REPORT *– continued*

Integrated risk management

The Group's risk management policy and framework is supported by a central risk management function, and together these structures ensure that risks are managed in a coordinated, comprehensive and systematic way that is consistent with internationally accepted standards and guidelines. The policy and framework take into account and, where appropriate, incorporate the principles pertaining to risk management set out in King III.

The SARB is a member of the International Operational Risk Working Group for central banks, which enables it to regularly benchmark its risk management approach and practices against best practices in other central banks.

Risk management framework



The RMCD performs a centralised, integrated risk management coordination function, and reports to the RMC and BREC on risk management activities and the status and effectiveness of risk management in the Group. In addition, it facilitates structured risk assessments conducted at Group-wide strategic, company-wide strategic, departmental strategic and departmental operational levels. Structured risk assessments are also conducted in respect of policy risk and reputational risk. The coordinating role of the RMCD extends to the management of specialised, cross-cutting risks which include compliance and business continuity management.

Specific efforts, applied Group-wide, to ensure that the Group meets its compliance obligations include:

> developing and maintaining an appropriate policy and framework;

> identifying, assessing and monitoring compliance with applicable regulatory requirements;

> promoting a culture of compliance; and

> reporting on compliance risks to the RMC and BREC.

Business continuity management is supported by a policy and framework, as well as centralised coordination and services. The RMCD facilitates business impact assessments and compiles business continuity plans for all departments. The Group's resilience is strengthened through appropriate backup infrastructure and facilities, and the RMCD liaises closely with the Cyber and Information Security Unit (CISU), which is responsible for ensuring holistic governance and management of the Group's cyber and information security programme.

The RMCD also coordinates and facilitates continuous risk management activities which include the reporting of risk incidents, monitoring the implementation of action plans to mitigate identified residual risks, and implementing and monitoring key risk indicators.

Internal audit

The IAD provides objective, independent assurance on the adequacy and effectiveness of the Group's governance, risk management and control processes.

The CIA reports jointly to the Governor and to the Chairperson of the Audit Committee. All IAD activities are governed by an Internal Audit Charter approved by the Audit Committee. The Charter was reviewed on an annual basis to ensure it is relevant and applicable; however, the Board agreed in 2017 to review the Charter every three years, unless otherwise required.

The IAD follows a risk-based approach to auditing that is in line with the International Professional Practice Framework as prescribed by the Institute of Internal Auditors (IIA). The IAD's audit methodology is based on the guidelines set out in the COSO framework.

Periodic external quality assurance (EQA) reviews determine whether the IAD conforms to IIA standards. The next EQA review is scheduled to take place in the 2017/18 financial year.

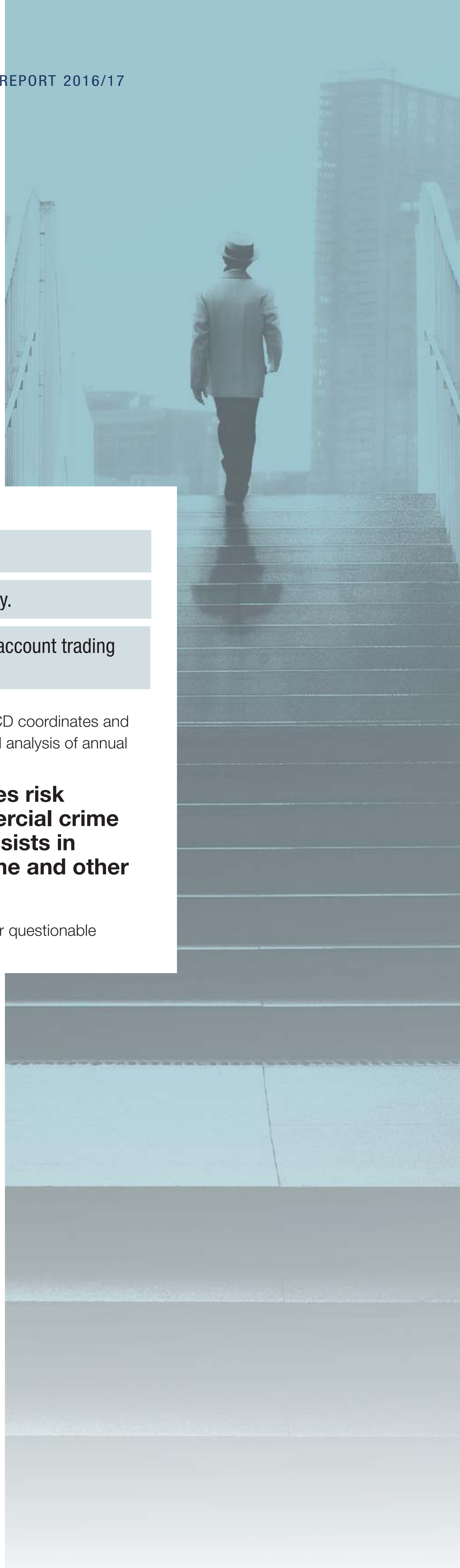
Independent external assurance service providers

The Group's annual financial statements are audited by independent external auditors, and where deemed necessary, other external assurance providers are used to obtain independent assurance on the adequacy and effectiveness of internal processes and practices, taking into account international best practice.

THE COMBINED ASSURANCE FORUM

The Combined Assurance Forum (CAF) coordinates work undertaken by the respective assurance providers and is accountable to the GEC and the Audit Committee. It comprises representatives from the various assurance service providers and the independent external auditors.

In addition to CAF meetings, bilateral meetings are held between the respective assurance service providers to coordinate their respective assurance activities.



ETHICS MANAGEMENT

Given its role in society, the SARB must be, and must be seen to be, an institution of integrity that maintains the highest ethical standards.

The Group proactively ensures that the necessary policies, frameworks and procedures – which are integral to good corporate governance and the values it espouses – are in place to prevent and, if necessary, eradicate unethical behaviour or unlawful conduct.

Policies and frameworks.

Code of Ethics and Business Conduct.
Outside Interests, Outside Occupations and Public Speaking Policy.
Policies on commercial crime control, whistle-blowing, personal account trading and the receiving of gifts.

BREC oversees the Group's ethics management programme, and the RMCD coordinates and facilitates the ethics management process, including the administration and analysis of annual employee declarations as prescribed by the above-mentioned policies.

The integrated risk management process includes risk assessments on ethics management and commercial crime control. In addition, the internal audit process assists in identifying possible incidents of commercial crime and other irregularities.

An external hotline enables employees and the public to report dishonest or questionable practices and sensitive matters anonymously.

SHAREHOLDING AND DIVIDEND

SARB SHAREHOLDING

Since it was established, the SARB has had private shareholders with limited rights, namely to consider the SARB's annual financial statements, elect seven of the non-executive directors of the Board, and appoint the external auditors and approve their remuneration. These activities take place at the SARB's annual AGM. The shareholders have no rights or involvement in the conduct of monetary policy, financial stability policy or banking regulation.

At 31 March 2017, the SARB had 696 shareholders. The SARB Act restricts shareholders to owning no more than 10 000 shares which includes those shares held by associates. Only the shareholders who reside in South Africa are entitled to vote at the AGM and they hold one vote for every 200 shares.

Regularisation of shareholding in the SARB

On 4 November 2016, the Gauteng Division of the High Court in Pretoria (the High Court) issued an order to certain shareholders holding 149 200 SARB shares in contravention of section 22(1) of the SARB Act. The High Court directed these shareholders to dispose of their SARB shares, in aggregate with their associates, in excess of 10 000. In addition, it appointed Investec Securities Proprietary Limited (ISL) to act as an independent broker to facilitate the disposal of the SARB shares over a two-year period from the date of the order and at a sale price of not less than R1.55 per share.

The High Court also directed the SARB's General Counsel to do all things necessary to enable the sale of the shares, including the signing of all necessary documentation and providing whatever assistance was required to ISL.

On 2 March 2017, the Governor announced the availability of these shares for purchase by eligible members of the general public. The response was overwhelming with the share offer being substantially oversubscribed. The administrative process of matching eligible buy offers with the available SARB shares will be conducted in terms of the rules relating to SARB shares on the over-the-counter share transfer facility and in terms of section 35 of the SARB Act.

SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS 2016/17

DIRECTORS' REPORT

for the year ended 31 March 2017

INTRODUCTION

The directors are pleased to present to stakeholders this report on the activities and financial results of the SARB including its subsidiaries and associate (Group) for the year under review.

This annual report, issued in terms of the South African Reserve Bank Act 90 of 1989, as amended (SARB Act) and its regulations, addresses the performance of the Group and compliance with relevant statutory information requirements.

It is the directors' responsibility to prepare the summarised Group annual financial statements and related financial information that present the Group's state of affairs.

These summarised Group annual financial statements were prepared on a going concern basis, taking cognisance of certain unique aspects relating to the SARB's ability to create, distribute and destroy domestic currency, its role as lender of last resort, its responsibilities in the areas of price and financial stability, and its relationship with the South African government (SA government) concerning foreign-exchange and gold transactions.

The summarised Group annual financial statements include appropriate and responsible disclosure, and are based on accounting policies that have been consistently applied and that are supported by reasonable and prudent judgements and estimates.

The summarised Group annual financial statements were audited by the independent external auditors who were given unrestricted access to all financial records and related data, including minutes of all the meetings of the Board and its committees as well as of executive management meetings.

The directors are responsible for governance, which is monitored on an ongoing basis. The SARB applies the King Report on Corporate Governance in South Africa 2009 (King III) principles and guidelines where appropriate, and where they do not conflict with the SARB Act.

NATURE OF BUSINESS

The SARB is the central bank of South Africa and is regulated in terms of the SARB Act. Its primary objective is to protect the value of the currency in the interest of balanced and sustainable economic growth. In pursuit of price and financial stability, the SARB performs the key activities set out on pages 2 to 3.

SUBSIDIARIES

The subsidiaries of the SARB are as follows:

- The South African Mint Company (RF) Proprietary Limited (South African Mint) – including its own subsidiary, Prestige Bullion (RF) Proprietary Limited (Prestige Bullion) – produces circulation, bullion, and collectible coins.
- The South African Bank Note Company (RF) Proprietary Limited (SABN) produces banknotes.
- The Corporation for Public Deposits (CPD) receives and invests call deposits from SA government and public entities.

The South African Reserve Bank Captive Insurance Company (RF) Limited (SARBCIC) was deregistered on 28 July 2016.

Information on the SARB's financial interest in its subsidiaries is provided in note 18.

The subsidiaries passed no special resolutions that are material to the SARB's affairs in the year under review.

ASSOCIATE

African Bank Holdings Limited (ABHL) is the public holding company of African Insurance Group Limited (InsureCo) and African Bank Limited (ABL).

Information on the SARB's financial interest in its associate is provided in note 18.

ACHIEVEMENT OF OBJECTIVES

This report includes the SARB's achievements against its strategic objectives. Refer to pages 13 to 16.

FINANCIAL RESULTS

The low interest rate environment continued to impact the SARB's financial results and therefore those of the Group. Interest income of the SARB, derived mainly from foreign investments and accommodation to banks, increased by R0.4 billion (2016: R1.3 billion). Operating costs increased by R0.2 billion in the year under review, mainly attributable to higher staff costs and operational expenditure, offset by a reduction in the cost of new currency. The net result of these factors was a profit after taxation of R1.4 billion (2016: R1.5 billion) for the year ended 31 March 2017.

South African Mint (including its own subsidiary, Prestige Bullion) made a profit after taxation attributable to the parent of R0.3 billion (2016: R0.2 billion), and declared a dividend of R0.2 billion (2016: R0.2 billion) to the SARB. Refer to note 18 for further detail.

SABN made an after-tax profit of R0.1 billion (2016: R0.2 billion loss). The loss in the previous year was mainly due to an impairment charge on manufacturing and intangible assets. Refer to note 18 for further detail.

The CPD recorded a profit after taxation of R73.5 million (2016: R72.8 million), of which R73.3 million (2016: R72.6 million) was due to SA government in accordance with the Corporation of Public Deposits Act 46 of 1984 (CPD Act). Refer to note 18 for further detail.

DIRECTORS' REPORT *continued*

for the year ended 31 March 2017

ABHL incurred a loss of R556 million before tax (2016: R2 million profit) attributable to the Group. The loss was entirely due to the impairment of goodwill and intangible assets related to ABL. Refer to note 18 for further detail.

FINANCIAL POSITION

The Group's total assets decreased by R68.6 billion (2016: R150.4 billion increase), largely as a result of a decline in gold and foreign-exchange reserves of R70.6 billion (2016: R123.4 billion increase).

Total liabilities of the Group decreased by R69.7 billion (2016: R148.7 billion increase) largely as a result of the Gold and Foreign-Exchange Contingency Reserve Account (GFECRA) (used for the currency revaluation of foreign assets and liabilities which is for SA government's account) decreasing by R73.5 billion (2016: R101.3 billion increase).

The decrease in both total assets and total liabilities was mainly as a result of a stronger rand and a lower gold price.

The contingency reserve increased by R0.8 billion (2016: R1.5 billion increase) due to the profit after taxation achieved for the year.

Further details on the Group's financial information for the year, appear from page 68.

DIVIDENDS

The SARB Act permits the SARB to declare dividends from its accumulated profits (reserves). An interim dividend of five cents per share for the financial year was paid to shareholders on 24 October 2016; the final dividend, also of five cents per share, was paid on 13 May 2017. The total dividend paid for the financial year was R0.2 million (2016: R0.2 million).

DIRECTORS

The composition of the Board at 31 March 2017 appears on pages 42 to 43.

The terms of office of T N (Thandeka) Mgoduso (Industry), J F (Hans) van der Merwe (Agriculture) and B W (Ben) Smit (Industry), as shareholder-elected non-executive directors, expired the day after the 2016 annual ordinary general meeting (AGM).

T N Mgoduso and J F van der Merwe had completed three terms of office and were therefore not available for re-election.

B W Smit, who had served two terms of office was available for re-election, and was duly re-elected. The shareholders elected C B (Charlotte) du Toit and N (Nicholas) Vink to fill the vacancies left by T N Mgoduso and J F van der Merwe respectively.

The terms of office of R J G (Rob) Barrow, G M (Gary) Ralfe and R (Rochelle) le Roux, who are all shareholder-elected non-executive directors, will expire the day after the 2017 AGM.

At that date, all three non-executive directors would have completed two terms of office and will therefore be eligible to serve a further three-year term. All three directors have indicated that they will be available for re-election.

The terms of office of T (Terence) Nombembe, M M (Maureen) Manyama and T (Tania) Ajam, who are SA government-appointed non-executive directors, will expire during 2017. All three are eligible for re-appointment by the President, having served less than three terms.

The term of office of F E (Francois) Groepe as Deputy Governor expired on 31 December 2016, and he was re-appointed by the President for a further term of five years with effect from 1 January 2017.

All the Board positions are currently filled.

At 31 March 2017 and to date, none of the directors in office held any direct or indirect shareholding in the SARB.

Directors' fees for their services during the financial year under review are reflected in the appendix on page 104.

EVENTS AFTER REPORTING DATE

No material events occurred between 31 March 2017 and 7 June 2017 requiring disclosure in, or adjustment to the summarised Group annual financial statements for the year ended 31 March 2017.

