



Absa Bank Limited

Unaudited condensed consolidated interim financial results
for the reporting period ended 30 June 2016



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Absa Bank Limited

Authorised financial services and registered credit provider
(NCRCP7)

Registration number: 1986/004794/06

Incorporated in the Republic of South Africa

JSE share code: ABSP

ISIN: ZAE000079810

(Absa, Absa Bank, the Bank or the Company)

**Unaudited condensed consolidated interim financial results
for the reporting period ended 30 June 2016.**

Profit and dividend announcement

for the reporting period ended 30 June

Overview of results

Absa Bank Limited (the Bank) is a wholly owned subsidiary of Barclays Africa Group Limited (the Group), which is listed on the exchange operated by the JSE Limited. These unaudited condensed consolidated interim financial results are published to provide information to the holders of the Bank's listed non-cumulative, non-redeemable preference shares.

Commentary relating to the Bank's unaudited condensed consolidated interim financial results is included in the Barclays Africa Group Limited unaudited condensed consolidated interim financial results, as presented to shareholders on 29 July 2016.

Basis of presentation

The Bank's unaudited condensed consolidated interim financial results have been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards (IFRS), interpretations issued by the IFRS Interpretations Committee (IFRS-IC), the South African Institute of Chartered Accountants' Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act. The principal accounting policies applied are set out in the Bank's most recent audited annual consolidated financial statements.

The Bank's unaudited condensed consolidated interim financial results comply with IAS 34 – Interim Financial Reporting (IAS 34).

The preparation of financial information requires the use of estimates and assumptions about future conditions. Use of available information and application of judgement are inherent in the formation of estimates. The accounting policies that are deemed critical to the Bank's results and financial position, in terms of the materiality of the items to which the policies are applied, and which involve a high degree of judgement including the use of assumptions and estimation, are impairment of loans and advances, goodwill impairment, fair value measurements, impairment of available-for-sale financial assets, consolidation of structured or sponsored entities, post-retirement benefits, provisions, income taxes, share-based payments and offsetting of financial assets and liabilities.

Accounting policies

The accounting policies applied in preparing the unaudited condensed consolidated interim financial statements are the same as those in place for the reporting period ended 31 December 2015, except for business portfolio changes between segments. Refer to note 14.

Events after the reporting period

The directors are not aware of any events occurring between the reporting date of 30 June 2016 and the date of authorisation of these unaudited condensed consolidated interim financial results as defined in IAS 10 – Events after the Reporting Period (IAS 10).

On behalf of the Board

W E Lucas-Bull
Chairman

Johannesburg
29 July 2016

M Ramos
Chief Executive Officer

Declaration of preference share dividend number 21

Absa Bank non-cumulative, non-redeemable preference shares (Absa Bank preference shares)

The Absa Bank preference shares have an effective coupon rate of 70% of Absa Bank's prevailing prime overdraft lending rate (prime rate). Absa Bank's current prime rate is 10,50%.

Notice is hereby given that preference dividend number 21, equal to 70% of the average prime rate for 1 March 2016 to 31 August 2016, per Absa Bank preference share has been declared for the period 1 March 2016 to 31 August 2016. The dividend is payable on Monday, 12 September 2016, to shareholders of the Absa Bank preference shares recorded in the register of members of the Company at the close of business on Friday, 9 September 2016.

The directors of Absa Bank confirm that the Bank will satisfy the solvency and liquidity test immediately after completion of the dividend distribution.

Based on the current prime rate, the preference dividend payable for the period 1 March 2016 to 31 August 2016 would indicatively be 3 696,57534 cents per Absa Bank preference share.

The dividend will be subject to dividend withholding tax at a rate of 15% that was introduced on 1 April 2012. In accordance with paragraphs 11.17(a)(i) to (x) and 11.17(c) of the JSE Listings Requirements, the following additional information is disclosed:

- The dividend has been declared out of income reserves.
- The local dividend tax rate is fifteen per centum (15%).
- The gross local dividend amount is 3 696,57534 cents per preference share for shareholders exempt from the dividend tax.
- The net local dividend for shareholders subject to withholding tax at a rate of 15% amounts to 3 142,08904 cents per preference share.
- Absa Bank currently has 4 944 839 preference shares in issue.
- Absa Bank's income tax reference number is 9575117719.

In compliance with the requirements of Strate, the electronic settlement and custody system used by JSE Limited, the following salient dates for the payment of the dividend are applicable:

Last day to trade cum dividend	Tuesday, 6 September 2016
Shares commence trading ex dividend	Wednesday, 7 September 2016
Record date	Friday, 9 September 2016
Payment date	Monday, 12 September 2016

Share certificates may not be dematerialised or rematerialised between 7 September 2016 and 9 September 2016, both dates inclusive.

On 12 September 2016, the dividend will be electronically transferred to the bank accounts of certificated shareholders.

The accounts of those shareholders who have dematerialised their shares (which are held at their participant or broker) will also be credited on 12 September 2016.

On behalf of the Board

N R Drutman

Company Secretary

Johannesburg

29 July 2016

Absa Bank Limited is a company domiciled in South Africa. Its registered office is 7th Floor, Barclays Towers West, 15 Troye Street, Johannesburg, 2001.

Condensed consolidated salient features for the reporting period ended

	30 June 2016	2015	31 December 2015
Statement of comprehensive income (Rm)			
Revenue	24 467	22 391	46 076
Operating expenses	13 115	12 717	26 390
Profit attributable to ordinary equity holders	4 452	4 677	9 726
Headline earnings ⁽¹⁾	4 641	4 655	9 657
Statement of financial position			
Loans and advances to customers (Rm)	620 901	577 466	602 002
Total assets (Rm)	947 241	859 143	936 141
Deposits due to customers (Rm)	557 940	546 128	560 650
Loans to deposits and debt securities ratio (%)	88,4	86,9	87,4
Financial performance (%)			
Return on average equity	16,1	17,1	17,6
Return on average assets	1,00	1,10	1,11
Return on average risk-weighted assets	1,90	2,05	2,03
Non-performing loans (NPLs) ratio on loans and advances to customers and banks ⁽²⁾	3,4	3,0	3,0
Operating performance (%)			
Net interest margin on average interest-bearing assets	3,89	3,84	3,91
Credit loss ratio on gross loans and advances to customers and banks	1,17	0,83	0,79
Credit loss ratio on net loans and advances to customers	1,31	0,93	0,89
Non-interest income as % of revenue	41,1	40,5	40,3
Cost-to-income ratio	53,6	56,8	57,3
Jaws	6,14	(0,61)	(0,33)
Effective tax rate, excluding indirect taxation	27,4	27,4	26,7
Share statistics (million) (including "A" ordinary shares)			
Number of ordinary shares in issue	420,1	396,2	412,8
Weighted average number of ordinary shares in issue	413,2	396,2	401,5
Weighted average diluted number of ordinary shares in issue	413,2	396,2	401,5
Share statistics (cents)			
Headline earnings per ordinary share	1 123,2	1 174,9	2 405,2
Diluted headline earnings per ordinary share	1 123,2	1 174,9	2 405,2
Basic earnings per ordinary share	1 077,4	1 180,5	2 422,4
Diluted basic earnings per ordinary share	1 077,4	1 180,5	2 422,4
Dividends per ordinary share relating to income for the reporting period	—	631,07	2 365,6
Dividend cover (times)	—	1,9	1,0
Net asset value per ordinary share	14 181	13 820	13 537
Tangible net asset value per ordinary share	13 746	13 435	13 037
Capital adequacy (%)			
Absa Bank Limited	14,0	13,0	13,6
Common Equity Tier 1 (%)			
Absa Bank Limited	10,8	10,0	10,3

Notes

⁽¹⁾ After allowing for R168m (30 June 2015: R159m, 31 December 2015: R321m) profit attributable to preference equity holders.

