



# Absa Bank Limited

**Unaudited condensed consolidated financial results**  
for the interim reporting period ended 30 June 2015

Member of



# Contents

Profit and dividend announcement	3
Consolidated salient features	5
Condensed consolidated statement of financial position	6
Condensed consolidated statement of comprehensive income	7
Condensed consolidated statement of changes in equity	9
Condensed consolidated statement of cash flows	11
Condensed notes to the consolidated financial results	12
Administration and contact details	32

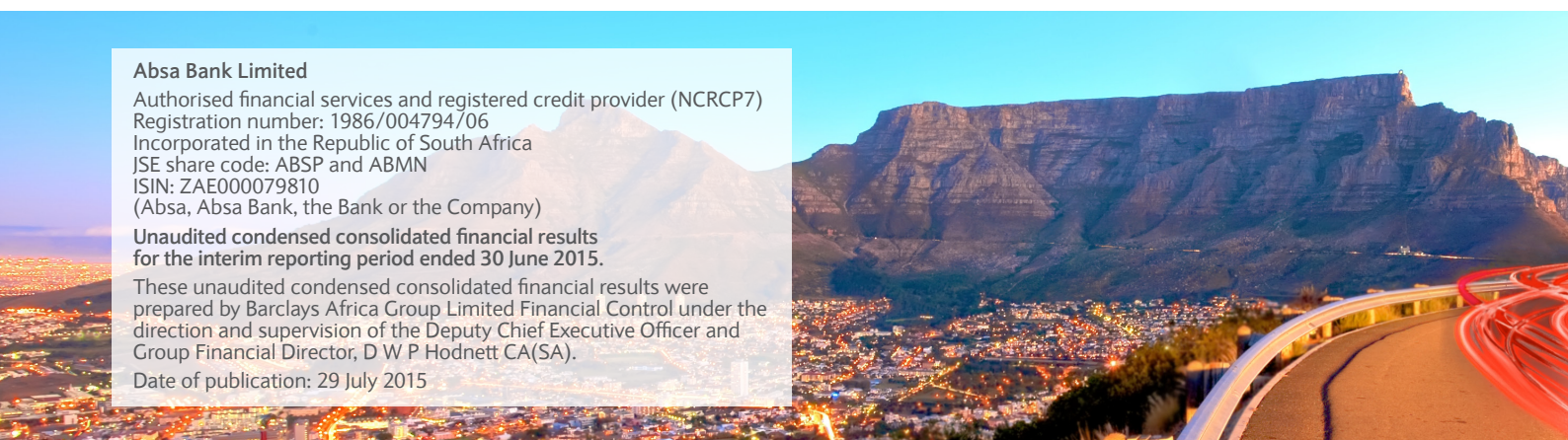
## Absa Bank Limited

Authorised financial services and registered credit provider (NCRCP7)  
Registration number: 1986/004794/06  
Incorporated in the Republic of South Africa  
JSE share code: ABSP and ABMN  
ISIN: ZAE000079810  
(Absa, Absa Bank, the Bank or the Company)

### Unaudited condensed consolidated financial results for the interim reporting period ended 30 June 2015.

These unaudited condensed consolidated financial results were prepared by Barclays Africa Group Limited Financial Control under the direction and supervision of the Deputy Chief Executive Officer and Group Financial Director, D W P Hodnett CA(SA).

Date of publication: 29 July 2015



## Overview of results

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

Commentary relating to the Bank's condensed consolidated financial results is included in the Barclays Africa Group Limited results, as presented to shareholders on 29 July 2015.

## Basis of presentation

The Bank's 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 ("SAICA") 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 annual consolidated financial statements.

The Bank's unaudited condensed consolidated interim financial statements 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 2014.