SECRETARY OF THE SARB

S L (Sheenagh) Reynolds

DIRECTORS' REPORT *continued*

for the year ended 31 March 2017

REGISTERED OFFICE

Business address:
370 Helen Joseph Street
(formerly Church Street)
Pretoria
0002

Postal address:
P O Box 427
Pretoria
0001

The summarised Group annual financial statements were approved by the Board on 7 June 2017 and signed on its behalf by:

E L (Lesetja) Kganyago
Governor

R J G (Rob) Barrow
Non-executive Director and Chairperson of the Audit Committee

N (Naidene) Ford-Hoon
Group Chief Financial Officer

S L (Sheenagh) Reynolds
Secretary of the SARB

STATEMENT BY THE SECRETARY OF THE SARB

In my capacity as Secretary of the SARB, I certify that all the returns required to be submitted, in terms of the SARB Act, for the year ended 31 March 2017, have been completed and are up to date.

S L (Sheenagh) Reynolds
Secretary of the SARB

7 June 2017

REPORT OF THE AUDIT COMMITTEE

for the year ended 31 March 2017

The Audit Committee is a committee of the Board. All its members are independent non-executive directors. The responsibilities of this committee are detailed in its terms of reference, which are reviewed annually and approved by the Board.

The Audit Committee confirms that during the year it carried out its functions responsibly and in compliance with its terms of reference.

The SARB's executive management, internal auditors, external auditors and other assurance providers attend this committee's meetings in an ex officio capacity. Management and both internal and external auditors meet independently with the Audit Committee, as appropriate.

ROLES AND RESPONSIBILITIES

The Audit Committee assists the Board in fulfilling its oversight responsibilities regarding the SARB's financial reporting processes, the system of internal financial controls and the SARB's processes for monitoring compliance with laws and regulations as they relate to financial reporting.

INTERNAL CONTROL (INCLUDING INTERNAL FINANCIAL CONTROLS)

The SARB's internal control system is designed to ensure:

» the integrity and reliability of financial information;
» compliance with all applicable laws and regulations;
» the accomplishment of objectives;
» economy and efficiency of operations; and
» the safeguarding of assets.

The Audit Committee is satisfied that the SARB's system of internal financial controls is adequately designed and operated effectively to form a sound basis for the preparation of reliable financial reports. The assessment is based on reports from management, risk management, internal auditors and external auditors.

The Audit Committee considered, and is satisfied with, the expertise and experience of the Group Chief Financial Officer (CFO). The finance function in the SARB has the expertise and adequate resources to support the Group CFO.

COMBINED ASSURANCE

The Group has adopted a combined assurance (CA) approach, in line with King III, to increase the effectiveness of assurance activities by the functionaries within the three lines of assurance.

The Audit Committee considers the adopted CA approach to be adequate to achieve the said objectives of effective assurance activities across the Group.

SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS

The Audit Committee reviewed the summarised Group annual financial statements of the SARB and the external auditors' report thereon, and recommended their approval to the Board.

INTERNAL AUDIT

The Audit Committee reviewed and approved the Internal Audit Charter which defines the purpose, authority and responsibility of the internal audit function. The committee also approved the annual internal audit plan.

The Audit Committee reviewed the Internal Audit Department's (IAD) reports on control weaknesses and management's corrective actions.

The IAD is independent and appropriately resourced to provide assurance on the adequacy and effectiveness of the internal control environment of the SARB. The Chief Internal Auditor (CIA) reports functionally to the Audit Committee and administratively to both the Chairperson of the Audit Committee and the Governor.

EXTERNAL AUDIT

The Audit Committee is satisfied with the independence of the external auditors of the SARB. This assessment was made after considering the independence letters from the external auditors, continuous monitoring and approval of non-audit services, and a formal partner rotation process.

In consultation with executive management, the Audit Committee reviewed the external auditors' proposed audit scope, approach, and audit fees for the year under review.

The Audit Committee is satisfied with the formal procedures that govern the provision of non-audit services by the external auditors. This is monitored through reporting such activities to the Audit Committee.

COMPLIANCE

The Audit Committee is satisfied that the SARB has implemented appropriate processes and controls to ensure compliance with all applicable laws and regulations as they relate to financial reporting. This is based on the committee's review of reports received from both internal and external auditors, as well as from the executive management and relevant departments.

INFORMATION TECHNOLOGY

The Audit Committee is satisfied that the SARB is able to manage its Information Technology (IT) capability and that its IT controls are appropriate to support the integrity of financial reporting. This is based on the committee's continuous review of reports from IT management as well as the internal and external auditors.

WHISTLE-BLOWING

Based on combined submissions from the Risk Management and Compliance Department and the IAD, the Audit Committee is satisfied that procedures have been established to receive, retain and resolve complaints regarding accounting, internal controls or auditing matters, including procedures for confidential and anonymous submissions in this regard.

R J G (Rob) Barrow
Chairperson of the Audit Committee

FINANCIAL REPORTING FRAMEWORK

REPORTING FRAMEWORK

The summarised Group annual financial statements have been prepared in accordance with the SARB Act and the accounting policies set out in note 1.

The SARB Act is not prescriptive regarding the accounting framework that the SARB should adopt, except for sections 25 to 28, which deal with the accounting treatment of gold and foreign-exchange transactions. These sections are in conflict with the International Financial Reporting Standards (IFRS). The SARB has chosen to use IFRS as a guide in deciding on the most appropriate accounting policies to adopt, and as a model for the presentation and disclosure framework followed in its summarised Group annual financial statements.

The SARB Act, however, takes precedence over IFRS in the areas noted above and, as a result, the recognition and measurement criteria as set out in IFRS have not been followed in these circumstances. In addition, the SARB considers certain recognition and measurement principles as well as disclosures inappropriate to its functions. The SARB's summarised Group annual financial statements, therefore, disclose less detail than would be required under IFRS. The significant departures from IFRS as a consequence of the above are summarised as follows:

RECOGNITION AND MEASUREMENT

1. According to the SARB Act,
   a. realised and unrealised valuation gains and losses on gold, and realised and unrealised foreign-exchange gains and losses on foreign-denominated assets and liabilities are for the account of SA government, and have therefore not been accounted for in profit or loss, as required by *International Accounting Standard (IAS) 21 The Effects of Changes in Foreign-Exchange Rates*; and
   b. gold is valued in terms of section 25 of the SARB Act at the statutory gold price. Gold has been recognised as a financial asset of the SARB.
2. Deferred taxation assets

   Deferred taxation assets are recognised for all deductible temporary differences, the carry forward of unused tax losses and the carry forward of unused tax credits. Deferred taxation assets are not reduced to the extent that it is no longer probable in the foreseeable future that the related taxation benefits will be realised. This is a departure from IFRS, which requires that deferred taxation assets are reduced to the extent that it is no longer probable, in the foreseeable future, that the related taxation benefit will be realised. A taxable profit for the year ended 31 March 2017 decreased the deferred taxation asset.

   The principles of *IAS 12 Income Taxes* require an entity to demonstrate convincing evidence that future taxable profits will be available where the entity has unused tax losses. Management has considered that United States (US) dollar and euro interest rates (a primary source of the SARB's income) are currently at historically low levels when measured in absolute terms, and market observable forward interest rates indicate that investment income will recover over the longer term as global interest rates rise. It also takes comfort that tax losses do not expire in terms of the Income Tax Act 58 of 1962 so long as the SARB continues to trade. Furthermore, deferred taxation assets are measured on an undiscounted basis. The SARB is mandated, as per the SARB Act, to operate as the sole central bank in South Africa and has been doing so for the past 95 years. The continuity of the SARB is therefore protected by statute and not dependent on market forces.

   Although the basis of preparation of the summarised Group annual financial statements does not take into account the requirements of *IAS 12 Income Taxes* (refer to accounting policy number 1.11), had the recognition and measurement principles of *IAS 12 Income Taxes* been applied for the current financial year under review, the deferred taxation asset raised would be considered recoverable.

PRESENTATION

In the summarised Group annual financial statements,

1. not all information as required by *IFRS 7 Financial Instruments Disclosures*, are disclosed. This relates specifically to:
   - Market risk: The sensitivity analysis for each type of market risk to which the SARB is exposed at the reporting date, showing how profit or loss and equity/other comprehensive income would have been affected by changes in the relevant risk variables that were reasonably possible at that date;
   - Credit risk: The credit quality per counterparty, the historical information about the counterparty default rates, the contractual maturity analysis of financial assets and the exposure to credit risk by class of financial instrument; and
   - Liquidity risk: the contractual maturity analysis of financial assets.
2. assets and liabilities relating to securities lending activities and financial derivative products used for portfolio management purposes have been disclosed, but offset in note 5 because it is considered inappropriate to gross up the foreign-exchange reserves of the SARB.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF THE SOUTH AFRICAN RESERVE BANK

OPINION

The summarised Group annual financial statements of the SARB, set out on pages 71 to 104 which comprise the summarised Group statement of financial position as at 31 March 2017, the summarised Group statement of profit or loss and other comprehensive income, summarised Group statement of cash flows and summarised Group statement of changes in equity for the year then ended, and the related notes, are derived from the audited Group annual financial statements of the SARB for the year ended 31 March 2017.

In our opinion, the accompanying summarised Group annual financial statements are consistent, in all material respects, with the audited Group annual financial statements, in accordance with the requirements of the SARB Act, and the basis described in note 1 to the summarised Group annual financial statements.

EMPHASIS OF MATTER – BASIS OF ACCOUNTING

The 'Basis of accounting' paragraph in our audit report dated 7 June 2017 draws attention to note 1, which describes the basis of accounting. The paragraph also states that the summarised Group annual financial statements are prepared for the purpose as described therein and may not be suitable for any other purpose. The paragraph does not have an effect on the summarised Group annual financial statements or our opinion thereon.

SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS

The summarised Group annual financial statements do not contain all the disclosures required by the basis of accounting described in note 1 and the requirements of the SARB Act. Reading the summarised Group annual financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited Group annual financial statements and the auditor's report thereon.

THE AUDITED SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS AND OUR REPORT THEREON

We expressed an unmodified audit opinion on the audited summarised Group annual financial statements in our report dated 7 June 2017.

DIRECTOR'S RESPONSIBILITY FOR THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS

The directors are responsible for the preparation of the summarised Group annual financial statements in accordance with the accounting policies described in note 1. The SARB's directors are further responsible for determining that the basis of presentation is acceptable in the circumstances, and for such internal control as the directors determine is necessary to enable the preparation of summarised Group annual financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on whether the summarised Group annual financial statements are consistent, in all material respects, with the audited Group annual financial statements based on our procedures, which were conducted in accordance with *International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summarised Financial Statements*.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Vincent Tshikhovhokhovho

Registered Auditor
2 Eglin Road
Sunninghill
2157

Johannesburg
7 June 2017

SizweNtsalubaGobodo Inc.

SizweNtsalubaGobodo Inc.
Director: Agnes Dire

Registered Auditor
20 Morris Street East
Woodmead
2191

Johannesburg
7 June 2017

SUMMARISED GROUP STATEMENT OF FINANCIAL POSITION

at 31 March 2017

	Notes	**2017 R'm**	2016 R'm
Assets			
Cash and cash equivalents	2	**25 676**	5 948
Accommodation to banks	3	**59 685**	53 510
Investments	4	**3 735**	27 042
Gold and foreign-exchange	5	**617 783**	688 403
Loans and advances	6	**27 657**	27 359
South African government bonds	7	**8 153**	7 932
Other assets		**11 184**	12 239
Total assets		**753 873**	822 433
Liabilities			
Notes and coin in circulation	8	**132 297**	130 562
Deposit accounts	9	**266 821**	269 690
Foreign deposits	10	**106 655**	102 083
South African Reserve Bank debentures	11	**611**	3 176
Gold and Foreign-Exchange Contingency Reserve Account	12	**231 158**	304 653
Post-employment benefits	13	**2 442**	2 081
Other liabilities		**4 481**	1 900
Total liabilities		**744 465**	814 145
Capital and reserves[(1)]			
Share capital		**2**	2
Accumulated profit		**1 459**	1 179
Statutory reserve		**395**	395
Contingency reserve		**7 400**	6 551
Other reserves		**101**	81
Non-controlling interest		**51**	80
Total capital and reserves		**9 408**	8 288
Total liabilities, capital and reserves		**753 873**	822 433

(1) Further detail on capital and reserves is provided in the summarised Group statement of changes in equity.

SUMMARISED GROUP STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 March 2017

	Notes	**2017 R'm**	2016 R'm
Interest income		**13 899**	12 101
Interest expense		**(8 317)**	(6 414)
Net interest income		**5 582**	5 687
Dividend income		**38**	33
Operating income		**2 046**	1 298
Total income	14.1	**7 666**	7 018
Operating costs	14.2	**(5 010)**	(4 861)
Share of net (loss)/profit of associate accounted for using the equity method	18.2	**(556)**	2
Profit before taxation	14	**2 100**	2 159
Taxation		**(717)**	(578)
Profit for the year		**1 383**	1 581
Attributable to:			
The parent		**1 202**	1 471
Non-controlling interest		**181**	110
		1 383	1 581
Other comprehensive income (net of taxation)			
Items that will not be reclassified to profit or loss			
Remeasurement of post-employment benefits		**(125)**	487
Revaluation adjustments of property, plant and equipment		**1**	110
Items that may subsequently be reclassified to profit or loss			
Unrealised gain/(loss) on available-for-sale financial assets		**144**	(377)
Total comprehensive income for the year (net of taxation)		**1 403**	1 801
Attributable to:			
The parent		**1 222**	1 691
Non-controlling interest		**181**	110
Total comprehensive income		**1 403**	1 801

SUMMARISED GROUP STATEMENT OF CASH FLOWS

for the year ended 31 March 2017

	Notes	2017 R'm	2016 R'm
Cash flows from operating activities			
Cash (utilised by)/generated from operating activities	15	**(2 613)**	10 887
Taxation paid		**(173)**	(116)
Dividends paid		**(210)**	(66)
Transfer to SA government[(1)]		**(73)**	(80)
Net cash flows (utilised by)/generated from operating activities		**(3 069)**	10 625
Net cash flows generated from/(utilised by) investing activities		**22 797**	(17 454)
Purchase of property, plant and equipment		**(472)**	(502)
Proceeds on disposal of property, plant and equipment		**1**	8
Purchase of intangible assets		**(49)**	(70)
Disposals/(acquisition) of investments		**23 317**	(11 890)
Acquisition of investment in associate		**–**	(5 000)
Net increase/(decrease) in cash and cash equivalents		**19 728**	(6 829)
Cash and cash equivalents at the beginning of the year		**5 948**	12 777
Cash and cash equivalents at the end of the year		**25 676**	5 948

(1) Further detail on the transfer to SA government is provided in the summarised Group statement of changes in equity.