⁽²⁾ The calculation of the NPLs ratio has been changed to also include loans and advances to banks. Based on the previous methodology the NPLs ratio would be 3,7% (30 June 2015: 3,4%; 31 December 2015: 3,3%).

Condensed consolidated statement of financial position as at

	Note	30 June 2016 Rm	2015 Rm	31 December 2015 Rm
Assets				
Cash, cash balances and balances with central banks		25 902	23 318	26 101
Investment securities		75 011	62 474	73 065
Loans and advances to banks		62 411	71 267	58 585
Trading portfolio assets		85 853	72 549	116 455
Hedging portfolio assets		1 438	2 092	2 216
Other assets		26 858	25 080	18 840
Current tax assets		1 167	676	410
Non-current assets held for sale	1	369	236	109
Loans and advances to customers		620 901	577 466	602 002
Loans to Group companies		32 980	11 786	23 850
Investments in associates and joint ventures		1 005	901	962
Investment properties		240	263	518
Property and equipment		11 271	9 470	10 955
Goodwill and intangible assets		1 826	1 523	2 029
Deferred tax assets		9	42	44
Total assets		947 241	859 143	936 141
Liabilities				
Deposits from banks		82 743	50 744	61 026
Trading portfolio liabilities		49 209	42 150	87 567
Hedging portfolio liabilities		2 357	2 432	4 531
Other liabilities		30 537	26 452	18 306
Provisions		1 166	1 078	1 970
Current tax liabilities		8	17	72
Non-current liabilities held for sale	1	9	—	—
Deposits due to customers		557 940	546 128	560 650
Debt securities in issue		144 281	118 346	128 453
Loans from Group companies		—	277	—
Borrowed funds	2	13 416	11 026	12 954
Deferred tax liabilities		1 336	1 093	115
Total liabilities		883 002	799 743	875 644
Equity				
Capital and reserves				
Attributable to equity holders:				
Ordinary share capital		304	303	304
Ordinary share premium		22 964	16 465	21 455
Preference share capital		1	1	1
Preference share premium		4 643	4 643	4 643
Retained earnings		33 125	34 697	32 033
Other reserves		3 177	3 289	2 050
		64 214	59 398	60 486
Non-controlling interest		25	2	11
Total equity		64 239	59 400	60 497
Total equity and liabilities		947 241	859 143	936 141

Condensed consolidated statement of comprehensive income

for the reporting period ended

	Note	30 June 2016 Rm	2015 Rm	31 December 2015 Rm
Net interest income		14 403	13 330	27 524
Interest and similar income		35 626	28 701	60 979
Interest expense and similar charges		(21 223)	(15 371)	(33 455)
Non-interest income		10 064	9 061	18 552
Net fee and commission income		7 881	7 715	15 732
Fee and commission income		8 597	8 342	17 028
Fee and commission expense		(716)	(627)	(1 296)
Gains and losses from banking and trading activities		1 694	1 081	2 097
Gains and losses from investment activities		(6)	4	11
Other operating income		495	261	712
Total income		24 467	22 391	46 076
Impairment losses on loans and advances		(3 967)	(2 615)	(5 113)
Operating income before operating expenditure		20 500	19 776	40 963
Operating expenditure		(13 115)	(12 717)	(26 390)
Other expenses		(1 063)	(473)	(999)
Other impairments	3	(583)	17	43
Indirect taxation		(480)	(490)	(1 042)
Share of post-tax results of associates and joint ventures		58	75	136
Operating profit before income tax		6 380	6 661	13 710
Taxation expense		(1 746)	(1 825)	(3 663)
Profit for the reporting period		4 634	4 836	10 047
Profit attributable to:				
Ordinary equity holders		4 452	4 677	9 726
Non-controlling interest		14	—	—
Preference equity holders		168	159	321
		4 634	4 836	10 047
Earnings per share				
Basic earnings per ordinary share (cents)		1 077,4	1 180,5	2 422,4
Diluted basic earnings per ordinary share (cents)		1 077,4	1 180,5	2 422,4

Condensed consolidated statement of comprehensive income for the reporting period ended

	30 June 2016 Rm	2015 Rm	31 December 2015 Rm
Profit for the reporting period	4 634	4 836	10 047
Other comprehensive income			
Items that will not be reclassified to profit or loss:	—	3	9
Movement in retirement benefit fund assets and liabilities	—	3	9
Increase in retirement benefit surplus	—	4	12
Deferred tax	—	(1)	(3)
Items that are or may be subsequently reclassified to profit or loss:	1 044	(638)	(2 429)
Movement in foreign currency translation reserve	(452)	(2)	126
Differences on translation of foreign operations	(132)	88	393
Gains released to profit or loss	(320)	(90)	(267)
Movement in cash flow hedging reserve	1 568	(616)	(2 222)
Fair value gains/(losses) arising during the reporting period	2 390	(207)	(2 028)
Amount removed from other comprehensive income and recognised in profit or loss	(212)	(648)	(1 058)
Deferred tax	(610)	239	864
Movement in available-for-sale reserve	(72)	(20)	(333)
Fair value losses arising during the reporting period	(101)	(45)	(678)
Release to profit or loss	—	13	210
Deferred tax	29	12	135
Total comprehensive income for the reporting period	5 678	4 201	7 627
Total comprehensive income attributable to:			
Ordinary equity holders	5 496	4 042	7 306
Non-controlling interest	14	—	—
Preference equity holders	168	159	321
	5 678	4 201	7 627

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Condensed consolidated statement of changes in equity for the reporting period ended

	Number of ordinary shares ⁽¹⁾ '000	Share capital Rm	Share premium Rm	Preference share capital Rm	Preference share premium Rm
Balance at the beginning of the reporting period	412 798	304	21 455	1	4 643
Total comprehensive income for the reporting period	—	—	—	—	—
Profit for the reporting period	—	—	—	—	—
Other comprehensive income	—	—	—	—	—
Dividends paid during the reporting period	—	—	—	—	—
Shares issued	7 266	0	1 500	—	—
Purchase of Barclays Africa Group Limited shares in respect of equity-settled share-based payment arrangements	—	—	9	—	—
Movement in share-based payment reserve	—	—	—	—	—
Transfer from share-based payments reserve	—	—	—	—	—
Value of employee services	—	—	—	—	—
Deferred tax	—	—	—	—	—
Share of post-tax results of associates and joint ventures	—	—	—	—	—
Balance at the end of the reporting period	420 064	304	22 964	1	4 643

	Number of ordinary shares ⁽¹⁾ '000	Share capital Rm	Share premium Rm	Preference share capital Rm	Preference share premium Rm
Balance at the beginning of the reporting period	396 151	303	16 465	1	4 643
Total comprehensive income for the reporting period	—	—	—	—	—
Profit for the reporting period	—	—	—	—	—
Other comprehensive income	—	—	—	—	—
Dividends paid during the reporting period	—	—	—	—	—
Purchase of Barclays Africa Group Limited shares in respect of equity-settled share-based payment arrangements	—	—	—	—	—
Movement in share-based payment reserve: Value of employee services	—	—	—	—	—
Share of post-tax results of associates and joint ventures	—	—	—	—	—
Balance at the end of the reporting period	396 151	303	16 465	1	4 643

Notes

All movements are reflected net of taxation.
⁽¹⁾ Includes ordinary and "A" ordinary shares.