## Events after the reporting period

The directors are not aware of any events occurring between the reporting date of 30 June 2015 and the date of authorisation of these 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 2015

**M Ramos**

*Chief Executive Officer*

## Declaration of preference share dividend number 19

### 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 9,50%.

Notice is hereby given that preference dividend number 19, equal to 70% of the average prime rate for 1 March 2015 to 31 August 2015, per Absa Bank preference share has been declared for the period 1 March 2015 to 31 August 2015. The dividend is payable on Monday, 14 September 2015, to shareholders of the Absa Bank preference shares recorded in the register of members of the Company at the close of business on Friday, 11 September 2015.

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 2015 to 31 August 2015 would indicatively be 3 282,80822 cents per Absa Bank preference share.

The dividend will be subject to dividends 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 3 282,80822 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 2 790,38699 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	Friday, 4 September 2015
Shares commence trading ex dividend	Monday, 7 September 2015
Record date	Friday, 11 September 2015
Payment date	Monday, 14 September 2015

Share certificates may not be dematerialised or rematerialised between Monday, 7 September 2015 and Friday, 11 September 2015, both dates inclusive. On Monday, 14 September 2015, the dividend will be electronically transferred to the bank accounts of all shareholders.

On behalf of the board

**N R Drutman**

*Company Secretary*

Johannesburg

29 July 2015

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



**Consolidated salient features**  
for the reporting period ended

	30 June 2015	31 December 2014 <sup>(2)</sup>	2014
<b>Statement of comprehensive income (Rm)</b>			
Revenue	22 391	21 430	44 328
Operating expenses	12 717	12 101	25 309
Profit attributable to ordinary equity holder	4 677	4 093	8 995
Headline earnings <sup>(1)</sup>	4 655	4 040	8 787
<b>Statement of financial position</b>			
Loans and advances to customers (Rm)	577 466	543 379	554 521
Total assets (Rm)	859 143	812 013	814 061
Deposits due to customers (Rm)	546 128	505 981	521 656
Loans-to-deposits and debt securities ratio (%)	86,9	88,9	88,5
<b>Financial performance (%)</b>			
Return on average equity	17,1	15,6	16,9
Return on average assets	1,10	1,02	1,08
Return on average risk-weighted assets	2,05	1,98	2,10
<b>Operating performance (%)</b>			
Net interest margin on average interest-bearing assets	3,84	3,69	3,83
Impairment losses ratio	0,93	1,10	0,94
Non-performing loans ratio	3,4	4,3	3,8
Non-interest income as % of revenue	40,5	42,4	41,5
Cost-to-income ratio	56,8	56,5	57,1
Jaws	(0,61)	(4,15)	(1,99)
Effective tax rate, excluding indirect taxation	27,4	29,0	27,7
<b>Share statistics (million) (including "A" ordinary shares)</b>			
Number of ordinary shares in issue	396,2	387,5	396,2
Weighted average number of ordinary shares in issue	396,2	385,1	386,9
Weighted average diluted number of ordinary shares in issue	396,2	385,1	386,9
<b>Share statistics (cents)</b>			
Headline earnings per ordinary share	1 174,9	1 049,1	2 271,1
Diluted headline earnings per ordinary share	1 174,9	1 049,1	2 271,1
Basic earnings per ordinary share	1 180,5	1 062,8	2 324,9
Diluted basic earnings per ordinary share	1 180,5	1 062,8	2 324,9
Dividends per ordinary share relating to income for the reporting period	631,07	1 231,7	2 022,2
Dividend cover (times)	1,9	0,9	1,1
Net asset value per ordinary share	13 820	13 400	13 702
Tangible net asset value per ordinary share	13 435	13 053	13 341
<b>Capital adequacy (%)</b>			
Absa Bank	12,8	13,9	13,7
<b>Common Equity Tier 1 (%)</b>			
Absa Bank Limited	9,8	10,1	10,6

**Notes**

<sup>(1)</sup>After allowing for R159m (30 June 2014: R147m; 31 December 2014: R305m) profit attributable to preference equity holders.

<sup>(2)</sup>Restated, refer to note 14 for reporting changes.