SUMMARISED GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2017

	Share Capital R'm	Accu-mulated profit R'm	Statutory reserve R'm	Contin-gency reserve R'm	Other reserves R'm	Total R'm	Non-controlling interest R'm	Total R'm
Balance at 31 March 2015	**2**	**1 297**	**395**	**5 036**	**(139)**	**6 591**	**36**	**6 627**
Total comprehensive income for the year	–	1 471	–	–	220	1 691	110	1 801
Profit for the year	–	1 471	–	–	–	1 471	110	1 581
Remeasurement of post-employment benefits	–	–	–	–	487	487	–	487
Revaluation of property, plant and equipment	–	–	–	–	110	110	–	110
Unrealised loss on available-for-sale financial assets	–	–	–	–	(377)	(377)	–	(377)
Transfer to SA government	–	(74)	–	–	–	(74)	–	(74)
Transfer (from)/to reserves	–	(1 515)	–	1 515	–	–	–	–
Dividends paid	–	–	–	–	–	–	(66)	(66)
Balance at 31 March 2016	**2**	**1 179**	**395**	**6 551**	**81**	**8 208**	**80**	**8 288**
Total comprehensive income for the year	**–**	**1 202**	**–**	**–**	**20**	**1 222**	**181**	**1 403**
Profit for the year	**–**	**1 202**	**–**	**–**	**–**	**1 202**	**181**	**1 383**
Remeasurement of post-employment benefits	**–**	**–**	**–**	**–**	**(125)**	**(125)**	**–**	**(125)**
Revaluation of property, plant and equipment	**–**	**–**	**–**	**–**	**1**	**1**	**–**	**1**
Unrealised gain on available-for-sale financial assets	**–**	**–**	**–**	**–**	**144**	**144**	**–**	**144**
Transfer to SA government	**–**	**(73)**	**–**	**–**	**–**	**(73)**	**–**	**(73)**
Transfer (from)/to reserves	**–**	**(849)**	**–**	**849**	**–**	**–**	**–**	**–**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**(210)**	**(210)**
Balance at 31 March 2017	**2**	**1 459**	**395**	**7 400**	**101**	**9 357**	**51**	**9 408**

SUMMARISED GROUP STATEMENT OF CHANGES IN EQUITY *continued*

for the year ended 31 March 2017

EXPLANATORY NOTES

Statutory reserve

The statutory reserve is maintained in terms of section 24 of the SARB Act, which stipulates that one-tenth of the surplus of the SARB, after provisions normally provided for by bankers and payment of dividends, has to be credited to the statutory reserve.

Contingency reserve

In terms of section 24 of the SARB Act and section 15 of the CPD Act, contingency reserves are maintained to provide against risks to which the SARB and the CPD respectively are exposed.

Other reserves

Bond revaluation reserve

Gains and losses arising from a change in fair value of available-for-sale financial assets are recognised in other comprehensive income. When these financial assets are sold, collected or otherwise disposed of, the cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss.

Property, plant and equipment revaluation reserve

Gains and losses arising from a change in fair value of artwork are recognised in other comprehensive income. When these assets are sold, collected or otherwise disposed of, the cumulative gain or loss previously recognised in other comprehensive income is recognised in accumulated profit.

Post-employment benefit remeasurement reserve

Actuarial gains and losses relating to the remeasurement of the post-employment benefits, and arising from experience adjustments and changes in actuarial assumptions, are charged or credited to equity in other comprehensive income in the period in which they arise. These gains and losses are not subsequently reclassified to profit or loss.

Transfer to SA government

In terms of section 24 of the SARB Act, nine-tenths of the surplus of the SARB, after provisions normally provided for by bankers and payment of dividends, has to be paid to SA government. No amount was transferred to SA government by the SARB in the current year as the SARB is replenishing the contingency reserve.

In terms of section 15 of the CPD Act, the balance of net profits after transfers to reserves and payment of dividends has to be paid to SA government. For the year ended 31 March 2017 an amount of R73.3 million (2016: R72.6 million) was due to SA government by the CPD.

NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2017

1. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these summarised Group annual financial statements are set out below. These accounting policies should be read together with the financial reporting framework on page 69.

The accounting policies have been applied consistently to all years presented, unless otherwise stated.

1.1 Basis of presentation

These summarised Group annual financial statements have been prepared on a going concern basis, in accordance with the SARB Act and the accounting policies set out in this note.

The preparation of the summarised Group annual financial statements requires the use of certain key accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies of the Group. The areas with a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the summarised Group annual financial statements, are disclosed in note 1.19 and the relevant notes.

1.2 New standards and interpretations

1.2.1 New and amended standards adopted by the Group

In the current year, the Group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

- *IFRS 12 Disclosure of Interests in Other Entities*: *Investment entities: Applying the Consolidation Exception:* Narrow-scope amendments to *IFRS 10 Consolidated Financial Statements*, *IFRS 12 Disclosure of Interests in Other Entities* and *IAS 28 Investments in Associates* introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the standards. The effective date of the amendment is for years beginning on or after 1 January 2016. The Group has adopted the amendment for the first time in the 2017 summarised Group annual financial statements. The amendment has no material impact on the summarised Group annual financial statements.
- *IAS 1 Presentation of Financial Statements: Disclosure Initiative:* Amendments designed to encourage entities to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that entities should use professional judgement in determining where and in what order information is presented in the financial disclosures. The effective date of the amendment is for years beginning on or after 1 January 2016. The Group has adopted the amendment for the first time in the 2017 summarised Group annual financial statements. The amendment has no material impact on the summarised Group annual financial statements.

There are no other new and amended standards applicable to the Group for the financial year ended 31 March 2017.

1.2.2 New standards, amendments and interpretations not yet adopted

A number of new standards, amendments and interpretations are effective for annual periods beginning after 1 April 2017, and have not been early adopted in preparing these summarised Group annual financial statements. None of these are expected to have a significant impact on the summarised Group annual financial statements, except for the following:

- *IFRS 9 Financial Instruments*: A final version of *IFRS 9 Financial Instruments* has been issued which replaces *IAS 39 Financial Instruments: Recognition and Measurement*. The completed standard comprises guidance on classification and measurement, impairment hedge accounting and derecognition, and introduces a new approach to the classification of financial assets, which is driven by the business model in which the asset is held and their cash flow characteristics. A new business model was introduced in the standard which does allow certain financial assets to be categorised as "fair value through other comprehensive income" in certain circumstances. The requirements for financial liabilities are mostly carried forward unchanged from *IAS 39 Financial Instruments*: *Recognition and Measurement*. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk. The new model introduces a single impairment model being applied to all financial instruments, as well as an "expected credit loss" model for the measurement of financial assets. *IFRS 9 Financial Instruments* contains a new model for hedge accounting that aligns the accounting treatment with the risk management activities of an entity, it also requires enhanced disclosures that will provide better information about risk management and the effect of hedge accounting on the financial statements. *IFRS 9 Financial Instruments* carries forward the derecognition requirements of financial assets and liabilities from *IAS 39 Financial Instruments: Recognition and Measurement*. The mandatory effective date for implementation is for annual periods beginning on or after 1 January 2018. *IFRS 9 Financial Instruments* may be early adopted. If *IFRS 9 Financial Instruments* is early adopted, the new hedging requirements may be excluded until the effective date. The Group expects to adopt the standard for the first time in the first annual financial period after the effective date.

NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2017

1.2 New standards and interpretations *continued*

1.2.2 New standards, amendments and interpretations not yet adopted *continued*

The Group has undertaken a detailed assessment of the impact of the application of *IFRS 9 Financial Instruments* on its summarised Group annual financial statements and the initial assessments indicate that there are no major gaps in the current measurement of financial assets and liabilities as they are largely in line with *IFRS 9 Financial Instruments*. While the Group is still assessing how its impairment provisions will be affected by the new impairment model for *IFRS 9 Financial Instruments*, which is likely to result in the earlier recognition of credit losses, the initial assessment indicates that there are no major gaps in the current impairment models due to the short nature of the financial assets and the fact that they are mostly over collateralised. The Group expects to enter the design phase during the first quarter of the 2018 financial year. This phase will involve obtaining information from current systems, adjusting the IT systems to capture the additional data requirements and determination of what constitutes a default and significant credit loss. By the second quarter of the 2018 financial year, the Group should be ready for a parallel run of the *IFRS 9 Financial Instruments* and *IAS 39 Financial Instruments: Recognition and Measurement* standards.

» *IFRS 15 Revenue from Contracts from Customers*: New standard that requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is achieved through a five step methodology that is required to be applied to all contracts with customers. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. The effective date of the amendment is for years beginning on or after 1 January 2018. The Group expects to adopt the standard for the first time in the first annual financial period after the effective date. The impact of this standard is currently being assessed. The new standard supersedes:

- *IAS 11 Construction Contracts*;
- *IAS 18 Revenue*;
- *IFRIC 13 Customer Loyalty Programmes*;
- *IFRIC 15 Agreements for the Construction of Real Estate*;
- *IFRIC 18 Transfers of Assets from Customers*; and
- *SIC-31 Revenue—Barter Transactions Involving Advertising Services*.

» *IFRS 16 Leases*: New standard that introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying *IAS 7 Statement of Cash Flows*. *IFRS 16 Leases* contains expanded disclosure requirements for lessees. Lessees will need to apply judgement in deciding upon the information to disclose to meet the objective of providing a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee. *IFRS 16 Leases* substantially carries forward the lessor accounting requirements in *IAS 17 Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and accounts for those two types of leases differently. *IFRS 16 Leases* also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk. The effective date of the amendment is for years beginning on or after 1 January 2019. The Group expects to adopt the standard for the first time in the first annual financial period after the effective date. The impact of this standard is currently being assessed. The new standard supersedes:

- *IAS 17 Leases*;
- *IFRIC 4 Determining whether an Arrangement Contains a Lease*;
- *SIC-15 Operating Leases—Incentives*; and
- *SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2017

1.2 New standards and interpretations *continued*

1.2.2 New standards, amendments and interpretations not yet adopted *continued*

- *IAS 7 Statement of Cash Flows*: The IASB issued an amendment to *IAS 7 Statement of Cash Flows* introducing additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The effective date of this amendment is for years commencing on or after 1 January 2018. The Group expects to adopt the standard for the first time in the first annual financial period after the effective date. The adoption of this amendment is not expected to impact on the results of the Group, but may result in more disclosure.

There are no other IFRS or International Financial Reporting Interpretations Committee (IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

1.3 Group accounting

1.3.1 Subsidiaries

Subsidiaries are all entities over which the SARB has control. The SARB controls an entity when the SARB is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the SARB.

The acquisition method of accounting is used to account for subsidiaries by the Group (refer to note 1.3.3).

Intercompany transactions, balances and unrealised gains on transactions between the Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group, with the exception of the SARB's policy on foreign currency translation (refer to note 1.6). These foreign-exchange profits or losses are for the account of SA government and are thus transferred to the GFECRA in terms of sections 25 to 28 of the SARB Act.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the summarised Group statement of financial position, summarised Group statement of profit or loss and other comprehensive income and summarised Group statement of changes in equity respectively. Total comprehensive income of subsidiaries is attributed to the SARB and to the non-controlling interest, even if this results in the non-controlling interests having a deficit balance.

1.3.2 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see note 1.3.3 below), after initially being recognised at cost.

1.3.3 Business combinations

1.3.3.1 Subsidiaries

Investments in subsidiaries are stated at cost less allowance for impairment losses where appropriate, and include loans to subsidiaries with no repayment terms where these are considered part of the investment in subsidiaries.

1.3.3.2 Associates

Investments in associates are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy in note 1.9.

1.4 Financial instruments

Financial instruments include all financial assets and financial liabilities, including derivative instruments, but exclude investments in subsidiaries, investments in associates, post-employment benefit plans, provisions, property, plant and equipment, deferred taxation, intangible assets, inventories and taxation payable or prepaid.

NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2017

1.4 Financial instruments *continued*

1.4.1 Financial assets

1.4.1.1 Classification

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss (including held-for-trading); loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

Financial assets at fair value through profit or loss

This category comprises two subcategories: (i) financial assets held-for-trading, and (ii) those designated as fair value through profit or loss at inception.

A financial asset is classified as 'held-for-trading' if it is acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking or if so designated by management. Derivatives are also classified as held-for-trading, unless they are designated as hedges at inception.

A financial asset is designated as 'fair value through profit or loss' when;

» either it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the asset, or recognising the gains or losses on it, on a different basis; or

» it forms part of a portfolio of financial assets that is managed and its performance is evaluated on a fair-value basis, in accordance with a documented risk management or investment strategy and information about the portfolio is provided internally on that basis to key management personnel; or

» it forms part of a contract containing one or more embedded derivatives and *IAS 39 Financial Instruments*: *Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as fair value through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. This category does not include those loans and receivables that the Group intends to sell in the short term or that it has designated as at fair value through profit or loss or available-for-sale.

Held-to-maturity financial assets

No financial assets have been designated as 'held-to-maturity'.

Available-for-sale financial assets

Available-for-sale financial assets are those intended to be held for an indefinite period and may be sold in response to liquidity needs or changes in interest rates, exchange rates or equity prices. Financial assets that are either designated in this category or not classified in any of the other categories are classified as 'available-for-sale' financial assets. The main classes of financial assets classified as available-for-sale are South African government bonds and the equity investment in the Bank for International Settlements (BIS).

1.4.1.2 Reclassification

The Group may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as at the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

1.4.1.3 Recognition and derecognition

Purchases and sales of financial assets that require delivery are recognised on trade date, being the date on which the Group commits itself to purchasing or selling the asset. From this date, any gains or losses arising from changes in the fair value of the assets and liabilities are recognised. Financial assets are derecognised when the rights to receive cash flows from the assets have expired, or where the Group has transferred substantially all risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses in interest income.

NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2017

1.4 Financial instruments *continued*

1.4.1 Financial assets *continued*

1.4.1.4 Measurement

Initial measurement

Financial assets are initially recognised at fair value plus transaction costs, except those carried at fair value through profit or loss. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

The best evidence of fair value on initial recognition is the transaction price, unless fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on discounted cash-flow models and option-pricing valuation techniques whose variables include data from observable markets.

Subsequent measurement

Loans and receivables are subsequently carried at amortised cost using the effective interest method. The amortised cost of a financial asset is the amount at which the financial asset is measured on initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reductions for impairment of financial assets.

Available-for-sale financial assets are subsequently carried at fair value. Unrealised gains and losses arising from changes in fair value are recognised in other comprehensive income. When the financial assets are derecognised the cumulative gain or loss recognised in other comprehensive income is transferred to profit or loss as a reclassification adjustment. Interest income and dividend income received on available-for-sale financial assets are recognised in profit or loss.

Gains and losses arising from a change in the fair value (excluding changes in fair value due to foreign-exchange movements as explained in note 1.6) of financial assets and liabilities designated at fair value through profit or loss are recognised in profit or loss.

1.4.1.5 Impairment of financial assets

The Group assesses whether financial assets need to be impaired at each reporting date. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a loss event) and that loss event has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss has been incurred on loans and receivables, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate of the financial asset.

Objective evidence that loans and receivables are impaired includes but is not limited to the observable data that comes to the attention of the Group about the following events:

» significant financial difficulty of the debtor;
» a breach of contract, such as default or delinquency in payment; and
» it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or receivable has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, such as improved credit rating, the previously recognised impairment loss is reversed and is recognised in profit or loss.

Financial assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets (excluding equity instruments), the cumulative loss, measured as the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

If, in a subsequent period, the fair value of a financial assets excluding equity instruments classified as available-for-sale 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 through profit or loss.

Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not subsequently reversed through profit or loss.

NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2017

1.4 Financial instruments *continued*

1.4.2 Financial liabilities

1.4.2.1 Classification

The Group classifies its financial liabilities into financial liabilities at fair value through profit or loss and financial liabilities at amortised cost.

The Group classifies a financial instrument that it issues as a financial liability in accordance with the substance of the contractual agreement. Management determines the classification of financial liabilities at initial recognition.

Financial liabilities at fair value through profit or loss

Derivatives with negative fair values and foreign deposits have been classified as financial liabilities at fair value through profit or loss.

Financial liabilities at amortised cost

The following liabilities have been classified as financial liabilities at amortised cost: notes and coin issued; South African Reserve Bank debentures; deposit accounts; amounts due to subsidiaries; the GFECRA; and other liabilities.