Condensed consolidated statement of changes in equity for the reporting period ended

30 June
2016

Retained earnings Rm	Total other reserves Rm	Available-for-sale reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Capital reserve Rm	Share-based payment reserve Rm	Associates' and joint ventures' reserve Rm	Total equity attributable to ordinary equity holders Rm	Non-controlling interest – ordinary shares Rm	Total equity Rm
32 033	2 050	604	(1 871)	399	1 422	547	949	60 486	11	60 497
4 620	1 044	(72)	1 568	(452)	—	—	—	5 664	14	5 678
4 620	—	—	—	—	—	—	—	4 620	14	4 634
—	1 044	(72)	1 568	(452)	—	—	—	1 044	—	1 044
(3 668)	—	—	—	—	—	—	—	(3 668)	—	(3 668)
—	—	—	—	—	—	—	—	1 500	—	1 500
198	—	—	—	—	—	—	—	207	—	207
—	25	—	—	—	—	25	—	25	—	25
—	(202)	—	—	—	—	(202)	—	(202)	—	(202)
—	219	—	—	—	—	219	—	219	—	219
—	8	—	—	—	—	8	—	8	—	8
(58)	58	—	—	—	—	—	58	—	—	—
33 125	3 177	532	(303)	(53)	1 422	572	1 007	64 214	25	64 239

30 June
2015

Retained earnings Rm	Total other reserves Rm	Available-for-sale reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Capital reserve Rm	Share-based payment reserve Rm	Associates' and joint ventures' reserve Rm	Total equity attributable to ordinary equity holders Rm	Non-controlling interest – ordinary shares Rm	Total equity Rm
33 713	3 799	937	351	273	1 422	3	813	58 924	2	58 926
4 839	(638)	(20)	(616)	(2)	—	—	—	4 201	—	4 201
4 836	—	—	—	—	—	—	—	4 836	—	4 836
3	(638)	(20)	(616)	(2)	—	—	—	(635)	—	(635)
(3 775)	—	—	—	—	—	—	—	(3 775)	—	(3 775)
(5)	—	—	—	—	—	—	—	(5)	—	(5)
—	53	—	—	—	—	53	—	53	—	53
(75)	75	—	—	—	—	—	75	—	—	—
34 697	3 289	917	(265)	271	1 422	56	888	59 398	2	59 400

Condensed consolidated statement of changes in equity for the reporting period ended

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

Note

⁽¹⁾ Includes ordinary and "A" ordinary shares.

Condensed consolidated statement of changes in equity for the reporting period ended

31 December
2015

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

Condensed consolidated statement of cash flows for the reporting period ended

	Note	30 June 2016 Rm	2015 Rm	31 December 2015 Rm
Net cash generated from operating activities		1 581	2 841	12 055
Net cash utilised in investing activities		(1 439)	(1 055)	(3 594)
Net cash utilised in financing activities		(1 730)	(3 280)	(4 101)
Net (decrease)/increase in cash and cash equivalents		(1 588)	(1 494)	4 360
Cash and cash equivalents at the beginning of the reporting period	1	14 374	10 014	10 014
Cash and cash equivalents at the end of the reporting period	2	12 786	8 520	14 374
Notes to the statement of cash flows				
1. Cash and cash equivalents at the beginning of the reporting period				
Cash, cash balances and balances with central banks ⁽¹⁾		8 607	8 777	8 777
Loans and advances to banks ⁽²⁾		5 767	1 237	1 237
		14 374	10 014	10 014
2. Cash and cash equivalents at the end of the reporting period				
Cash, cash balances and balances with central banks ⁽¹⁾		7 683	6 811	8 607
Loans and advances to banks ⁽²⁾		5 103	1 709	5 767
		12 786	8 520	14 374

Notes

⁽¹⁾ Includes coins and bank notes.

⁽²⁾ Includes call advances, which are used as working capital for the Bank.

Condensed notes to the consolidated financial results for the reporting period ended

1. Non-current assets and non-current liabilities held for sale

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

- Retail and Business Banking (RBB) transferred a subsidiary with a total carrying value of **R357m** to non-current assets and non-current liabilities held for sale. The Commercial Property Finance (CPF) Equity division disposed of an investment security previously classified as non-current assets held for sale with a total carrying value of **R15m**.
- Head Office disposed of Property and Equipment with a carrying value of **R92m**.

2. Borrowed funds

During the reporting period the significant movements in borrowed funds were as follows: **R231m** (30 June 2015: R2 500m; 31 December 2015: R4 500m) of subordinated notes were issued and **Rnil** (30 June 2015: R2 000m; 31 December 2015: R2 000m) were redeemed.

3. Other impairments

	30 June 2016 Rm	2015 Rm	31 December 2015 Rm
(Reversal)/impairment raised on financial instruments	—	(17)	(43)
Other	583	—	—
Intangible assets ⁽¹⁾	583	—	—
	583	(17)	(43)

4. Headline earnings

	2016		2015		2015	
	Gross Rm	Net ⁽²⁾ Rm	Gross Rm	Net ⁽²⁾ Rm	Gross Rm	Net ⁽²⁾ Rm
Headline earnings is determined as follows:						
Profit attributable to ordinary equity holders		4 452		4 677		9 726
Total headline earnings adjustment:		189		(22)		(69)
IAS 16 – Profit on disposal of property and equipment	(44)	(32)	(7)	(5)	(17)	(12)
IAS 21 – Recycled foreign currency translation reserve	(320)	(297)	(90)	(90)	(267)	(267)
IAS 38 – Impairment of intangible assets	583	583	—	—	—	—
IAS 39 – Release of available-for-sale reserves	—	—	101	73	210	151
IAS 40 – Change in fair value of investment properties	(84)	(65)	—	—	73	59
Headline earnings/diluted headline earnings		4 641		4 655		9 657
Headline earnings per share (cents)/diluted headline earnings per share (cents)		1 123,2		1 174,9		2 405,2

Notes

⁽¹⁾ The impairment of intangible assets was incurred in RBB and Head Office. The impairment in RBB (R283m) was mainly due to the impact of the interest rate outlook on the fair value of customer list. The impairment in Head Office (R300m) is due to a decision to fully impair costs spent on our Virtual Bank work even though we continue to explore opportunities in this regard.