## Condensed consolidated statement of financial position

as at

		30 June	31 December
	Note	2015 Rm	2014 <sup>(1)</sup> Rm
<b>Assets</b>			
Cash, cash balances and balances with central banks		23 318	18 313
Investment securities		62 474	69 056
Loans and advances to banks		71 267	63 297
Trading portfolio assets		72 549	75 606
Hedging portfolio assets		2 092	2 498
Other assets		25 080	12 747
Current tax assets		676	17
Non-current assets held for sale	1	236	414
Loans and advances to customers		577 466	543 379
Loans to Group companies		11 786	15 612
Investments in associates and joint ventures		901	767
Investment properties		263	243
Property and equipment		9 470	8 692
Goodwill and intangible assets		1 523	1 346
Deferred tax assets		42	26
<b>Total assets</b>		<b>859 143</b>	<b>812 013</b>
<b>Liabilities</b>			
Deposits from banks		50 744	62 532
Trading portfolio liabilities		42 150	43 136
Hedging portfolio liabilities		2 432	2 512
Other liabilities		26 452	20 102
Provisions		1 078	1 048
Current tax liabilities		17	—
Deposits due to customers		546 128	505 981
Debt securities in issue		118 346	104 974
Loans from Group companies		277	—
Borrowed funds	2	11 026	14 108
Deferred tax liabilities		1 093	1 049
<b>Total liabilities</b>		<b>799 743</b>	<b>755 442</b>
<b>Equity</b>			
<b>Capital and reserves</b>			
Attributable to equity holders:			
Ordinary share capital		303	303
Ordinary share premium		16 465	14 465
Preference share capital		1	1
Preference share premium		4 643	4 643
Retained earnings		34 697	33 202
Other reserves		3 289	3 955
		59 398	56 569
Non-controlling interest		2	2
<b>Total equity</b>		<b>59 400</b>	<b>56 571</b>
<b>Total equity and liabilities</b>		<b>859 143</b>	<b>812 013</b>

### Note

<sup>(1)</sup>Restated, refer to note 14 for reporting changes.

**Condensed consolidated statement of comprehensive income**  
for the reporting period ended

		30 June	31 December
	Note	2015 Rm	2014 Rm
Net interest income		13 330	12 342
Interest and similar income		28 701	26 540
Interest expense and similar charges		(15 371)	(14 198)
Non-interest income		9 061	9 088
Net fee and commission income		7 715	7 170
Fee and commission income		8 342	7 759
Fee and commission expense		(627)	(589)
Gains and losses from banking and trading activities		1 081	1 786
Gains and losses from investment activities		4	2
Other operating income		261	130
<b>Total income</b>		<b>22 391</b>	<b>21 430</b>
Impairment losses on loans and advances		(2 615)	(2 942)
<b>Operating income before operating expenditure</b>		<b>19 776</b>	<b>18 488</b>
Operating expenses		(12 717)	(12 101)
Other expenses		(473)	(486)
Other impairments	3	17	(31)
Indirect taxation		(490)	(455)
Share of post-tax results of associates and joint ventures		75	73
<b>Operating profit before income tax</b>		<b>6 661</b>	<b>5 974</b>
Taxation expense		(1 825)	(1 734)
<b>Profit for the reporting period</b>		<b>4 836</b>	<b>4 240</b>
<b>Profit attributable to:</b>			
Ordinary equity holder		4 677	4 093
Preference equity holders		159	147
		<b>4 836</b>	<b>4 240</b>
<b>Earnings per share</b>			
Basic earnings per ordinary share (cents)		1 180,5	1 062,8
Diluted basic earnings per ordinary share (cents)		1 180,5	1 062,8