1.4.2.2 Recognition and derecognition

The Group recognises financial liabilities when it becomes a party to the contractual provisions of the instrument.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled, expire or are substantially modified. The difference between the carrying amount of the financial liability derecognised, and the consideration paid and payable is recognised in profit or loss.

1.4.2.3 Measurement

Initial measurement

Financial liabilities are initially recognised at fair value, generally being their issue proceeds net of transaction costs incurred, except for financial liabilities at fair value through profit or loss.

The best evidence of fair value on initial recognition is the transaction price, unless the fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on discounted cash-flow models and option-pricing valuation techniques whose variables include only data from observable markets.

Subsequent measurement

Subsequent to initial recognition, financial liabilities are measured at fair value. All related, realised and unrealised gains and losses arising from changes in fair value, excluding changes in fair value due to foreign-exchange movements as explained in note 1.6 are recognised in profit or loss.

Other liabilities are measured at amortised cost, which approximates fair value, and are remeasured for impairment losses, except as set out below:

» Non-interest-bearing deposit accounts and amounts due to subsidiaries are accounted for at cost, as these do not have fixed maturity dates and are repayable on demand.
» Notes and coin issued and the GFECRA are measured at cost as these liabilities do not have fixed maturity dates. The banknotes and coin in circulation represent the nominal value of all banknotes held by the public and banks, including recalled and still exchangeable banknotes from the previous series.

Amortised cost is calculated using the effective interest method that discounts the estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability.

1.4.3 Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument or, where appropriate, a shorter period to the net carrying amount of the financial asset or liability.

1.4.4 Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the summarised Group statement of financial position where there is a currently legally enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In addition, as set out in note 5.2, financial assets and financial liabilities arising from derivatives and securities lending activities have been offset.

The fair value of all derivatives is recognised in the summarised Group statement of financial position and is only netted to the extent that a legal right of setting off exists and there is an intention to settle on a net basis.

1.5 Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2017

1.5 Fair value *continued*

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Fair values are determined according to the fair value hierarchy based on the requirements in *IFRS 13 Fair Value Measurement*. Refer to note 16 for further details.

1.5.1 Derivatives

A derivative is a financial instrument, the value of which changes in response to an underlying variable that requires little or no initial investment and is settled at a future date. Fair values are obtained from quoted market prices (excluding transaction costs), dealer price quotations, discounted cash-flow models and option-pricing models, which consider current market and contractual prices for the underlying instruments, as well as the time value of money.

1.5.2 Foreign marketable money market investments

The fair value of foreign marketable money market investments is based on quoted bid rates, excluding transaction costs.

1.5.3 Local and foreign portfolio investments including securities lending portfolio investments

The fair values of portfolio investments are valued using the quoted fair values as obtained from portfolio managers. Where these instruments are bank deposits, they are valued at nominal values plus accrued interest based on market rates. These values approximate fair values.

1.5.4 South African government bonds

Listed bonds are valued using quoted fair values at year-end as supplied by the JSE Limited.

1.5.5 Valuable art

The fair value of valuable art is determined based on the price at which an orderly transaction to sell the assets would take place between market participants at the measurement date under current market conditions.

Revaluations of valuable art shall be made every three years by an independent, reliable valuator to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. In the absence of an official fair value assessment by an independent valuator, the insured value will be used as an indicator of fair value.

If an asset's carrying amount is increased as a result of a revaluation, the increase shall be recognised in other comprehensive income and accumulated in equity under the heading of other reserves. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss. However, the decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in equity under the heading of other reserves.

The revaluation reserve included in equity in respect of an item of valuable art may be transferred directly to accumulated profit when the asset is derecognised.

1.6 Foreign currency activities

Foreign currency translation

1.6.1 Functional and presentation currency

Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the Group operates (the functional currency). The summarised Group annual financial statements are presented in South African rand, which is the functional currency of the Group.

1.6.2 Foreign-exchange gains and losses arising in entity accounts

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions.

Foreign-exchange profits or losses of the SARB, insofar as they arise from changes in the value of the rand compared to other currencies, are for the account of SA government and consequently all these profits or losses are transferred to the GFECRA in terms of sections 25 to 28 of the SARB Act. Investment returns on foreign-exchange reserves and interest paid on foreign loans are for the account of the SARB and are accounted for in profit or loss. Gains and losses on conversion to the functional currency are recognised in profit or loss for the subsidiaries and associates.

1.7 Property, plant and equipment

Property, plant and equipment is identifiable non-monetary assets which the Group holds for its own use and which are expected to be used for more than one year.

Property, plant and equipment is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Property, plant and equipment is initially recognised at cost.

NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2017

1.7 Property, plant and equipment *continued*

Freehold land and items under construction is subsequently carried at cost less accumulated impairment losses. Valuable art whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated impairment losses. Other items of property, plant and equipment are subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is determined separately for each significant part of an item of property, plant and equipment, and is charged so as to write off the cost of the assets (other than land, valuable art and items under construction) to their residual value over their estimated useful life, using the straight-line method. Land and valuable art have indefinite useful lives and are not depreciated. Items under construction are not used and thus not depreciated. The estimated average useful lives of the assets are as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	50
Furniture and equipment	Straight line	2 to 28
Land	Not depreciated	Indefinite
Valuable art	Not depreciated	Indefinite
Vehicles	Straight line	5 to 7
Work in progress	Not depreciated	

Work in progress consists of items under construction and is measured at cost. Work in progress is transferred to the related category of assets and depreciated accordingly when the asset is completed and available for use.

Subsequent costs are included in the carrying amount of the asset only when it is probable that future economic benefits associated with the items will flow to the Group and the cost of the item can be measured reliably. All repairs and maintenance costs are charged to profit or loss when incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss.

The residual values and useful life of assets are reviewed at each reporting date and adjusted if appropriate.

1.8 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance which the Group holds for its own use and which are expected to be used for more than one year.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Research expenditure relating to gaining new technical knowledge and understanding is charged to profit or loss when incurred. An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

Purchased software and the direct costs associated with the customisation and installation thereof are capitalised. Expenditure on internally-developed software is capitalised if it meets the criteria for capitalising development expenditure. Other software development expenditure is charged to profit or loss when incurred.

Amortisation is provided to write-down the intangible assets, on a straight line basis, to their residual values. The estimated average useful lives of the assets are as follows:

Item	Amortisation method	Average useful life
Computer software	Straight line	2 to 20
Work in progress	Not depreciated	

Work in progress consists of items under construction and is measured at cost. Work in progress is transferred to the related category of assets and amortised accordingly when the asset is completed and available for use.

Intangible assets are subsequently carried at cost less any accumulated amortisation and any impairment losses.

An item of intangible assets is derecognised upon disposal or when no future economic benefits are expected from use or disposal. Any gain or loss arising from the derecognition of an intangible asset is included in profit or loss.

The residual values, amortisation period and the amortisation method for intangible assets are reviewed at each reporting date and adjusted if appropriate.

NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2017

1.9 Impairment of other non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment, in which case their recoverable amount is estimated.

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. The discounted cash flow analysis is used to determine the fair value of the investment in subsidiary/associate and estimated future cash flows are based on management's best estimates. The assumptions used in the forecast are based on available historical information, taking management opinion and experience into consideration. Cash flow projections are approved by the subsidiary/associate's Boards and consists of cash flows from the associate and all its subsidiaries. A five-year forecasting period should be used for cash flow projections from the subsidiary/associate and where available forecasts fall short of the five-year forecasting period, nominal growth in line with inflation is assumed. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Investments in subsidiaries and associates are tested for impairment when dividends are declared to the holding company.

An impairment loss is recognised in profit or loss whenever the subsidiary or associate declares dividends to the holding company and evidence is available that:

» the carrying amount of the investment in the separate financial statements of the holding company exceeds the carrying amount in the consolidated financial statements of the investee's net assets; or
» the dividend exceeds the total comprehensive income of the subsidiary or associate in the period the dividend is declared.

Non-financial assets that suffered an impairment loss are reviewed for possible reversal of the impairment at each reporting date.

A previously expensed impairment loss will be reversed if the recoverable amount increases as a result of a change in the estimates used previously to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognised.

1.10 Gold

Gold is held by the SARB as part of its foreign reserves. In terms of section 25 of the SARB Act, gold is initially recorded at the prevailing rates at initial recognition, including transaction costs. Subsequent to initial measurement, it is valued at the statutory price. The statutory price is the quoted price at the reporting date. Gold loans are measured at the quoted price at the reporting date. In terms of section 25 of the SARB Act, all gains and losses on gold, held by the SARB, are for the account of SA government and, transferred to the GFECRA.

1.11 Taxation

The taxation expense for the period comprises current and deferred taxation. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

The charge for current taxation is based on the results for the year as adjusted for items that are non-assessable or disallowed for taxation purposes. It is calculated using taxation rates that have been enacted or substantially enacted by the reporting date, and any adjustment of taxation payable for previous years.

Deferred taxation is provided using the liability method, based on temporary differences. However, deferred taxation liabilities are not recognised if they arise from the initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using taxation laws enacted or substantively enacted at the reporting date. Deferred taxation is charged to profit or loss, except to the extent that it relates to a transaction that is recognised in other comprehensive income or in equity. In this case, the taxation is also recognised in other comprehensive income or in equity. The effect on deferred taxation of any changes in taxation rates is recognised in profit or loss, except to the extent that it relates to items previously charged or credited directly to equity or other comprehensive income.

Deferred taxation assets are recognised for all deductible temporary differences, the carry forward of unused tax losses and the carry forward of unused tax credits. In relation to the SARB only, deferred taxation assets are not reduced to the extent that it is no longer probable that the related taxation benefits will be realised. Refer to the financial reporting framework's note 2 under recognition and measurement.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and associates except for deferred taxation where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2017

1.11 Taxation *continued*

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred taxation assets and liabilities relate to income taxation levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.12 Employee benefits

1.12.1 Pension and retirement funds

Group companies operate various pension schemes. The schemes are funded through employer and employee contributions to insurance companies or trustee-administered funds. All funds in which the Group participates are defined contribution funds, however, there is an element within the SARB retirement fund which is deemed to be defined benefit in nature. This element, as detailed in note 13.3, is treated according to the principles of a defined benefit plan.

1.12.1.1 Defined benefit plans

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

The expected costs of post-employment defined benefits are charged to profit or loss over the expected service life of the employees entitled to these benefits according to the projected unit credit method. Costs are actuarially assessed, and expense adjustments and past-service costs resulting from plan amendments are amortised over the expected average remaining service life of the employees.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date, together with adjustments for unrecognised actuarial gains or losses and past-service costs. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Remeasurements are not classified to profit or loss in subsequent periods. Past-service costs are recognised in profit or loss at the earlier of the following dates: (i) when the plan amendment or curtailment occurs or, (ii) when the entity recognises related restructuring costs or termination benefits.

1.12.1.2 Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity or fund. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees' benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension plans on a mandatory, contractual or voluntary basis. The contributions are recognised as employee benefit expenses when they are due.

1.12.2 Post-employment benefits

The SARB provides post-employment medical and group life benefits to qualifying employees and retired personnel by subsidising a portion of their medical aid and group life contributions.

Entitlement to these benefits is based on employment prior to a certain date and is conditional on employees remaining in service up to retirement age. The expected costs of post-employment defined benefits are charged to profit or loss over the expected service life of the employees entitled to these benefits according to the projected unit credit method. Costs are actuarially assessed, and expense adjustments and past-service costs resulting from plan amendments are amortised over the expected average remaining service life of the employees.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in profit or loss, to the extent that they relate to retired employees or past-service.

The liability is provided for in an actuarially determined provision.

1.12.3 Leave pay accrual

Employee entitlements to annual leave and long-service leave are recognised when they accrue to employees.

The leave pay accrual at the reporting date represents the present obligation to employees as a result of employees' services provided up to the reporting date. The accrual is measured as the amount that is expected to be paid as a result of the unutilised leave entitlement that has accumulated at the reporting date.

1.13 Sale and repurchase (repo) agreements

The SARB has entered into repo agreements as part of its monetary policy activities. Securities purchased under agreements to resell are recorded under accommodation to banks as loans and receivables. Securities sold under agreement to repurchase are disclosed as reverse repo agreements included in deposit accounts.

The underlying securities purchased under repo agreements are not recorded by the SARB. Likewise, underlying securities sold under repo agreements are not derecognised by the SARB.

The differences between the purchase and sale prices are treated as interest and accrued using the effective interest method.

NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2017

1.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

Redundant and slow-moving inventories are identified and written down to their estimated economic or realisable values. Raw materials are valued at cost according to the first-in, first-out basis by subsidiaries. Some raw materials are valued at standard cost, which closely approximates actual cost on a first-in, first-out basis.

Consumables are valued at the weighted-average cost price. Maintenance spares are valued at average cost.

Finished goods and work in progress are valued at direct costs of conversion and production overheads on a first-in, first-out basis. Production overheads are included in the cost of manufactured goods, based on normal operating capacity.

Note-printing and coin-minting expenses include ordering, printing, minting, freight, insurance and handling costs. These costs are recorded as part of work in progress for the SABN and the SA Mint, and are released to profit or loss when the currency is sold to the SARB.

1.15 Cost of new currency

The SARB recognises the cost of new currency in profit or loss when the banknotes and coin are delivered, and the significant risks and rewards of ownership are transferred to the SARB.

1.16 Statement of cash flows

For the purpose of the statement of cash flows, cash and cash equivalents include all cash on hand, bank overdrafts of subsidiaries and short-term South African money market instruments. As far as the SARB is concerned, no cash and cash equivalents are shown because of the SARB's role as central bank in the creation of money.

1.17 Provisions

Provisions are liabilities of uncertain timing or amount and are recognised when the Group has a present legal or constructive obligation as a result of past events for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at management's estimate of the expenditure required to settle that obligation at the end of each reporting period, and are discounted (at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability) to present value where the effect is material. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

1.18 Total income

Interest income and interest expense are recognised on a time proportion basis, taking account of the principal outstanding and the effective interest rate over the period to maturity. Interest income and interest expense are recognised in profit or loss for all interest-bearing instruments on an accrual basis using the effective interest method. Interest income includes changes in the fair value of the SARB's financial assets. Where financial assets have been impaired, interest income continues to be recognised on the impaired value, based on the original effective interest rate. Interest income and interest expense include the amortisation of any discount or premium, or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest basis.

Dividends are recognised when the right to receive payment is established.

Other income arising from the provision of services to clients is recognised on the accrual basis in accordance with the substance of the relevant transaction. This consists mainly of commission on banking services.

1.19 Key accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

There were no significant changes to the Group's estimates and assumptions in the current or prior year.

1.20 Related parties

As per *IAS 24 Related Party Disclosures*, the summarised Group annual financial statements contain the disclosures necessary to draw attention to the possibility that the Group's financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

Related parties include, but are not limited to subsidiaries, the associate, members of management who hold positions of responsibility within the Group including those charged with governance in accordance with legislation, and members of management that are responsible for the strategic direction and operational management of the Group and are entrusted with significant authority. Their remuneration may be established by statute or by another body independent of the Group. Their responsibilities however may enable them to influence the benefits of office that flow to them, their related parties or parties that they represent on the governing body.

1.21 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of taxation, from the proceeds.

NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2017

2. CASH AND CASH EQUIVALENTS

	2017 R'm	2016 R'm
Bank and cash balances	**22 041**	4 206
Short-term South African money market investments	**3 635**	1 742
Total cash and cash equivalents	**25 676**	5 948

Financial instruments with an original maturity of less than three months are reflected above.