⁽²⁾ The net amounts are reflected after taxation.

Condensed notes to the consolidated financial results for the reporting period ended

5. Dividends per share

	30 June 2016 Rm	2015 Rm	31 December 2015 Rm
Dividends declared to ordinary equity holders			
Interim dividend (29 July 2015: 631,07 cents)	—	2 500	2 500
Special dividend (20 June 2016: 363,37 cents) (30 September 2015: 745,15 cents) (31 July 2015: 504,86 cents)	1 500	—	5 000
Final dividend (1 March 2016: 484,49896 cents)	—	—	2 000
	1 500	2 500	9 500
Dividends declared to preference equity holders			
Interim dividend (29 July 2016: 3 696,57534 cents) (29 July 2015: 3 282,8082 cents)	183	162	162
Final dividend (1 March 2016: 3 395,47945 cents) (3 March 2015: 3 210,8904 cents)	—	—	168
	183	162	330
Dividends paid to ordinary equity holders			
Final dividend (1 March 2016: 484,49896 cents) (3 March 2015: 912,78268 cents)	2 000	3 616	3 616
Interim dividend (29 July 2015: 631,07 cents)	—	—	2 500
Special dividend (20 June 2016: 206,43 cents) (30 September 2015: 745,15 cents) (31 July 2015: 504,86 cents)	1 500	—	5 000
	3 500	3 616	11 116
Dividends paid to preference equity holders			
Final dividend (1 March 2016: 3 395,47945 cents) (3 March 2015: 3 210,8904 cents)	168	159	159
Interim dividend (29 July 2015: 3 282,8082 cents)	—	—	162
	168	159	321

6. Acquisitions and disposals of businesses and other similar transactions

6.1 Acquisitions and disposals of businesses during the current reporting period

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

6.2 Acquisitions and disposals of businesses during the previous reporting period

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

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

Condensed notes to the consolidated financial results for the reporting period ended

6. Acquisitions and disposals of businesses and other similar transactions (continued)

6.2 Acquisitions and disposals of businesses during the previous reporting period (continued)

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

	30 June 2016 Rm	2015 Rm	31 December 2015 Rm
Summary of net cash outflow due to acquisitions	—	—	14

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

7. Related parties

The ultimate holding company, Barclays Bank Plc, sold 12,2% of its Barclays Africa Group Limited shareholding for R13,1bn on 5 May 2016, leaving the Barclays Plc shareholding at 50,1%.

8. Financial guarantee contracts

	30 June 2016 Rm	2015 Rm	31 December 2015 Rm
Financial guarantee contracts	58	96	24

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

9. Commitments

	30 June 2016 Rm	2015 Rm	31 December 2015 Rm
Authorised capital expenditure			
Contracted but not provided for	1 294	1 333	591
The Bank has capital commitments in respect of computer equipment and property development. Management is confident that future net revenue and funding will be sufficient to cover these commitments.			
Operating lease payments due			
No later than one year	859	813	758
Later than one year and no later than five years	2 117	1 865	1 742
Later than five years	1 300	1 324	956
	4 276	4 002	3 456
The operating lease commitments comprise a number of separate operating leases in relation to property and equipment, none of which is individually significant to the Bank. Leases are negotiated for an average term of three to five years and rentals are renegotiated annually.			
Sponsorship payment due			
No later than one year	147	213	147
Later than one year and no later than five years	177	536	177
	324	749	324

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

10. Contingencies

	30 June 2016 Rm	2015 Rm	31 December 2015 Rm
Guarantees	29 665	29 980	31 266
Irrevocable debt facilities	127 962	131 453	138 807
Letters of credit	4 996	7 121	6 319
Other contingencies	6	12	21
	162 629	168 566	176 413

Guarantees include performance and payment guarantee contracts.

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

Condensed notes to the consolidated financial results

for the reporting period ended

10. Contingencies (continued)

Legal proceedings

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

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

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

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

Regulatory matters

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

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

Income taxes

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

11. Segment reporting

	30 June 2016 Rm	2015 ⁽¹⁾ Rm	31 December 2015 ⁽¹⁾ Rm
11.1 Headline earnings contribution by segment			
RBB	4 312	4 081	8 611
Corporate and Investment Banking (CIB)	960	1 128	2 339
Wealth	(56)	(63)	(93)
Head Office, Treasury and other operations	(575)	(491)	(1 200)
	4 641	4 655	9 657

	30 June 2016 Rm	2015 ⁽¹⁾ Rm	31 December 2015 ⁽¹⁾ Rm
11.2 Total income by segment			
RBB	19 745	18 477	38 142
CIB	4 876	4 125	8 651
Wealth	232	211	447
Head Office, Treasury and other operations	(386)	(422)	(1 164)
	24 467	22 391	46 076

Note

⁽¹⁾ Operational changes, management changes and associated changes to the way in which the chief operational decision maker (CODM) views the performance of each business segment, have resulted in the reallocation of earnings, assets and liabilities between operating segments. For details on the business portfolio changes, refer to note 14.

Condensed notes to the consolidated financial results for the reporting period ended

11. Segment reporting (continued)

	30 June 2016 Rm	2015 ⁽¹⁾ Rm	31 December 2015 ⁽¹⁾ Rm
11.3 Total internal revenue by segment			
RBB	(4 614)	(4 092)	(7 889)
CIB	(1 617)	1 213	54
Wealth	14	18	43
Head Office, Treasury and other operations	6 367	4 167	10 733
	150	1 306	2 941

	30 June 2016 Rm	2015 ⁽¹⁾ Rm	31 December 2015 ⁽¹⁾ Rm
11.4 Total assets by segment			
RBB	701 282	679 336	704 774
CIB	503 526	410 476	489 328
Wealth	6 537	5 429	5 770
Head Office, Treasury and other operations	(264 104)	(236 098)	(263 731)
	947 241	859 143	936 141

	30 June 2016 Rm	2015 ⁽¹⁾ Rm	31 December 2015 ⁽¹⁾ Rm
11.5 Total liabilities by segment			
RBB	695 788	674 282	694 836
CIB	501 676	408 340	485 590
Wealth	6 582	5 491	5 851
Head Office, Treasury and other operations	(321 044)	(288 370)	(310 633)
	883 002	799 743	875 644

Note
⁽¹⁾ Operational changes, management changes and associated changes to the way in which the CODM views the performance of each business segment, have resulted in the reallocation of earnings, assets and liabilities between operating segments. For details on the business portfolio changes, refer to note 14.