Included in short-term South African money market investments are repurchase agreements (2016: none), the following table represents details thereof:

Fair value of repurchase agreements	**3 563**	–
Fair value of collateral received	**3 562**	–
Fair value of collateral permitted to sell or repledge at the reporting date	**3 562**	–
Collateral cover	**99.98%**	0.00%
Maturity date	**6 April 2017**	–

At the reporting date, none of the collateralised advances were past due or impaired. The counterparties are exposed to interest rate risk on the various securities pledged as collateral for the repurchase agreements. The Group has the ability to sell or repledge these securities in the event of default.

3. ACCOMMODATION TO BANKS

Repurchase agreements	**56 000**	51 300
Standing facility	**3 674**	2 190
Accrued interest	**11**	20
Total accommodation to banks	**59 685**	53 510

Accommodation to banks represents short-term lending to commercial banks.

The repurchase agreements yield interest at the repurchase rate of the SARB	**7.00%**	7.00%

The following table presents details of collateral received for repurchase agreements (including accrued interest):

Fair value of collateral received	**56 107**	51 652
Fair value of collateral permitted to sell or repledge at the reporting date	**56 107**	51 652
Collateral cover	**100.17%**	100.65%
Maturity date	**5 April 2017**	6 April 2016

At the reporting date, none of the collateralised advances were past due or impaired. During the year under review, no defaults were experienced (2016: no defaults).

The counterparties are exposed to interest rate risk on the various securities pledged as collateral for the repurchase agreements. The SARB has the ability to sell or repledge these securities in the event of default.

The following table presents details of collateral received for the standing facility:

Fair value of collateral received	**3 674**	5 510
Fair value of collateral permitted to sell or repledge at the reporting date	**3 674**	5 510
Collateral cover	**100.00%**	251.56%

The collateral received consists of South African government bonds with the following maturities:

Instrument	Maturity date	Amount R'm
South Africa government bond R202	**7 December 2033**	**2 382**
South Africa government bond R197	**7 December 2023**	**312**
South Africa government bond R209	**31 March 2036**	**980**
Total collateral received		**3 674**

NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2017

4. INVESTMENTS

	2017 R'm	2016 R'm
Short-term South African money market investments	**3 735**	27 042
Maturity structure of financial assets		
Between 1 and 12 months	**3 735**	27 042
For investments that meet the definition of financial assets designated at fair value:		
Maximum exposure to credit risk	**3 735**	27 042

In terms of investment guidelines, approved by the Boards of the respective subsidiaries, all investments are placed with reputable financial institutions. The CPD utilises banking institutions with a minimum credit rating of BBB- by at least two of the agencies: Standard and Poor's, Fitch or Moody's. The change in fair value due to changes in credit quality or spreads is not material and has therefore not been disclosed separately.

Changes in fair value due to credit risk are regarded as immaterial for investments that have remaining maturities of less than one month.

5. GOLD AND FOREIGN-EXCHANGE

	2017 R'm	2016 R'm
Gold coin and bullion	**66 338**	73 190
Money- and capital-market instruments and deposits	**102 583**	86 393
Medium-term instruments	**367 629**	434 956
Portfolio investments	**81 229**	93 860
Accrued interest	**4**	4
Total gold and foreign-exchange	**617 783**	688 403

Gold coin and bullion consists of 4 026 987 fine ounces of gold at the statutory price of R16 473.31 per ounce (2016: 4 026 294 fine ounces at R18 178.09 per ounce).

The foreign-exchange balances yield investment returns achievable in the various currencies in which they are invested. It is not practicable to calculate effective yields on the portfolios due to the volatility caused by exchange rate fluctuations.

NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2017

5. GOLD AND FOREIGN-EXCHANGE *continued*

Included in the gold and foreign-exchange holdings are the following items provided for additional information purposes:

5.1 Derivatives held-for-trading

The SARB utilises financial derivative products for portfolio management purposes, and seeks to minimise the effects of currency and interest rate risks by using such instruments to economically hedge the related risk exposures. The use of financial derivatives is governed by the SARB's policies approved by the GEC, which provides written principles on the use of derivative financial instruments. Compliance with policies and exposure limits is reviewed by management on a continuous basis. Risk management practices also include regular reporting to the Risk Management Committee (RMC) and Board Risk and Ethics Committee (BREC). The SARB does not enter into or trade financial instruments, including derivative financial instruments, for proprietary trading purposes.

	Net fair value R'm	Fair value of assets R'm	Fair value of liabilities R'm	Contract/ notional amount(1) R'm
2017				
Forward exchange contracts	**(117)**	**93**	**(210)**	**22 055**
Futures contracts	**11**	**35**	**(24)**	**27 571**
Interest rate swaps	**(13)**	**12**	**(25)**	**24 382**
Total derivatives held-for-trading	**(119)**	**140**	**(259)**	**74 008**
2016				
Forward exchange contracts	(65)	140	(205)	13 393
Futures contracts	(73)	22	(95)	32 242
Interest rate swaps	(41)	–	(41)	1 428
Total derivatives held-for-trading	(179)	162	(341)	47 063

(1) The notional amount of a financial instrument is the nominal or face value that is used to calculate payments made on that instrument. The amount generally does not change hands.

5.2 Offsetting financial assets and financial liabilities relating to gold and foreign-exchange

The SARB is subject to an enforceable master netting arrangement with its derivative counterparties. Under the terms of this agreement, offsetting of derivatives is permitted only in the event of bankruptcy or default of either party to the agreement. There is no intention to settle on a net basis or realise the asset and settle the liability simultaneously. The following table presents details of this:

	Gross amounts presented in the derivatives held-for-trading R'm	Offset R'm	Net amounts presented in the derivatives held-for-trading R'm	Related amounts not set off in derivatives held-for-trading		
				Instruments which offset on default R'm	Collateral amount received R'm	Net amount R'm
2017						
Forward exchange contract assets	**93**	**–**	**93**	**(58)**	**–**	**35**
Interest rate swap assets	**12**	**–**	**12**	**(12)**	**–**	**–**
Forward exchange contract liabilities	**(210)**	**–**	**(210)**	**58**	**–**	**(152)**
Interest rate swap liabilities	**(25)**	**–**	**(25)**	**12**	**–**	**(13)**
2016						
Forward exchange contract assets	140	–	140	(88)	–	52
Interest rate swap assets	–	–	–	–	–	–
Forward exchange contract liabilities	(205)	–	(205)	88	–	(117)
Interest rate swap liabilities	(41)	–	(41)	–	–	(41)

NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2017

5. GOLD AND FOREIGN-EXCHANGE *continued*

5.3 Securities lending activities

	2017 R'm	2016 R'm
Liabilities in respect of collateral received	–	(61 579)
Fair value of underlying investments	–	61 500
Net fair value adjustment included in foreign-exchange holdings	–	(79)

There were no securities lending actives at 31 March 2017 as a result of the transitioning between securities lending agents of the SARB.

5.4 Special Drawing Rights

The Special Drawing Rights (SDRs) asset of R26.9 billion (2016: R31.0 billion) included in gold and foreign-exchange carries interest at an effective rate of 0.40%. National Treasury promissory notes have been pledged as collateral against the SDRs.

The following table presents details of collateral held:

	2017	2016
Fair value of collateral received	**52 652**	48 510
Collateral cover	**195.73%**	156.48%

At the reporting date, none of the collateralised advances were past due or impaired (2016: none). During the year under review, no defaults were experienced (2016: no defaults).

6. LOANS AND ADVANCES

	2017	2016
Secured foreign loans	**60**	62
Interest-bearing local loans	**27 597**	27 297
Total loans and advances	**27 657**	27 359

Secured foreign loan

The loan facility of R75 million expires on 31 December 2017 if not renegotiated and carries interest at an effective rate of 7.00%. Land Bank promissory notes have been pledged as collateral against the foreign loan.

The following table presents details of collateral held:

	2017	2016
Fair value of collateral received	**82**	82
Fair value of collateral permitted to sell or repledge at the reporting date	**82**	82
Collateral cover	**135.57%**	131.37%
Maturity date	**4 May 2017**	5 April 2016

At the reporting date, none of the collateralised advances were past due or impaired. During the year under review, no defaults were experienced (2016: no defaults).

The counterparties are exposed to interest rate risk on the various securities pledged as collateral for the foreign loan. The SARB has the ability to sell or repledge these securities in the event of default.

Interest-bearing local loans

The loans are advanced as part of the national government's Inter-Governmental Cash Co-ordination (IGCC) arrangement, in terms of which some state-owned entities and treasuries of provincial governments deposit excess funds with the CPD to form a pool of funds from the public sector. The national and the provincial treasuries are allowed to borrow money from the IGCC pool of funds. National Treasury guarantees that the deposits will be made available to depositors on demand.

The interest-bearing loans are unsecured, short-term in nature and callable on demand. The loans earn interest at a rate equal to the 91-day Treasury bill yield – the rate at the reporting date was 7.40% (2016: 7.24%).

At the reporting date, none of the collateralised advances were past due or impaired (2016: none). During the year under review, no defaults were experienced (2016: no defaults).

NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2017

7. SOUTH AFRICAN GOVERNMENT BONDS

	2017 R'm	2016 R'm
Listed bonds: Interest-bearing	**8 094**	7 872
Accrued interest	**59**	60
Total South African government bonds	**8 153**	7 932
Effective interest rate	**8.19%**	8.23%

South African government bonds pledged as collateral for reverse repurchase agreements (note 9):

	2017 R'm	2016 R'm
Listed bonds pledged	**1 271**	2 555
Associated liability	**1 256**	2 501

The SARB is exposed to interest rate risk on the listed South African government bonds pledged as security. South African government bonds are pledged as collateral for reverse repurchase agreements. The counterparty has the ability to sell or repledge these bonds in the event of default.

8. NOTES AND COIN IN CIRCULATION

	2017 R'm	2016 R'm
Notes	**126 623**	125 096
Coin	**5 674**	5 466
Total notes and coin in circulation	**132 297**	130 562

The liability for notes and coin issued is the net liability after offsetting notes and coin held by the SARB and not yet issued into circulation as cash held by the central bank does not represent currency in circulation.

NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2017

9. DEPOSIT ACCOUNTS

	2017 R'm	2016 R'm
Non-interest-bearing	**126 545**	126 730
Banks' reserve accounts	**90 972**	84 991
SA government accounts	**34 410**	39 860
Other current accounts	**1 163**	1 879
Interest-bearing	**140 276**	142 960
Reverse repurchase agreements	**1 256**	2 501
SA government special deposit	**67 157**	67 157
Banks' current accounts	**6 708**	3 901
Call deposits	**65 155**	69 370
Margin call	**–**	31
Total deposit accounts	**266 821**	269 690
Maturity structure of deposit accounts		
On demand	**100 728**	111 140
Subject to negotiation with National Treasury	**67 157**	67 157
Within 1 month	**98 936**	90 393
Between 1 and 3 months	**–**	1 000
	266 821	269 690

Banks' reserve accounts

Commercial banks are required to maintain a minimum cash reserves balance with the SARB into which they are able to deposit at least such amounts as may be necessary to comply with the SARB Act. The banks' reserve accounts do not accrue interest. The commercial banks can utilise the reserve accounts to either fund short positions or deposit surplus funds. As at year-end, the balance was below the required minimum reserve balance by an amount of R2.0 billion (2016: R2.1 billion).

Reverse repurchase agreements

The reverse repurchase agreements are secured by collateral as presented below:

	2017	2016
Market value of South African government bonds	**1 271**	2 555
Collateral cover	**101.26%**	102.14%

The reverse repurchase agreements bear interest at market-related rates or below the repo rate of the SARB (note 7).

SA government special deposit

SA government's special deposit bears interest at a rate equivalent to the return earned on foreign-exchange investments made by the SARB. The interest earned on the deposit was settled during the year under review.

10. FOREIGN DEPOSITS

	2017	2016
Foreign deposits	**106 655**	102 083

Foreign deposits are placed by customers at market related rates.

NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2017

11. SOUTH AFRICAN RESERVE BANK DEBENTURES

	2017 R'm	2016 R'm
Capital	**610**	3 172
Accrued interest	**1**	4
Total South African Reserve Bank debentures	**611**	3 176

The debentures are issued to the market on tender normally on a 7-, 14-, 28- or 56-day term. The debentures are unsecured. Details of the debentures in issue at 31 March 2017 are as follows:

Maturity date	**Interest rate %**	**Capital R'm**
5 April 2017	**6.90**	**50**
5 April 2017	**7.00**	**30**
5 April 2017	**6.93**	**50**
5 April 2017	**6.95**	**60**
12 April 2017	**6.93**	**50**
12 April 2017	**6.98**	**50**
19 April 2017	**6.95**	**50**
19 April 2017	**6.98**	**60**
26 April 2017	**6.95**	**120**
3 May 2017	**6.95**	**90**
		610

12. GOLD AND FOREIGN-EXCHANGE CONTINGENCY RESERVE ACCOUNT

	Notes	**2017 R'm**	2016 R'm
Opening balance		**304 653**	203 396
(Loss)/profit on gold price adjustment account		**(6 851)**	14 986
Profit/(loss) on forward exchange contract adjustment account		**9 683**	(30 715)
(Loss)/profit on foreign-exchange adjustment account		**(74 215)**	118 216
Movement in unrealised losses on forward exchange contracts		**(2 298)**	(1 382)
		230 972	304 501
Payments from National Treasury		**186**	152
Closing balance		**231 158**	304 653
Balance composition			
Balance currently due to SA government		**233 962**	305 159
Unrealised losses on forward exchange contracts	8	**(2 804)**	(506)
		231 158	304 653

The GFECRA, which is operated in terms of section 28 of the SARB Act, represents net revaluation profits and losses incurred on gold and foreign-exchange transactions, which are for the account of the SA government. Settlement of this account is subject to agreement, from time to time, between the SARB and SA government and consists mainly of the exchange margin. During the reporting year under review, a net amount of R186 million was settled by SA government (2016: R152 million).

NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2017

13. POST-EMPLOYMENT BENEFITS

The SARB and its subsidiary provide the following post-employment benefits to its employees:

	Notes	**2017 R'm**	2016 R'm
Amounts recognised in the statement of financial position			
Post-employment medical benefits	13.1	**2 243**	2 042
Post-employment group life benefits	13.2	**46**	39
Retirement fund obligation	13.3	**153**	–
Total post-employment benefits		**2 442**	2 081

13.1 Post-employment medical benefits

Post-employment medical benefits are provided to retired staff in the form of subsidised medical aid premiums. This benefit has been closed to all new employees at the SARB since 1 September 2011 and the subsidiary since 2003. A provision for the liability has been raised; this covers the total liability, that is, the accumulated post-employment medical benefit liability at 31 March 2017.

13.2 Post-employment group life benefits

Post-employment group life benefits are provided to retired staff in the form of subsidised group life premiums. This covers the total liability, that is, the accumulated post-employment group life benefit liability at 31 March 2017.

13.3 Retirement fund obligation

The Group has made provision for pension and provident plans substantially covering all employees. All employees are members of the retirement fund administered by the Group or are members of funds within the various industries in which they are employed. The assets of these plans are held in administered trust funds separate from the Group's assets and the funds are governed by the Pension Funds Act 24 of 1956.

Active members participate on a defined contribution basis. The market risk lies fully with the active members until retirement. On retirement, former employees can commute up to one-third of their share of funds. They may use the remaining funds to buy either a living annuity or a life annuity (or a combination of both) from the fund. They may also choose to transfer their share of funds to another registered retirement annuity. The value of assets under management for active members as at 31 March 2017 was R4.1 billion (2016: R3.9 billion).

Living annuity pensioners bear the entire market risk on their funds; however, they also fully benefit from positive market returns.

The life pension quoted by the retirement fund is based on the amount of capital available to the employee, as well as marital status, gender and age. There are currently 733 life pensioners. Once quoted a life pension, the rules of the fund stipulate that it will not be reduced, and thus, although the pensioner bears the market risk with regard to the annual increase granted, the employer will contribute if there is a shortage in the pension account which supports maintaining pensions at their existing level. This is in effect the only uncovered 'defined benefit' element in the fund. The risk for the retirement fund, and ultimately the SARB, in meeting this defined benefit, is market risk and life expectancy.

Since inception in 1995, there has not been a shortage in the pension account for any given year. The most recent interim valuation at 31 March 2016 found the fund to be fully funded, with the actuarial liability of pensions to be R1.0 billion with plan assets of R1.2 billion. The trustees of the retirement fund and the management of the SARB do not forsee a statutory liability for the SARB in terms of these pensioners.

NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2017

14. PROFIT BEFORE TAXATION

14.1 Total income include:

	2017 R'm	2016 R'm
Income from investments	**42**	13
Dividends received	**38**	33
Realised and unrealised profit/(loss) on investments	**4**	(20)
Commission on banking services	**798**	621

Realised and unrealised profits and losses on the SARB's investments are included in interest income in terms of the SARB's accounting policies.

14.2 Operating costs include:

	2017 R'm	2016 R'm
Directors' remuneration	**26**	26
For services as non-executive directors	**5**	5
For services as executive directors	**21**	21
Depreciation, amortisation an impairment	**399**	693
Buildings	**21**	21
Plant, vehicles, furniture and equipment	**284**	580
Artwork	**–**	(5)
Work in progress	**–**	2
Computer software	**94**	95
Net loss on disposal of plant, vehicles, furniture and equipment	**4**	–
Write-downs of inventories	**8**	3
Auditors' remuneration	**40**	39
Audit fees	**17**	16
Fees for other services	**23**	23
Consulting fees	**92**	138
Retirement benefit costs	**582**	604
Contributions to funds – Normal	**206**	184
Contributions to funds – Additional	**9**	13
Provision for post-employment medical benefits	**258**	260
Provision for post-employment group life benefits	**5**	6
Provision for post-retirement fund	**9**	56
Premiums paid – Medical aid	**91**	82
Premiums paid – Group life	**4**	4
Remuneration and recurring staff costs	**1 960**	1 807
Cost of new currency	**179**	223
Other operating costs[(1)]	**1 720**	1 329

(1) Other operating costs comprise mainly business systems and technology costs, repairs and maintenance, building maintenance costs, travel and accommodation, and training expenses.

NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2017

15. CASH GENERATED FROM OPERATING ACTIVITIES

	2017 R'm	2016 R'm
Reconciliation of profit before taxation to cash generated from operating activities		
Profit before taxation for the year	**2 100**	2 159
Adjustments for:		
Depreciation, amortisation and impairment	**399**	693
Net loss on disposal of fixed assets	**4**	–
Loss/(profit) from associate	**556**	(2)
Unrealised foreign-exchange (gain)/loss	**(5)**	5
Realised and unrealised (profit)/loss on financial instruments	**(3)**	21
Post-employment benefits	**189**	241
Coupon interest accrued	**(1)**	(1)
Amortisation of coupon interest	**(30)**	(27)
Net cash generated from operating activities	**3 209**	3 089
Changes in working capital		
Accommodation to banks	**(6 175)**	(12 187)
Other assets	**(1 055)**	(353)
Gold and foreign-exchange	**70 620**	(123 414)
Loans and advances	**(298)**	(5 838)
Notes and coin in circulation	**1 735**	8 392
Deposit accounts	**(2 869)**	35 686
Other liabilities	**1 410**	(62)
Foreign deposits	**4 572**	7 669
South African Reserve Bank debentures	**(2 565)**	(4 734)
Gold and Foreign-Exchange Contingency Reserve Account	**(71 197)**	102 639
Cash (utilised by)/generated from changes in working capital	**(5 822)**	7 798
Cash (utilised by)/generated from operating activities	**(2 613)**	10 887

NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2017

16. FAIR VALUE HIERARCHY DISCLOSURES

The tables on pages 98 to 99 analyse financial instruments carried at fair value and amortised by the level of fair value hierarchy. The fair value hierarchy depends on the extent to which quoted prices are used in determining the fair value of the specific instruments. The different levels are defined as follows:

Level 1: Fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities. These are readily available in the market and are normally obtainable from multiple sources.

Level 2: Fair value is based on input other than quoted prices included within Level 1 that is observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value is based on input for the asset or liability that is not based on observable market data (i.e. unobservable inputs).

The Group's policy is to recognise transfers into and transfers out of the fair value hierarchy levels as at the date of the event or change in circumstances that caused the transfer. During the year under review, there have been no transfers between any of the levels (2016: none).

16.1 Valuation techniques used to derive Level 1 fair values

The fair value of financial instruments traded in active markets are based on quoted market prices as obtained from the custodians at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer broker or pricing services, and those prices represent actual and regularly occurring market transactions on an arm's-length basis. The quoted market price used for financial assets held by the SARB is the current price as per the custodian's pricing hierarchy. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily fixed income investments classified as trading securities or available for sale.

16.2 Valuation techniques used to derive Level 2 fair values

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Specific valuation techniques used to value financial instruments include the following:

- quoted market prices or dealer quotes for similar instruments are used for gold and foreign-exchange and investments;
- the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- the fair value of forward exchange contracts is determined using forward exchange rates at the statement of financial position date, with the resulting value discounted back to present value; and
- the fair value of all other instruments are derived with reference to yields.

16.3 Valuation techniques used to derive Level 3 fair values

Immaterial Level 3 items are detailed in the Group annual financial statements and have been excluded from this report.

NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2017

16. FAIR VALUE HIERARCHY DISCLOSURES *continued*

	Level 1 R'm	Level 2 R'm	Level 3 R'm	Total R'm
2017				
Items measured at fair value				
Financial assets				
South African government bonds	8 153	–	–	8 153
Investments	–	3 735	–	3 735
Gold and foreign-exchange	424 746	193 037	–	617 783
Gold coin and bullion	66 338	–	–	66 338
Money- and capital-market instruments and deposits	–	102 587	–	102 587
Medium-term investments	345 396	22 232	–	367 628
Portfolio investments	13 012	68 218	–	81 230
Items measured at amortised cost				
Financial assets				
Cash and cash equivalents	22 040	3 636	–	25 676
Accommodation to banks	–	59 685	–	59 685
Loans and advances	–	27 657	–	27 657
Financial liabilities				
Notes and coin in circulation	–	132 297	–	132 297
Deposit accounts	–	266 821	–	266 821
Foreign deposits	–	106 655	–	106 655
South African Reserve Bank debentures	–	611	–	611
Gold and Foreign-Exchange Contingency Reserve Account	–	231 158	–	231 158

Securities lending activities

There were no securities lending activities as at 31 March 2017. The net effect of securities lending in which the SARB was engaged at the reporting date is included in the gold and foreign-exchange balances above. Securities held as collateral amounted to R0 in 2017 (2016: R72.2 billion).

NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2017

16. FAIR VALUE HIERARCHY DISCLOSURES *continued*

	Level 1 R'm	Level 2 R'm	Level 3 R'm	Total R'm
2016				
Items measured at fair value				
Financial assets				
South African government bonds	7 932	–	–	7 932
Investments	–	27 042	–	27 042
Gold and foreign-exchange	326 655	361 748	–	688 403
Gold coin and bullion	73 190	–	–	73 190
Money- and capital-market instruments and deposits	–	86 397	–	86 397
Medium-term investments	235 985	198 971	–	434 956
Portfolio investments	17 480	76 380	–	93 860
Items measured at amortised cost				
Financial assets				
Cash and cash equivalents	4 206	1 742	–	5 948
Accommodation to banks	–	53 510	–	53 510
Loans and advances	–	27 359	–	27 359
Financial liabilities				
Notes and coin in circulation	–	130 562	–	130 562
Deposit accounts	–	269 690	–	269 690
Foreign deposits	–	102 083	–	102 083
South African Reserve Bank debentures	–	3 176	–	3 176
Gold and Foreign-Exchange Contingency Reserve Account	–	304 653	–	304 653

Securities lending activities

The net effect of securities lending in which the SARB was engaged at the reporting date is included in the gold and foreign-exchange balances above. The gross position is as follows:

	Level 1 R'm	Level 2 R'm	Level 3 R'm	Total R'm
Liabilities in respect of collateral received	–	(61 579)	–	(61 579)
Fair value of underlying investments	2 574	58 926	–	61 500
Net fair value adjustment included above	2 574	(2 653)	–	(79)

Securities held as collateral amounted to R72.2 billion in 2016.

NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2017

17. COMMITMENTS AND GUARANTEES

17.1 Guarantees

R3.0 billion has been guaranteed by the SARB to ABL undertaking to settle unrecoverable loans that the Residual Debt Services Limited could not settle i.t.o the indemnity agreement. By 31 March 2017 this facility had not been utilised.

In turn, R3.0 billion has been guaranteed by the National Treasury to the SARB with the same terms to assist with the above mentioned guarantee issued to ABL. A guarantee fee of 30 basis points is payable upon the utilisation of the guarantee facility. By 31 March 2017 this facility had not been utilised.

17.2 Committed liquidity facilities

The committed liquidity facilities (CLFs) are designed to allow local banks to meet Basel III rules that require financial institutions to hold high-quality liquid assets as a buffer during times of market stress. Subsequently, the SARB has approved the provision of a CLF available to banks to assist banks to meet the liquidity coverage ratio (LCR).

Although banks can contractually draw down on the CLF with immediate effect, such a draw down would signal a degree of liquidity pressure and banks are not expected to draw down except in circumstances of extraordinary liquidity needs. The SARB monitors the liquidity positions of all banks as part of its normal supervisory processes and should be aware of any deterioration in a bank's liquidity position that could possibly result in a draw down on the CLF.

On 31 March 2017 the total CLFs granted by the SARB for the period 1 January 2017 to 31 December 2017 amounted to R89.6 billion, which have not yet been utilised. Commitment fees of R520 million have been received for the period of 1 January 2017 to 31 December 2017 of which R130 million is accounted for as income for the year ended 31 March 2017. The balance is reflected in other liabilities.

An interest rate of repo plus 1% is charged on draw down for the draw down period of 30 days.

The available facility is limited to the lower of the facilities entered into and the available collateral after the haircut is applied. To date, residential, commercial mortgages, auto loans and asset backed securities to the value of R89.6 billion (before the haircut is applied) have been ceded to the SARB as collateral as per the individual agreements. A haircut is applied to the collateral registered with the SARB as per the contractual agreement, based on the risk associated with each class of asset registered as collateral.

NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2017

18. RELATED PARTY INFORMATION

18.1 Investment in subsidiaries

	Number of shares ’m	% held	2017 R’m	2016 R’m
Corporation for Public Deposits[1]	2	100	**2**	2
South African Mint Company (RF) Proprietary Limited	60	100	**206**	206
South African Bank Note Company (RF) Proprietary Limited	61	100	**803**	1 084
Share capital	61	100	**61**	61
Subordinated loan	–	–	**742**	1 023
Total investment in subsidiaries			**1 011**	1 292

(1) The SARB provides key personnel services to the CPD.

The subordinated loan to the SABN of R0.7 billion (2016: R1.0 billion) bears no interest and has no fixed terms of repayment. An amount of R0.3 billion was repaid during the year (R0.1 billion during the previous year). The SARB may demand repayment of the loan provided the subsidiary’s assets exceed its liabilities. When recalled, the subsidiary has the option to convert the loan to share capital. The loan is included in the books of the subsidiary as a separate category of equity and is thus treated as an addition to the SARB’s investment in subsidiary.

The contribution to the Group profit or loss attributable to the parent (pre elimination of intercompany transactions) is as follows:

	2017	2016
Corporation for Public Deposits	**74**	73
South African Mint Company (RF) Proprietary Limited	**299**	191
South African Bank Note Company (RF) Proprietary Limited	**130**	(153)
South African Reserve Bank Captive Insurance Company (RF) Limited	**–**	1
Total contribution to Group profit or loss	**503**	112

18.2 Investment in associate

	Number of shares ’m	% held	2017 R’m	2016 R’m
African Bank Holdings Limited (Carrying value)	500	50	**5 002**	5 000
Contribution to the Group profit or loss			**(556)**	2
Carrying value of investment in associate			**4 446**	5 002

NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2017

18. RELATED PARTY INFORMATION *continued*

18.3 Transactions with non-controlling interests

Prestige Bullion

The SA Mint holds a 60% interest in Prestige Bullion. Prestige Bullion distributes, and sells bullion Krugerrand coins to local and international markets. The SA Mint is responsible for the manufacturing while the marketing and distribution of the coins is done by Rand Refinery.

Rand Refinery has a 40% interest, and therefore holds a non-controlling interest in Prestige Bullion.

	2017 R'm	2016 R'm
Profit attributable to non-controlling interest	**181**	110
Accumulated non-controlling interest at year end	**51**	80
Dividends paid to non-controlling interest	**210**	66

No significant restrictions exist on the SARB's ability to access or use the assets and settle the liabilities of the Group.

18.4 Amounts due by/to Group companies

Amounts due by Group companies		
Corporation for Public Deposits	**3**	–
Amounts due to Group companies		
African Bank Limited (equity accounted, not consolidated)	**388**	–
Corporation for Public Deposits	**8 761**	9 630

NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2017

18. RELATED PARTY INFORMATION *continued*

18.5 Transactions between the SARB and its related parties

	2017 R'm	2016 R'm
Dividends received	**150**	156
South African Mint Company (RF) Proprietary Limited	**150**	150
South African Reserve Bank Captive Insurance Company (RF) Limited	**–**	6
Interest received	**3 789**	2 401
Corporation for Public Deposits	**–**	4
SA government	**3 712**	2 396
African Bank Limited	**77**	–
South African Bank Note Company (RF) Proprietary Limited	**–**	1
Interest paid	**6 541**	5 121
Corporation for Public Deposits	**736**	732
SA government	**5 800**	4 389
African Bank Limited	**5**	–
Rent paid		
South African Bank Note Company (RF) Proprietary Limited	**3**	3
Coin management fees paid		
South African Mint Company (RF) Proprietary Limited	**3**	3
Management fees received	**6**	6
Corporation for Public Deposits	**3**	3
South African Reserve Bank Retirement Fund	**3**	3
Cost of new currency	**1 415**	1 267
South African Bank Note Company (RF) Proprietary Limited	**945**	899
South African Mint Company (RF) Proprietary Limited	**470**	368
Pension fund contributions		
South African Reserve Bank Retirement Fund	**157**	171
Administrative services	**3**	8
South African Bank Note Company (RF) Proprietary Limited	**2**	6
South African Mint Company (RF) Proprietary Limited	**1**	2
Recovery of foreign-exchange losses		
South African Bank Note Company (RF) Proprietary Limited	**49**	20
Charges (other income)		
African Bank Limited	**1**	–
Amounts owed by		
SA government	**27 597**	27 297
Amounts owed to	**397 881**	481 104
SA government – GEFCRA	**231 158**	304 653
SA government – Deposits		
Corporation for Public Deposits	**65 229**	69 434
Non-interest-bearing	**34 337**	39 860
Interest-bearing	**67 157**	67 157

All other significant balances are shown in the statement of financial position under the appropriate headings.