Condensed notes to the consolidated financial results for the reporting period ended

12. Assets and liabilities not held at fair value

	2016		30 June		2015	
	Carrying value Rm	Fair value Rm	Carrying value Rm	Fair value Rm	Carrying value Rm	Fair value Rm
Financial assets						
Balances with the South African Reserve Bank	18 183	18 183	16 485	16 485	16 485	16 485
Coins and bank notes	7 683	7 683	6 812	6 812	6 812	6 812
Money market assets	36	36	21	21	21	21
Cash, cash balances and balances with central banks	25 902	25 902	23 318	23 318	23 318	23 318
Loans and advances to banks	36 217	36 217	45 783	45 783	45 783	45 783
Other assets	25 499	25 499	23 687	23 687	23 687	23 687
Retail Banking	362 339	361 860	359 076	358 540	359 076	358 540
Credit cards	28 494	28 494	29 376	29 376	29 376	29 376
Instalment credit agreements	73 126	72 351	72 921	72 296	72 921	72 296
Loans to associates and joint ventures	16 615	16 615	14 163	14 163	14 163	14 163
Mortgages	224 020	224 215	225 551	225 579	225 551	225 579
Other loans and advances	460	460	331	331	331	331
Overdrafts	3 370	3 370	2 442	2 442	2 442	2 442
Personal and term loans	16 254	16 355	14 292	14 353	14 292	14 353
Business Banking	66 480	66 480	63 219	63 246	63 219	63 246
Mortgages (including CPF)	32 149	32 149	30 200	30 227	30 200	30 227
Overdrafts ¹	19 322	19 322	18 703	18 703	18 703	18 703
Term loans ¹	15 009	15 009	14 316	14 316	14 316	14 316
RBB Rest of Africa	19	19	21	21	21	21
CIB	160 123	160 123	126 527	126 527	126 527	126 527
Wealth	5 895	5 895	5 117	5 117	5 117	5 117
Head Office, Treasury and other operations	1 097	1 097	2 939	2 939	2 939	2 939
Loans and advances to customers – net of impairment losses	595 953	595 474	556 899	556 390	556 899	556 390
Loans from Group companies	32 980	32 988	11 786	11 786	11 786	11 786
Total assets	716 551	716 080	661 473	660 964	661 473	660 964
Financial liabilities						
Deposits from banks	57 502	57 502	33 789	33 789	33 789	33 789
Other liabilities	28 314	28 314	23 965	23 962	23 965	23 962
Call deposits	57 305	57 305	61 215	61 215	61 215	61 215
Cheque account deposits	151 876	151 876	159 891	159 891	159 891	159 891
Credit card deposits	1 865	1 865	1 889	1 889	1 889	1 889
Fixed deposits	115 150	115 563	113 376	113 734	113 376	113 734
Foreign currency deposits	30 097	30 097	26 877	26 877	26 877	26 877
Notice deposits	58 516	58 528	48 706	48 713	48 706	48 713
Other deposits	2 109	2 109	2 002	2 002	2 002	2 002
Saving and transmission deposits	123 297	123 297	113 716	113 716	113 716	113 716
Deposits due to customers	540 215	540 640	527 672	528 037	527 672	528 037
Debt securities in issue	138 090	138 328	111 106	111 466	111 106	111 466
Loans to Group companies	—	—	277	277	277	277
Borrowed funds	13 416	13 689	11 026	11 392	11 026	11 392
Total liabilities	777 537	778 473	707 835	708 923	707 835	708 923

Note

⁽¹⁾ R542m of overdrafts were reallocated to term loans (30 June 2015: R674m; 31 December 2015: R554m) to align to the way the products are utilised by the customers.

Condensed notes to the consolidated financial results for the reporting period ended

12. Assets and liabilities not held at fair value (continued)

	31 December 2015	
	Carrying value Rm	Fair value Rm
Financial assets		
Balances with the South African Reserve Bank	17 459	17 459
Coins and bank notes	8 607	8 607
Money market assets	34	34
Cash, cash balances and balances with central banks	26 100	26 100
Loans and advances to banks	34 257	34 257
Other assets	17 354	17 354
Retail Banking	362 303	361 273
Credit cards	29 515	29 515
Instalment credit agreements	72 860	71 798
Loans to associates and joint ventures	16 176	16 176
Mortgages	225 431	225 441
Other loans and advances	343	343
Overdrafts	2 819	2 819
Personal and term loans	15 159	15 181
Business Banking	63 412	63 440
Mortgages (including CPF)	30 730	30 742
Overdrafts ¹	17 605	17 621
Term loans ¹	15 077	15 077
RBB Rest of Africa	22	22
CIB	140 796	140 796
Wealth	5 350	5 350
Head Office, Treasury and other operations	696	696
Loans and advances to customers – net of impairment losses	572 579	571 577
Loans from Group companies	23 850	23 958
Total assets	674 140	673 246
Financial liabilities		
Deposits from banks	44 394	44 394
Other liabilities	16 346	16 250
Call deposits	72 130	72 130
Cheque account deposits	150 842	150 842
Credit card deposits	2 002	2 002
Fixed deposits	118 278	118 390
Foreign currency deposits	26 168	26 168
Notice deposits	48 954	48 963
Other deposits	1 943	1 943
Saving and transmission deposits	122 522	122 522
Deposits due to customers	542 839	542 960
Debt securities in issue	121 730	119 153
Loans to Group companies	—	—
Borrowed funds	12 954	13 323
Total liabilities	738 263	736 080

Note

⁽¹⁾ R542m of overdrafts were reallocated to term loans (30 June 2015: R674m; 31 December 2015: R554m) to align to the way the products are utilised by the customers.

13. Assets and liabilities held at fair value

13.1 Fair value measurement and valuation processes

Financial assets and financial liabilities

The Bank has an established control framework with respect to the measurement of fair values. The framework includes a Valuation Committee and an Independent Valuation Control team (IVC), which is independent from the front office.

The Valuation Committee, which comprises representatives from senior management, will formally approve valuation policies and changes to valuation methodologies. Significant valuation issues are reported to the Barclays Africa Group Audit and Compliance Committee.

The Valuation Committee is responsible for overseeing the valuation control process and will therefore consider the appropriateness of valuation techniques and inputs for fair value measurement.

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

Investment properties

The fair value of investment properties is determined based on the most appropriate methodology applicable to the specific property. Methodologies include the market comparable approach that reflects recent transaction prices for similar properties, discounted cash flows and income capitalisation methodologies. In estimating the fair value of the properties, the highest and best use of the properties is taken into account.

Where possible, the fair value of the Bank's investment properties is determined through valuations performed by external independent valuers. When the Bank's internal valuations are different to that of the external independent valuers, detailed procedures are performed to substantiate the differences, whereby the IVC verifies the procedures performed by the front office and considers the appropriateness of any differences to external independent valuations.

13.2 Fair value measurements

Valuation inputs

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

Quoted market prices – Level 1

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

Valuation technique using observable inputs – Level 2

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

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

Valuation technique using significant unobservable inputs – Level 3

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

Judgemental inputs on valuation of principal instruments

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

Debt securities and treasury and other eligible bills

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

13. Assets and liabilities held at fair value (continued)

13.2 Fair value measurements (continued)

Equity instruments

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

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

Derivatives

Derivative contracts can be exchange-traded or traded over the counter (OTC). OTC derivative contracts include forward, swap and option contracts related to interest rates, bonds, foreign currencies, credit spreads, equity prices and commodity prices or indices on these instruments. Fair values of derivatives are obtained from quoted market prices, dealer price quotations, discounted cash flow and option pricing models.