18.6 Inventory held on behalf of the SARB by the SA Mint

At year-end, coin inventory to the value of R391 million (2016: R227 million) was held on behalf of the SARB.

19. EVENTS AFTER REPORTING DATE

No material events occurred between 31 March 2017 and 7 June 2017 requiring disclosure in, or adjustment to the summarised Group annual financial statements for the year ended 31 March 2017.

APPENDIX TO THE NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS

DIRECTORS' REMUNERATION

	2017 R'000	2016 R'000
Paid by SARB		
Executive directors: Remuneration		
Governor E L Kganyago		
Remuneration and recurring fringe benefits	**6 577**	6 198
Other fringe benefits	**227**	128
	6 804	6 326
Governor G Marcus (term ended 8 November 2014)		
Other fringe benefits	**–**	495
Cooling-off period payment (up to 8 May 2015)	**–**	1 105
	–	1 600
Deputy governor A D Mminele		
Remuneration and recurring fringe benefits	**4 736**	4 462
Other fringe benefits	**216**	89
	4 952	4 551
Deputy governor F E Groepe		
Remuneration and recurring fringe benefits	**4 736**	4 462
Other fringe benefits	**158**	77
	4 894	4 539
Deputy governor K Naidoo		
Remuneration and recurring fringe benefits	**4 702**	4 372
Total remuneration of executive directors	**21 352**	21 388
Non-executive directors: Remuneration for services		
A M Chait (term ended 31 July 2015)	**–**	131
B W Smit	**353**	337
C B du Toit (appointed 30 July 2016)	**220**	–
F Cachalia	**444**	428
G M Ralfe	**425**	360
J F van der Merwe (term ended 30 July 2016)	**184**	425
J V Klein	**380**	197
M M Manyama	**325**	319
N Vink (appointed 30 July 2016)	**220**	–
R J G Barrow	**449**	428
R le Roux	**356**	337
T Ajam	**353**	337
T N Mgoduso (term ended 30 July 2016)	**170**	380
T Nombembe	**363**	346
	4 242	4 025
Paid by subsidiaries		
Non-executive directors: Remuneration for services		
R J G Barrow	**451**	429
Total remuneration of non-executive directors	**4 693**	4 454
Total remuneration of directors	**26 045**	25 842

MINUTES OF THE NINETY-SIXTH ANNUAL ORDINARY GENERAL MEETING OF SHAREHOLDERS OF THE SOUTH AFRICAN RESERVE BANK

The ninety-sixth annual ordinary general meeting (AGM) of shareholders was held at the Head Office of the South African Reserve Bank (the Bank) in Pretoria on Friday, 29 July 2016 at 10:00.

The Chairperson, Governor Lesetja Kganyago, welcomed attendees and introduced Deputy Governors Daniel Mminele, Francois Groepe and Kuben Naidoo; Chairperson of the Audit Committee, Mr Rob Barrow; Chairperson of the Remuneration Committee, Ms Thandeka Mgoduso; Chairperson of the Board Risk and Ethics Committee, Prof Firoz Cachalia; Chairperson of the Non-executive Directors' Committee, Mr Hans van der Merwe; the General Counsel, Dr Johann de Jager; and the Secretary of the Bank, Ms Sheenagh Reynolds, who shared the podium with him.

The Chairperson extended a warm welcome to all present.

The Chairperson declared the meeting duly constituted in terms of the Regulations framed under the South African Reserve Bank Act 90 of 1989, as amended (SARB Act).

The Chairperson then addressed the meeting and his full address is attached hereto for record purposes.

The Chairperson then turned to the formal business of the day and confirmed the agenda for the meeting as follows:

- Receive, discuss and note the minutes of the AGM held on 31 July 2015.
- Receive and discuss the financial statements for the financial year ended 31 March 2016, including the directors' report and independent external auditors' report.
- Approve the remuneration of the Bank's independent external auditors, PricewaterhouseCoopers Inc. and SizweNtsalubaGobodo Inc. (in terms of regulation 22.1(b), read with regulation 7.3(c) of the Regulations), for completing the audit for the 2015/16 financial year.
- Approve the appointment of PricewaterhouseCoopers Inc. and SizweNtsalubaGobodo Inc. as the Bank's independent external auditors for the 2016/17 financial year.
- Elect three non-executive directors to serve on the Bank's Board of Directors (Board).
- Consider any further business arising from the above items (in terms of regulation 7.3(e) of the Regulations).

Ms Reynolds, the Secretary of the Bank confirmed the shareholder representation at this meeting as follows:

1. the total number of shares in the issued share capital of the Bank held by its shareholders was 2 000 000 (two million);
2. 18 shareholders were present in person;
3. 9 shareholders were represented by proxy; and
4. 396 votes were exercisable by shareholders present or holding duly certified proxy forms for this purpose.

Shareholders were advised that, as was the practice, the Bank would make use of electronic voting at this meeting, which would be facilitated by Lumi Technologies SA (Pty) Limited (Lumi).

The Chairperson called for a poll on each of the items to be considered at the AGM.

ACCEPTANCE OF THE MINUTES OF THE 2015 AGM

The Chairperson proposed that the minutes of the ninety-fifth AGM held on 31 July 2015, which had been distributed as part of the *Annual Report 2015/16*, be taken as read.

There were no objections to the minutes. On the basis of the results of the poll, the Chairperson declared that the minutes of the 2015 AGM had been accepted by 99,71 per cent of the votes cast.

ACCEPTANCE OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016, INCLUDING THE DIRECTORS' REPORT AND INDEPENDENT EXTERNAL AUDITORS' REPORT

The Chairperson formally moved that the annual financial statements for the year ended 31 March 2016, including the directors' report and the independent external auditors' report, which had been posted to shareholders on 24 June 2016, be accepted. The meeting was informed that the Annual Report 2015/16 contained the summarised Group annual financial statements. The full set of the 2015/16 annual financial statements had been made available on the Bank's website.

On the basis of the results of the poll, the Chairperson declared that the audited financial statements for the year ended 31 March 2016 had been accepted by 99,71 per cent of the votes cast.

MINUTES OF THE NINETY-SIXTH ANNUAL ORDINARY GENERAL MEETING OF SHAREHOLDERS OF THE SOUTH AFRICAN RESERVE BANK *continued*

REMUNERATION OF THE BANK'S INDEPENDENT EXTERNAL AUDITORS

The Chairperson moved that the remuneration for the Bank's independent external auditors in the amount of R9 947 111,34 in respect of the general audit of the Bank for the financial year ended 31 March 2016, be confirmed and approved.

On the basis of the results of the poll, the Chairperson declared that the remuneration of the Bank's independent external auditors amounting to R9 947 111,34 for the financial year ended 31 March 2016 had been approved by 68,10 per cent of the votes cast.

APPOINTMENT OF INDEPENDENT EXTERNAL AUDITORS

The Chairperson turned to the appointment of the Bank's independent external auditors for the 2016/17 financial year.

The Board had recommended that PricewaterhouseCoopers Inc. and SizweNtsalubaGobodo Inc. be reappointed as the Bank's independent external auditors for the 2016/17 financial year.

The Chairperson confirmed that the lead audit partners of both firms rotate every five years, which was in line with best practice. He informed the meeting that with effect from the 2016/17 statutory audit, Mr Vincent Tshikhovhokhovo would replace Mr Thomas Magill as the lead audit partner for PricewaterhouseCoopers Inc. for the Bank's audit, in line with the above-mentioned best practice.

The Chairperson moved that PricewaterhouseCoopers Inc. and SizweNtsalubaGobodo Inc. be appointed as the Bank's independent external auditors for the 2016/17 financial year.

A shareholder, Dr J J Rossouw commented that generally institutions did not disclose the terms of the appointment of external auditors to their shareholders, who appointed the auditors. He proposed that the Bank should play a leading role in terms of such disclosure, and to consider publishing the terms of appointment of the external auditors in the Bank's *Annual Report*.

In response, Mr Barrow, the Chairperson of the Bank's Audit Committee, explained that in terms of best practice, the external auditors were appointed annually to conduct statutory audits in accordance with International Financial Reporting Standards and South African auditing standards. The external auditors did not accept conditions imposed on their audits. The Audit Committee did not impose any conditions or place limitations on the external auditors, but monitors their audit plan with specific reference to its interaction with the internal auditors through the combined assurance framework that had been implemented in the Bank.

Noting the above response, Dr Rossouw requested, as a minimum, that the letter of engagement, which sets out the terms of engagement between the Bank and the external auditors, be published in the Bank's *Annual Report*.

In response, Mr Barrow remarked that it was not common practice for the letter of engagement between an institution and the external auditors to be made public in any form, including publishing it in a particular company's annual reports. The purpose of the letter of engagement was to set out to management the scope of the statutory audit in line with accepted audit standards, and was not intended to disclose the terms of engagement to the shareholders.

Following the above, the shareholders present cast their votes and on the basis of the results of the poll, the Chairperson declared that PricewaterhouseCoopers Inc. and SizweNtsalubaGobodo Inc. had been reappointed as the Bank's independent external auditors for the 2016/17 financial year by 80,75 per cent of the votes cast. The auditors were congratulated on their reappointment.

ELECTION OF THREE NON-EXECUTIVE DIRECTORS

The Chairperson turned to the election of non-executive directors. He advised the meeting that there were three vacancies for shareholder-elected non-executive directors, of which two were for persons with knowledge and skills in industry and one with knowledge and skills in agriculture. Both Ms Mgoduso and Mr van der Merwe had completed three terms of office and were therefore not available for re-election. Prof Smit had served two terms and was available for re-election.

The candidates to be considered for these positions had been confirmed by the Panel appointed in terms of Section 4(1C) of the SARB Act. This Panel comprised the Governor, retired former Constitutional Court Judge, Ms Yvonne Mokgoro, Mr Abel Sithole (both nominated by the Minister of Finance); and Dr Laurain Lotter, Mr Dumisani Mthalane and Mr Bheki Ntshalintshali (all nominated by Nedlac).

The Panel had confirmed eight candidates in terms of section 4(1G) of the SARB Act for consideration for the three vacancies and was satisfied that all eight candidates were eligible, and fit and proper to stand for election as directors of the Bank. The *curricula vitae* for these eight candidates had been sent to shareholders together with the notice of this meeting.

The Chairperson advised the meeting that one of the candidates, Prof Michiel Petrus Rasmus Erasmus, who had been nominated for one of the industry sector vacancies, had advised the Secretary of the Bank that for personal reasons he was no longer available to stand for election as a possible candidate to serve on the Bank's Board. As a result, only one candidate, namely Prof Benjamin Willem Smit, remained for election to fill this vacancy.

MINUTES OF THE NINETY-SIXTH ANNUAL ORDINARY GENERAL MEETING OF SHAREHOLDERS OF THE SOUTH AFRICAN RESERVE BANK *continued*

Prof Doris Liana Theresia Dondur, Dr Charlotte Barbara du Toit and Mrs Simone Irene Le Hane had been selected as candidates to fill the first position for a non-executive director with knowledge and skills in industry.

The results of the poll showed that 54,68 per cent of the votes were cast in favour of Dr du Toit, 34,18 per cent in favour of Mrs Le Hane and 11,14 per cent in favour of Prof Dondur.

On the basis of the results, the Chairperson declared that Dr Du Toit had been elected as the non-executive director with knowledge and skills in industry. Dr Du Toit's appointment would be effective from 30 July 2016 until the day after the AGM in 2019.

The Chairperson thanked Ms Mgoduso for her dedicated and valuable service as a director over her three terms of office, and also as the Chairperson of the Remuneration Committee.

The Chairperson turned to the election of a non-executive director to fill the second vacancy for a person with knowledge and skills in industry. As stated earlier, Prof Ben Smit was the only candidate nominated to fill the aforesaid position.

On the basis of the voting results, the Chairperson declared that Prof Smit had been re-elected as the non-executive director with knowledge and skills in industry with 96,20 per cent of the votes cast, while 3,80 per cent had abstained from voting. Prof Smit's reappointment would be effective from 30 July 2016 until the day after the AGM in 2019.

The Chairperson congratulated Prof Smit on his re-election and wished him well for his next term of office.

The Chairperson then turned to the election of a non-executive director to fill the vacancy for a person with knowledge and skills in agriculture. Mr Andries Gerhardus du Preez, Mr Omri van Zyl and Prof Nicholas Vink had been nominated to fill the aforesaid position.

The results of the poll showed that 69,92 per cent of the votes were cast in favour of Prof Vink, 18,69 per cent in favour of Mr Van Zyl and 14,39 per cent in favour of Mr Du Preez.

On the basis of the voting results, the Chairperson declared that Prof Vink had been elected as the non-executive director with knowledge and skills in agriculture. Prof Vink's appointment would be effective from 30 July 2016 until the day after the AGM in 2019.

The Chairperson thanked Mr Van der Merwe for his dedicated and valuable service as a director over his three terms of office, and also as the Chairperson of the Non executive Directors Committee.

The Chairperson further thanked all the candidates for being willing to stand for election to the Board, and hoped that, whether successful or not, they would continue to take a keen interest in the work of the Bank.

The Chairperson recorded that the Office of the Secretary had received no requests for special business to be placed on the agenda of this meeting.

In the absence of questions arising from the matters under consideration at this meeting, the Chairperson gave Mr Ben Kruger, the Joint Chief Executive Officer of Standard Bank Group Limited, an opportunity to propose a vote of thanks on behalf of the shareholders and the financial industry.

Mr Kruger, expressed his gratitude for the work done by the Bank. He mentioned that since he was addressing an audience largely made up of bankers and economists, he was certain that everyone present appreciated that the quality and strength of institutions were now universally understood to be decisive variables in explaining long-run economic growth and human development. It was equally uncontroversial that the Bank was an extraordinarily high-quality and strong public institution, and one of the most respected and effective central banks in the world, as well as one of South Africa's most precious assets.

He thanked the executives of the Bank on behalf of the savers who were aware that their deposits were safe because South Africa's commercial banks were sound. He further thanked the Bank's executives on behalf of the consumers who were conscious that prices would not rise uncontrollably because inflation remained well contained. He commended the Bank on behalf of all the people who transact with confidence every day, knowing that the payment system and the physical currency were both reliable. This denoted that the Bank had the very skilled and dedicated people to create and maintain much of the infrastructure on which the South African economy had been built.

Mr Kruger further noted his appreciation for the Bank's great successes, such as the Bank's sound monetary policy, maintenance of financial stability and world-class prudential supervision, which were painstakingly constructed from many smaller moments of disciplined professionalism. The Bank's disciplined professionalism in all matters was embodied in how well the 2016 AGM was conducted, as well as in the *2015/16 Annual Report*. He mentioned that the *Annual Report* was once again a model of clarity, transparency and impressive concision. The report had set a standard of reporting to which all present should aspire, and that, after all, was entirely appropriate and to be expected from this great institution.

MINUTES OF THE NINETY-SIXTH ANNUAL ORDINARY GENERAL MEETING OF SHAREHOLDERS OF THE SOUTH AFRICAN RESERVE BANK *continued*

Mr Kruger continued to state that this had been a very challenging year for the South African economy, and the Bank's Monetary Policy Committee had faced, and will continue to face, difficult decisions as it executed its mandate of maintaining price stability and promoting balanced and sustainable economic development. He mentioned that the Governor and his team had executed this mandate with great skill, wisdom and courage. All central banks would attest that to be a very good year's work.