Loans and advances

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

Deposits, debt securities in issue and borrowed funds

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

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

13.3 Fair value adjustments

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

Bid-offer valuation adjustments

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

Uncollateralised derivative adjustments

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

Model valuation adjustments

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

Condensed notes to the consolidated financial results for the reporting period ended

13. Assets and liabilities held at fair value (continued)

13.4 Fair value hierarchy

The following table shows the Bank's assets and liabilities that are recognised and subsequently measured at fair value and are analysed by valuation techniques. The classification of assets and liabilities is based on the lowest level of input that is significant to the fair value measurement in its entirety.

Recurring fair value measurements	2016				2015			
	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Financial assets								
Investment securities	52 606	18 541	3 864	75 011	42 875	17 871	1 728	62 474
Loans and advances to banks	—	26 194	—	26 194	—	25 484	—	25 484
Trading and hedging portfolio assets	20 616	62 375	2 894	85 885	19 576	51 970	1 271	72 817
Debt instruments	19 557	6 100	2 169	27 826	18 209	8 396	872	27 477
Derivative assets	—	51 001	725	51 726	376	39 267	399	40 042
Commodity derivatives	—	205	—	205	—	197	—	197
Credit derivatives	—	122	294	416	—	224	111	335
Equity derivatives	—	1 311	—	1 311	11	1 480	45	1 536
Foreign exchange derivatives	—	16 322	—	16 322	—	6 410	3	6 413
Interest rate derivatives	—	33 041	431	33 472	365	30 956	240	31 561
Equity instruments	1 059	—	—	1 059	930	—	—	930
Money market assets	—	5 274	—	5 274	61	4 307	—	4 368
Other assets	—	—	17	17	—	—	17	17
Loans and advances to customers	—	18 007	6 941	24 948	3	19 839	725	20 567
Total financial assets	73 222	125 117	13 716	212 055	62 454	115 164	3 741	181 359
Financial liabilities								
Deposits from banks	—	25 241	—	25 241	—	16 948	7	16 955
Trading and hedging portfolio liabilities	1 645	49 585	336	51 566	2 327	41 835	420	44 582
Derivative liabilities	—	49 585	336	49 921	—	41 835	420	42 255
Commodity derivatives	—	161	—	161	—	216	—	216
Credit derivatives	—	334	150	484	—	173	129	302
Equity derivatives	—	1 735	—	1 735	—	2 419	183	2 602
Foreign exchange derivatives	—	13 390	—	13 390	—	5 771	7	5 778
Interest rate derivatives	—	33 965	186	34 151	—	33 256	101	33 357
Short positions	1 645	—	—	1 645	2 327	—	—	2 327
Deposits due to customers	119	16 685	921	17 725	94	7 673	10 689	18 456
Debt securities in issue	354	5 067	770	6 191	2	5 172	2 066	7 240
Total financial liabilities	2 118	96 578	2 027	100 723	2 423	71 628	13 182	87 233
Non-financial assets								
Commodities	1 406	—	—	1 406	1 824	—	—	1 824
Investment properties	—	—	240	240	—	—	263	263
Non-recurring fair value measurements								
Non-current assets held for sale ⁽¹⁾	—	—	369	369	—	—	236	236
Non-current liabilities held for sale ⁽¹⁾	—	—	9	9	—	—	—	—

Note

⁽¹⁾ Includes certain items classified in terms of the requirements of IFRS 5 which are measured in terms of their respective standards.

Condensed notes to the consolidated financial results for the reporting period ended

13. Assets and liabilities held at fair value (continued)

13.4 Fair value hierarchy (continued)

Recurring fair value measurements	31 December 2015			Total Rm
	Level 1 Rm	Level 2 Rm	Level 3 Rm	
Financial assets				
Cash, cash balances and balances with central banks	—	1	—	1
Investment securities	46 507	25 273	1 285	73 065
Loans and advances to banks	—	22 219	2 109	24 328
Trading and hedging portfolio assets	20 083	95 168	1 415	116 666
Debt instruments	18 674	7 957	897	27 528
Derivative assets	—	79 235	518	79 753
Commodity derivatives	—	223	—	223
Credit derivatives	—	885	23	908
Equity derivatives	—	2 118	43	2 161
Foreign exchange derivatives	—	26 996	—	26 996
Interest rate derivatives	—	49 013	452	49 465
Equity instruments	1 409	—	—	1 409
Money market assets	—	7 976	—	7 976
Other assets	—	—	17	17
Loans and advances to customers	3	21 909	7 511	29 423
Total financial assets	66 593	164 570	12 337	243 500
Financial liabilities				
Deposits from banks	—	16 625	7	16 632
Trading and hedging portfolio liabilities	1 242	90 640	216	92 098
Derivative liabilities	—	90 640	216	90 856
Commodity derivatives	—	440	—	440
Credit derivatives	—	879	14	893
Equity derivatives	—	3 768	57	3 825
Foreign exchange derivatives	—	28 193	—	28 193
Interest rate derivatives	—	57 360	145	57 505
Short positions	1 242	—	—	1 242
Deposits due to customers	110	15 144	2 557	17 811
Debt securities in issue	678	5 421	624	6 723
Total financial liabilities	2 030	127 830	3 404	133 264
Non-financial assets				
Commodities	2 005	—	—	2 005
Investment properties	—	—	518	518
Non-recurring fair value measurements				
Non-current assets held for sale ⁽¹⁾	—	—	109	109

Note

⁽¹⁾ Includes certain items classified in terms of the requirements of IFRS 5 which are measured in terms of their respective standards.

Condensed notes to the consolidated financial results for the reporting period ended

13. Assets and liabilities held at fair value (continued)

13.5 Measurement of assets and liabilities categorised at Level 2

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

Category of asset/liability	Valuation techniques applied	Significant observable inputs
Cash, cash balances and balances with central banks	Discounted cash flow models	Underlying price of market traded instruments and/or interest rates
Loans and advances to banks	Discounted cash flow models	Interest rate and/or money market curves
Trading and hedging portfolio assets and liabilities		
Debt instruments	Discounted cash flow models	Underlying price of market traded instruments and/or interest rates
Derivative assets		
Commodity derivatives	Discounted cash flow and/or option pricing, futures pricing and/or exchange traded fund (ETF) models	Spot price of physical or futures, interest rates and/or volatility
Credit derivatives	Discounted cash flow and/or credit default swap models	Interest rate, recovery rate, credit spread and/or quanto ratio
Equity derivatives	Discounted cash flow, option pricing and/or futures pricing models	Spot price, interest rate, volatility and/or dividend stream
Foreign exchange derivatives	Discounted cash flow and/or option pricing models	Spot price, interest rate and/or volatility
Interest rate derivatives	Discounted cash flow and/or option pricing models	Interest rate curves, repurchase agreement curves, money market curves and/or volatility
Money market assets	Discounted cash flow models	Money market rates and/or interest rates
Loans and advances to customers	Discounted cash flow models	Interest rate curves and/or money market curves
Investment securities	Listed equity: market bid price. Other items: discounted cash flow models	Underlying price of the market traded instruments interest rate curves
Deposits from banks	Discounted cash flow models	Interest rate curves and/or money market curves
Deposits due to customers	Discounted cash flow models	Interest rate curves and/or money market curves
Debt securities in issue and other liabilities	Discounted cash flow models	Underlying price of the market traded instrument and/or interest rate curves

Condensed notes to the consolidated financial results for the reporting period ended

13. Assets and liabilities held at fair value (continued)

13.6 Reconciliation of Level 3 assets and liabilities

A reconciliation of the opening balances to closing balances for all movements on Level 3 assets is set out below:

	30 June 2016						
	Trading and hedging portfolio assets Rm	Other assets Rm	Loans and advances to customers Rm	Loans and advances to banks Rm	Investment securities Rm	Investment properties Rm	Total assets at fair value Rm
Opening balance at the beginning of the reporting period	1 415	17	7 511	2 109	1 285	518	12 855
Net interest income	—	—	167	—	30	—	197
Gains and losses from banking and trading activities	192	—	—	—	—	—	192
Gains and losses from investment activities	—	—	(10)	—	9	78	77
Purchases	1 334	—	1 962	—	2 714	—	6 010
Sales	(47)	—	(2 689)	(2 109)	(174)	—	(5 019)
Transferred to assets ⁽¹⁾	—	—	—	—	—	(356)	(356)
Closing balance at the end of the reporting period	2 894	17	6 941	—	3 864	240	13 956

	30 June 2015						
	Trading and hedging portfolio assets Rm	Other assets Rm	Loans and advances to customers Rm	Loans and advances to banks Rm	Investment securities Rm	Investment properties Rm	Total assets at fair value Rm
Opening balance at the beginning of the reporting period	1 151	17	4 731	—	2 316	252	8 467
Net interest income	—	—	—	—	38	—	38
Gains and losses from banking and trading activities	—	—	(16)	—	—	—	(16)
Gains and losses from investment activities	—	—	—	—	(7)	11	4
Purchases	132	—	—	—	—	—	132
Sales	(4)	—	(3 990)	—	(619)	—	(4 613)
Movement in/(out) of level 3	(8)	—	—	—	—	—	(8)
Closing balance at the end of the reporting period	1 271	17	725	—	1 728	263	4 004

Note

⁽¹⁾ Transfer to non-current assets held for sale.

Condensed notes to the consolidated financial results for the reporting period ended

13. Assets and liabilities held at fair value (continued)

13.6 Reconciliation of Level 3 assets and liabilities (continued)

A reconciliation of the opening balances to closing balances for all movements on Level 3 assets is set out below:

	31 December 2015						Total assets at fair value Rm
	Trading and hedging portfolio assets Rm	Other assets Rm	Loans and advances to customers Rm	Loans and advances to banks Rm	Investment securities Rm	Investment properties Rm	
Opening balance at the beginning of the reporting period	1 151	17	4 731	—	2 316	252	8 467
Net interest income	—	—	488	—	78	—	566
Gains and losses from banking and trading activities	331	—	—	—	—	—	331
Gains and losses from investment activities	—	—	—	(18)	14	4	—
Purchases	16	—	5 108	2 127	14	294	7 559
Sales	(83)	—	(2 816)	—	(1 172)	(32)	(4 103)
Movement in other comprehensive income	—	—	—	—	35	—	35
Closing balance at the end of the reporting period	1 415	17	7 511	2 109	1 285	518	12 855

A reconciliation of the opening balances to closing balances for all movements on Level 3 liabilities is set out below:

	30 June 2016					Total liabilities at fair value Rm
	Deposits from Bank Rm	Trading and hedging portfolio liabilities Rm	Deposits due to customers Rm	Debt securities in issue Rm		
Opening balance at the beginning of the reporting period	7	216	2 557	624		3 404
Net interest income	—	—	70	28		98
Gains and losses from banking and trading activities	—	131	—	—		131
Issues	—	—	1 958	142		2 100
Settlements	(7)	(11)	(689)	(24)		(731)
Movement out of Level 3	—	—	(2 975)	—		(2 975)
Closing balance at the end of the reporting period	—	336	921	770		2 027

Condensed notes to the consolidated financial results for the reporting period ended

13. Assets and liabilities held at fair value (continued)

13.6 Reconciliation of Level 3 assets and liabilities (continued)

	30 June 2015				
	Deposits from Bank Rm	Trading and hedging portfolio liabilities Rm	Deposits due to customers Rm	Debt securities in issue Rm	Total liabilities at fair value Rm
Opening balance at the beginning of the reporting period	—	320	5 530	42	5 892
Net interest income	—	—	—	—	—
Gains and losses from banking and trading activities	—	147	282	(168)	261
Issues	7	—	—	—	7
Settlements	—	(5)	4 877	2 192	7 064
Movement out of Level 3	—	(42)	—	—	(42)
Closing balance at the end of the reporting period	7	420	10 689	2 066	13 182

	31 December 2015				
	Deposits from Bank Rm	Trading and hedging portfolio liabilities Rm	Deposits due to customers Rm	Debt securities in issue Rm	Total liabilities at fair value Rm
Opening balance at the beginning of the reporting period	—	320	5 530	42	5 892
Net interest income	—	—	—	—	—
Gains and losses from banking and trading activities	—	(21)	—	—	(21)
Gains and losses from investment activities	—	—	132	172	304
Issues	7	—	3 112	410	3 529
Settlements	—	(83)	(3 265)	—	(3 348)
Movement out of Level 3	—	—	(2 952)	—	(2 952)
Closing balance at the end of the reporting period	7	216	2 557	624	3 404

13.6.1 Significant transfers between levels

During the current reporting period, it was determined that significant transfers between levels of the liabilities at fair value occurred.

Transfers out of Level 3 and into Level 2 arise where the maturities on debt securities decreased to less than 5 years.

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

In the previous reporting period transfers out of level 3 and into level 2 arose where unobservable inputs became observable and/or unobservable inputs were no longer considered to be significant to the valuation of an instrument.

Condensed notes to the consolidated financial results for the reporting period ended

13. Assets and liabilities held at fair value (continued)

13.7 Unrealised gains and losses on Level 3 assets and liabilities

The total unrealised gains and losses for the reporting period on Level 3 positions held at the reporting date are set out below:

	30 June 2016					Total assets at fair value Rm
	Trading and hedging portfolio assets Rm	Loans and advances to customers Rm	Investment securities Rm	Investment properties Rm	Non-current assets held for sale Rm	
Gains and losses from banking and trading activities	72	46	16	—	—	134

	30 June 2015					Total assets at fair value Rm
	Trading and hedging portfolio assets Rm	Loans and advances to customers Rm	Investment securities Rm	Investment properties Rm	Non-current assets held for sale Rm	
Gains and losses from banking and trading activities	146	(28)	—	—	—	118

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

	30 June 2016				Total liabilities at fair value Rm
	Trading and hedging portfolio liabilities Rm	Other liabilities Rm	Deposits due to customers Rm	Debt securities in issue Rm	
Gains and losses from banking and trading activities	—	—	—	—	—

	30 June 2015				Total liabilities at fair value Rm
	Trading and hedging portfolio liabilities Rm	Other liabilities Rm	Deposits due to customers Rm	Debt securities in issue Rm	
Gains and losses from banking and trading activities	—	—	—	—	—