Mr Kruger alluded to the fact that during the past year, the Bank had also successfully overseen the resolution of the African Bank curatorship, with the 'Good Bank' being launched at the end of the 2015/16 reporting period. The Bank had continued to make excellent progress towards the establishment of the Prudential Authority within the 'Twin Peaks' model for financial regulation, which was to be established under the Financial Sector Regulation Bill. These are a truly remarkable set of achievements, making 2015/16 another year that the Bank should look back on with tremendous pride.

Concluding his vote of thanks, Mr Kruger asserted that, on the eve of the 95th anniversary of the Bank, he sincerely expressed the heartfelt gratitude and sincere thanks on behalf of the shareholders, all who work in, or rely on, the financial sector and all South Africans.

Following the vote of thanks by Mr Kruger, the Chairperson confirmed that all business included in the agenda had been transacted.

The Chairperson thanked President Zuma and the Presidency, the Government and Parliament for their continued support. The sound working relationship between the Bank and National Treasury had continued, and he thanked the Minister of Finance, Pravin Gordhan; Deputy Minister, Mcebisi Jonas; Director General, Mr Lungisa Fuzile; and the staff of National Treasury for their continued support of the Bank.

Sincere thanks were also expressed to the members of the Board for their continued contributions and support, and for ensuring proper corporate governance in the Bank.

Sincere appreciation was also expressed to Deputy Governors Mminele, Groepe and Naidoo, as well as to the entire management and staff of the Bank for their continued dedication and commitment during what was once again a challenging year. He thanked them for their contributions in sharing the load and stated that he was confident that their efforts would ensure that 2016 would be even more successful.

The Chairperson thanked the shareholders for their attendance and participation, and confirmed that the Bank would continue to count on the shareholders' support in future.

The Chairperson declared the proceedings closed.

E L Kganyago
Chairperson

ANNEXURE A: GOVERNOR'S ADDRESS AT THE AGM HELD ON 29 JULY 2016

The past year has again been a challenging one for the Bank against the backdrop of a hesitant recovery in the global economy and a slowing domestic economy. While the recent decision by the UK to leave the European Union (Brexit) has raised the risks to the outlook, the extent of the spillover effects are still unclear. Much will depend on the speed and terms of the disengagement. At this stage we do not know which of a number of possible scenarios will unfold.

The financial markets have stabilised following the initial volatile response to the decision. However, it is likely that growth in the UK, and to a lesser extent in the EU, will be negatively affected, as a protracted period of uncertainty is expected to undermine both business and consumer confidence. As a consequence, growth forecasts have already been revised down. This comes at a time when the eurozone growth prospects, although still muted, had improved steadily during the past year, partly in response to European Central Bank monetary stimulus.

The US economic recovery appeared to be more sustained during the past year with consistent improvements in the labour market. This was despite a slowdown in the first quarter, which was viewed as temporary. The performance of the economy improved since then, but some negative spillovers from Brexit are expected. Despite sustained fiscal and monetary stimulus in Japan, economic growth was marginally positive.

While the past year was slightly more favourable for advanced economies, the same cannot be said for emerging markets, although there were divergent experiences. The growth slowdown in China continued, accompanied by increased volatility in domestic financial markets. This was partly in response to policy changes and persistent concerns regarding the stability of the financial sector. The slower growth continued to impact negatively on commodity prices, further complicating the outlook for commodity-producing emerging markets. More recently, the economy appears to have responded to renewed stimulus measures, and risks of a hard landing have abated. This has also helped to stabilise commodity prices. Both Brazil and Russia slid into recession during this period and continue to contract. By contrast, India experienced high growth following a number of structural reforms.

The slowdown in sub-Saharan Africa, in response to lower commodity prices and severe drought conditions in the southern part of the region in particular is of some concern. In its recent World Economic Outlook update, the IMF downgraded sub Saharan growth for 2016 by 1,4 percentage points to 1,6 per cent. This follows a number of years of growth rates averaging around 5 per cent. The region has become a major export destination for South African manufactured goods, and a growth slowdown could impact negatively on these exports.

Global inflation has remained benign over the past year in response to weak global demand, declining oil and other commodity prices, and falling food prices. The downward trend in oil prices that began in mid-2014 continued amid a supply glut and weak demand. Prices have recovered somewhat from multi-year lows of below US$30 per barrel in January following supply disruptions in a number of countries and curtailment of investment and output in others. Although prices are expected to rise in the medium term, the trajectory is expected to be moderate, in line subdued global demand.

The second half of last year was dominated by speculation regarding the timing and speed of US monetary policy normalisation. This uncertainty continued to contribute to global financial market volatility as perceptions kept changing. Once it became clear that the first move was likely to be in December, attention became focused on the timing of the next moves. However, uncertainties regarding the state of the US labour markets, low inflation and heightened global risks led the US Fed to take a cautious approach, and no further tightening transpired. More recently, in the wake of the Brexit decision, market expectations of US interest rates have been scaled down significantly.

Whereas the UK had previously been expected to be one of the first of the advanced economies to raise policy rates, disappointing growth outcomes and low inflation meant an unchanged policy stance during the past year. Following the Brexit vote, there are now expectations that policy will be loosened in the near future. Monetary policies in the eurozone and Japan remained accommodative during the past year, and are expected to persist for some time.

The changing expectations of US monetary policy in particular has had implications for the pattern of global capital flows. The delay in normalisation and global search for yield has seen a resumption of capital flows to emerging markets, reversing the negative trend observed during the second half of 2015.

The rand exchange rate has been sensitive to these developments, with elevated levels of volatility. Since the time of the previous AGM the rand depreciated on a trade-weighted basis by about 8,5 per cent. However, it traded in a wide range of between R12,70 and R16,90 against the US dollar. This volatility was not only externally generated: domestic developments, including the fallout from the political events in December last year; the risks of a sovereign ratings downgrade; the wide current account deficit and the declining growth were important contributors to these trends. Whereas a downgrade was avoided in June, similar concerns are likely to re-emerge later in the year when the next reviews are scheduled.

ANNEXURE A: GOVERNOR'S ADDRESS AT THE AGM HELD ON 29 JULY 2016

continued

The domestic economy was characterised by a persistent slowdown during the past year, driven by weak consumption and investment expenditure growth. The agricultural sector was particularly hard hit by the worsening drought. The economy grew by 1,3 per cent in 2015, and the outlook for the economy remains constrained, particularly following the contraction of 1,2 per cent experienced in the first quarter of this year. Nevertheless we expect that to have been the low point of the current growth cycle. The Bank forecasts economic growth of zero per cent in 2016, rising to 1,1 per cent, and 1,5 per cent in the coming two years. These growth rates are insufficient to make significant inroads into the deteriorating unemployment numbers. The direct effect of the Brexit decision on domestic growth is expected to be marginal in the short term, while the longer term impacts will depend on the outcome of the negotiations and the impact on global growth generally.

Inflation averaged 4,6 per cent in 2015, and was within the target range in each month of the year, reaching a low point of 3,9 per cent in February. A large part of this favourable trend was driven by a temporary respite from lower international oil prices. Since January 2016, however, inflation has breached the upper end of the target range, and is expected to remain above target until the third quarter of next year. In the absence of domestic demand pressures, these adverse inflation trends have been driven primarily by supply side factors. These include the exchange rate, drought-induced food price increases, and a reversal of the favourable oil price shock.

In response to these inflation pressures, the Monetary Policy Committee continued with its moderate tightening cycle that began in January 2014. Since July 2015 the repo rate increased by a cumulative 125 basis point, to 7,0 per cent in March 2016. The combination of a steady downward growth trend with upside risks to inflation compounded the dilemma facing monetary policy. At the last two MPC meetings, in May and July, moderate improvements in the inflation outlook and a moderation of the upside risks to the inflation outlook gave the MPC room to pause in the interest rate cycle. The MPC emphasised the continued data-dependence of future moves, as the factors that gave rise to the moderation of these risks could reverse very quickly. Although the MPC remains ready to respond to renewed inflation pressures, it remains mindful of the weak state of the economy and will continue to support the economy to the extent possible within its flexible inflation targeting remit.

The expanded mandate of the Bank gives it responsibility for financial stability and this has been a key focus area during the past year. The Financial Sector Regulation Bill has been tabled in parliament, and it is expected to be promulgated during this year. The Bill assigns responsibility to the Bank to protect and enhance financial stability. The proposed Prudential Authority is taking shape, but pending finalisation of the legislative framework. This process has already had significant resource implications for the Bank. At the microprudential level there has been the successful resolution of the African Bank curatorship, and the creation of the 'good bank' which commenced operations in April 2016. The domestic banking system remains sound and well capitalised.

Whilst the Bank is an institution not driven by profit, the strength of the financial position of the Bank is important for its independence. I am pleased to report that the Group continued to be profitable in this past financial year. The Group recorded an after-tax profit of R1,58 billion compared with a profit of R0,63 billion in the previous financial year. The bulk of the profit is attributable to the Bank with an after tax profit of R1,51 billion, up from R0.34 billion in the previous year. This improvement in the financial position of the Bank was attributable mainly to the increase in accommodation to banks and unrealised profits due to declining global bond yields and the depreciation of the rand against major currencies. The depreciation increased the rand value of the interest earned from investing the country's foreign-exchange reserves. Operating costs declined due to a reduction in the banknote order which lowered the cost of new currency. This decline was partly offset by higher staff costs. As we have emphasised in the past, the Bank does not have a profit-maximising objective and its operations are conducted in the broader interests of the country, in pursuit of its mandate and responsibilities. Nevertheless, we will continue to implement strict internal financial controls to ensure economy and efficiency of the Bank's operations.

ABBREVIATIONS

ABHL	African Bank Holdings Limited
ABL	African Bank Limited
AGM	annual Ordinary General Meeting
BA	Bachelor of Arts
BA (Hons)	Bachelor of Arts (Honours)
BARM	Basic Records and Archives Management
BBusSc	Bachelor of Business Science
BC	Budget Committee
BCBS	Basel Committee on Banking Supervision
BCM	Business Continuity Management
BCom	Bachelor of Commerce
BCom (Hons)	Bachelor of Commerce (Honours)
BCompt (Hons)	Bachelor of Accounting Science (Honours)
BER	Bureau for Economic Research
BIS	Bank for International Settlements
Board	Board of Directors
BREC	Board Risk and Ethics Committee
BSc	Bachelor of Science
BSTD	Business Systems and Technology Department
CAF	Combined Assurance Forum
CA(SA)	Chartered Accountant South Africa
CCBG	Committee of Central Bank Governors
CCBS	Centre for Central Banking Studies
CD(SA)	Chartered Director South Africa
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIA	Chief Internal Auditor
CIO	Chief Information Officer
CISU	Cyber and Information Security Unit
CLF	committed liquidity facility
COBIT	Central Objectives for Information and Related Technologies
Companies Act	Companies Act 73 of 2008
Constitution	Constitution of South Africa Act 108 of 1996
COO	Chief Operating Officer
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CPD	Corporation for Public Deposits
CPD Act	Corporation for Public Deposits Act 46 of 1984
CPI	consumer price index
CSI	corporate social investment
DCom	Doctor of Commerce
EBITDA	earnings before interest, taxes, depreciation, and amortisation
ECB	European Central Bank
EE	employment equity
EIM	Enterprise Information Management
EV	employee volunteerism
ex officio	by virtue of one's position or status (Latin)
FICA	Financial Intelligence Centre Act
FMD	Financial Markets Department
FMI	financial market infrastructure
FSB	Financial Stability Board
FSC	Financial Stability Committee
FSD	Financial Services Department
FSOC	Financial Stability Oversight Committee
FSRB	Financial Sector Regulation Bill
G-20	Group of Twenty Finance Ministers and Central Bank Governors
GAA	Global Accounting Alliance
GDP	gross domestic product
GEC	Governors' Executive Committee
GFECRA	Gold and Foreign-Exchange Contingency Reserve Account
GSC	Group Security Committee
Hons	Honours (degree)
IAD	Internal Audit Department
IAS	International Accounting Standard
IASB	International Accounting Standards Board
ICT	information and communications technology
i.e.	id est (that is to say) (Latin)
IFAC	International Federation of Accountants
IFRIC	International Financial Reporting Interpretations Committee
IFRSs	International Financial Reporting Standards
IGCC	Inter-Governmental Cash Coordination
IIA	Institute of Internal Auditors
IMF	International Monetary Fund
Inc.	Incorporated
Income Tax Act	Income Tax Act 58 of 1962
InsureCo	African Insurance Group Limited
inter alia	among other things (Latin)
IPPF	International Professional Practice Framework
IRM	integrated risk management
IT	information technology
ITSC	Information Technology Steering Committee
JSE	Johannesburg Stock Exchange Limited
King III	King Report on Corporate Governance in South Africa 2009

ABBREVIATIONS *continued*

LCR	liquidity coverage ratio
LLB	Bachelor of Laws
LLM	Master of Laws
Ltd	Limited
LTIFR	lost time injury frequency rate
MA	Master of Arts
Manco	Management Committee
MBA	Master of Business Administration
MBusSc	Master of Business Science
MCom	Master of Commerce
MPC	Monetary Policy Committee
MPR	Monetary Policy Review
MSc	Master of Science
Nedcom	Non-executive Directors' Committee
Nedlac	National Economic Development and Labour Council
NPC	National Planning Commission
NPS	National Payment System
OPEC	Organization for Petroleum Exporting Countries
PAIA	Promotion of Access to Information Act 2 of 2000
Pension Funds Act	Pension Funds Act 24 of 1956
PFMIs	Principles for Financial Market Infrastructures
PhD	Doctor of Philosophy
POPI	Protection of Personal Information Act 4 of 2013
Prestige Bullion	Prestige Bullion (RF) Proprietary Limited
Pty	Proprietary
PwC	PricewaterhouseCoopers Inc.
RDSL	Residual Debt Services Limited
Rand Refinery	Rand Refinery Proprietary Limited
Remco	Remuneration Committee
repo rate	repurchase rate
Resmanco	Reserves Management Committee
RF	ring fenced
RMC	Risk Management Committee
RMCD	Risk Management and Compliance Department
RONA	return on net assets
SA	South Africa(n)
SABN	South African Bank Note Company (RF) Proprietary Limited
SADC	Southern African Development Community
SAICA	South African Institute of Chartered Accountants
SARB	South African Reserve Bank
SARB Academy	South African Reserve Bank Academy
SARB Act	South African Reserve Bank Act 90 of 1989, as amended
SARB Amendment Act	South African Reserve Bank Amendment Act 4 of 2010
SARBCIC	South African Reserve Bank Captive Insurance Company (RF) Limited
SARB debentures	South African Reserve Bank debentures
SASBO	South African Society of Bank Officials
SFA	strategic focus area
SHE	safety, health and environment
SIFIs	systemically important financial institutions
SIRESS	SADC Integrated Regional Electronic Settlement System
SMART	specific, measurable, achievable, relevant and time-bound
SMD	Security Management Department
SMO	Strategy Management Office
SNG	SizweNtsalubaGobodo Inc.
SOAS	School for Oriental and African Studies
South African Mint	South African Mint Company (RF) Proprietary Limited
SRM	systemic risk measurement
STIA	Short-term Insurance Act 53 of 1998
the Bank	South African Reserve Bank
the Group	South African Reserve Bank including its subsidiaries and the associate, African Bank Holdings Limited, referred to in the summarised Group annual financial statements
UK	United Kingdom
UNISA	University of South Africa
US	United States
Wits	University of the Witwatersrand

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