	31 December 2015				Total liabilities at fair value Rm
	Trading and hedging portfolio liabilities Rm	Other liabilities Rm	Deposits due to customers Rm	Debt securities in issue Rm	
Gains and losses from banking and trading activities	79	—	—	—	79

Condensed notes to the consolidated financial results for the reporting period ended

13. Assets and liabilities held at fair value (continued)

13.8 Sensitivity analysis of valuations using unobservable inputs

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

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

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

A significant parameter has been deemed to be one which may result in a charge to the profit or loss or a change in the fair value asset or liability of more than 10% of the underlying value of the affected item. This is demonstrated by the following sensitivity analysis which includes a reasonable range of possible outcomes:

	Significant unobservable parameters	30 June 2016	
		Potential effect recorded in profit and loss	Potential effect recorded directly in equity
		Favourable/(Unfavourable) Rm	Favourable/(Unfavourable) Rm
Deposits due to customers	BAGL/Absa funding spread	-/-	-/-
Investment securities and investments linked to investment contracts	Risks adjustment yield curves, future earnings and marketability discount	12/12	37/36
Loans and advances to customers	Credit spreads	103/101	-/-
Other assets	Volatility, credit spreads	-/-	-/-
Trading and hedging portfolio assets	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	90/90	-/-
Trading and hedging portfolio liabilities	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	11/11	-/-
Other liabilities	Volatility, credit spreads	-/-	-/-
		216/214	37/36

Condensed notes to the consolidated financial results for the reporting period ended

13. Assets and liabilities held at fair value (continued)

13.8 Sensitivity analysis of valuations using unobservable inputs (continued)

		30 June 2015	
		Potential effect recorded in profit or loss	Potential effect recorded directly in equity
	Significant unobservable parameters	Favourable/(Unfavourable) Rm	Favourable/(Unfavourable) Rm
Deposits due to customers	BAGL/Absa funding spread	—/—	—/—
Investment securities	Risks adjustment yield curves, future earnings and marketability discount, comparator multiples	132/132	(5)/4
Loans and advances to customers	Credit spreads	2/2	—/—
Other assets	Volatility, credit spreads	3/3	—/—
Trading and hedging portfolio assets	Volatility, credit spreads	—/—	—/—
Trading and hedging portfolio liabilities	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	—/—	—/—
		137/137	(5)/4

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

Condensed notes to the consolidated financial results for the reporting period ended

13. Assets and liabilities held at fair value (continued)

13.9 Measurement of assets and liabilities at Level 3

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

Category of asset/ liability	Valuation techniques applied	Significant unobservable inputs	Range of estimates utilised for the unobservable inputs		
			2016	30 June 2015	31 December 2015
Loans and advances to customers	Discounted cash flow and/or dividend yield models	Credit spreads	0,96% to 3,99%	0,96% to 3,99%	0,96% to 3,99%
Investment securities	Discounted cash flow models, third-party valuations, earnings multiples and/or income capitalisation valuations	Risk adjusted yield curves, future earnings, marketability discounts and/or comparator multiples	Discount rates between 9,5% and 13,25%, comparator multiples between 5 and 10,5	Discount rates between 9,1% and 17,9%, comparator multiples between 5 and 6	Discount rates between 8% and 11,5%, comparator multiples between 5 and 10,5
Trading and hedging portfolio assets and liabilities					
Debt instruments	Discounted cash flow models	Credit spreads	0,9% to 3,5%	0,9% to 3,5%	0,9% to 3,5%
Derivative assets					
Credit derivatives	Discounted cash flow and/or credit default swap (hazard rate) models	Credit spreads, recovery rates and/or quanto ratio	0,0% to 23,67%	0,0% to 23,58%	0,0% to 23,64%
Equity derivatives	Discounted cash flow, option pricing and/or futures pricing models	Volatility and/or dividend streams (greater than 3 years)	0,0% to 81,20%	15,15% to 46,80%	17,82% to 67,71%
Foreign exchange derivatives	Discounted cash flow and/or option pricing models	African basis curves (greater than 1 year)	(6%) to 24,99%	(10,00%) to 13,95%	(10,00%) to 10,50%
Interest rate derivatives	Discounted cash flow and/or option pricing models	Real yield curves (less than 2 years) Forward curves	(0,67%) to 7,90%	(2,59%) to 2,47%	0,58% to 4,24%
Deposits due to customers	Discounted cash flow models	Barclays Africa Group Limited's funding spreads (greater than 5 years)	0,0% to 2,15%	0,85% to 1,2%	1,52% to 2,15%
Debt securities in issue	Discounted cash flow models	Funding curves (greater than 5 years)	(0,16%) to 3,5%	1,44% to 1,70%	(0,20%) to 3,35%
Investment properties	Discounted cash flow models	Estimates of periods in which rental units will be disposed of	1 to 10 years	2 to 7 years	1 to 7 years
		Annual selling price escalations	0% to 7%	0% to 6%	0% to 6%
		Annual rental escalations	0% to 10%	0% to 10%	0% to 10%
		Expense ratios	26,35% to 44%	22% to 75%	26% to 51%
		Vacancy ratio	1% to 18%	2% to 15%	1% to 18%
		Income capitalisation rates	8% to 11%	10% to 12%	8% to 12%
		Risk adjusted discount rates	9,5% to 14%	14% to 16%	13% to 14%

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

The sensitivity of the fair value measure is dependent on the unobservable inputs. Significant changes to the unobservable inputs in isolation will have either a positive or negative impact on fair values.

Condensed notes to the consolidated financial results for the reporting period ended

13. Assets and liabilities held at fair value (continued)

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

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

	30 June 2016 Rm	2015 Rm	31 December 2015 Rm
Opening balance at the beginning of the reporting period	(105)	(52)	(52)
New transactions	(20)	(83)	(91)
Amounts recognised in profit and loss during the reporting period	17	28	38
Closing balance at the end of the reporting period	(108)	(107)	(105)

13.11 Third-party credit enhancements

There were no significant liabilities measured at fair value and issued with inseparable third-party credit enhancements during the current and previous reporting period.

14. Reporting changes overview

The following business portfolio changes have impacted the financial results for the comparative periods ended 30 June 2015 and 31 December 2015.

- Statutory liquid assets allocations in loan portfolios that were moved from Wealth to RBB in previous reporting periods were reassessed and resulted in the restatement of statutory liquid assets between Wealth and RBB.
- The Bank refined its funds transfer pricing and allocation of endowment methodologies, resulting in restatements between segments.
- The Bank reassessed its cost allocation methodology, resulting in the restatements of operating expenses between and within segments.
- South African Reserve Bank cash and central exchange balances were moved from CIB to Head Office, Treasury and other operations.
- Interest rates on internal cash balances were aligned to market-related rates, resulting in the restatement of interest between CIB and Head Office, Treasury and Other operations.
- Certain shared services operations that were previously conducted by RBB were transferred to Head office, Treasury and Other operations, resulting in the restatement of income and costs.
- Africa Corporate Development (previously reported within CIB Private Equity) was moved from CIB to Head Office and cheque income and associated costs were moved from CIB to RBB to better align the ownership of the products and the management thereof.

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