**Condensed consolidated statement of comprehensive income**  
for the reporting period ended

	30 June	31 December	
	2015 Rm	2014 Rm	2014 Rm
<b>Profit for the reporting period</b>	<b>4 836</b>	4 240	9 300
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Movement in retirement benefit fund assets and liabilities	3	14	2
Increase in retirement benefit surplus	4	20	3
Deferred tax	(1)	(6)	(1)
<b>Total items that will not be reclassified to profit or loss</b>	<b>3</b>	14	2
<b>Items that are or may be subsequently reclassified to profit or loss:</b>			
Movement in foreign currency translation reserve	(2)	79	(327)
Movement in cash flow hedging reserve	(616)	(252)	(253)
Fair value (losses)/gains arising during the reporting period	(207)	321	1 092
Amount removed from other comprehensive income and recognised in profit or loss	(648)	(671)	(1 443)
Deferred tax	239	98	98
Movement in available-for-sale reserve	(20)	(217)	(37)
Fair value losses arising during the reporting period	(45)	(306)	(98)
Amortisation of government bonds – release to profit or loss	13	3	44
Deferred tax	12	86	17
<b>Total items that are or may be subsequently reclassified to profit or loss</b>	<b>(638)</b>	(390)	(617)
<b>Total comprehensive income for the reporting period</b>	<b>4 201</b>	3 864	8 685
<b>Total comprehensive income attributable to:</b>			
Ordinary equity holder	4 042	3 717	8 380
Preference equity holders	159	147	305
	<b>4 201</b>	3 864	8 685



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

	30 June 2015 <sup>(1)</sup>		
	Total equity attributable to equity holder Rm	Non-controlling interest Rm	Total equity Rm
<b>Balance at the beginning of the reporting period</b>	<b>58 924</b>	<b>2</b>	<b>58 926</b>
Total comprehensive income for the reporting period	4 201	—	4 201
Profit for the reporting period	4 836	—	4 836
Other comprehensive income	(635)	—	(635)
Dividends paid during the reporting period (refer to note 5)	(3 775)	—	(3 775)
Purchase of Barclays Africa Group Limited shares in respect of equity-settled share-based payment arrangements	(5)	—	(5)
Movement in share-based payment reserve	53	—	53
Value of employee services	53	—	53
Share of post-tax results of associates and joint ventures	—	—	—
Transfer from retained earnings	(75)	—	(75)
Transfer to associates' and joint ventures' reserve	75	—	75
<b>Balance at the end of the reporting period</b>	<b>59 398</b>	<b>2</b>	<b>59 400</b>

**Note**

<sup>(1)</sup>All movements are reflected net of taxation.

	30 June 2014 <sup>(1)</sup>		
	Total equity attributable to equity holder Rm	Non-controlling interest Rm	Total equity Rm
<b>Balance at the beginning of the reporting period</b>	<b>57 209</b>	<b>50</b>	<b>57 259</b>
Total comprehensive income for the reporting period	3 864	—	3 864
Profit for the reporting period	4 240	—	4 240
Other comprehensive income	(376)	—	(376)
Dividends paid during the reporting period (refer to note 5)	(5 483)	—	(5 483)
Shares issued	1 000	—	1 000
Purchase of Barclays Africa Group Limited shares in respect of equity-settled share-based payment schemes	(2)	—	(2)
Movement in share-based payment reserve	(19)	—	(19)
Value of employee services	(19)	—	(19)
Share of post-tax results of associates and joint ventures	—	—	—
Transfer from retained earnings	(73)	—	(73)
Transfer to associates' and joint ventures' reserve	73	—	73
Disposal of subsidiary <sup>(2)</sup>	—	(48)	(48)
<b>Balance at the end of the reporting period</b>	<b>56 569</b>	<b>2</b>	<b>56 571</b>

**Notes**

<sup>(1)</sup>All movements are reflected net of taxation.

<sup>(2)</sup> The Bank sold its 85% shareholding in a non-core subsidiary on 2 January 2014 and the subsidiary has been derecognised.

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

	31 December 2014 <sup>(1)</sup>		
	Total equity attributable to equity holder Rm	Non- controlling interest Rm	Total equity Rm
<b>Balance at the beginning of the reporting period</b>	57 209	50	57 259
Total comprehensive income for the reporting period	8 685	—	8 685
Profit for the reporting period	9 300	—	9 300
Other comprehensive income	(615)	—	(615)
Dividends paid during the reporting period (refer to note 5)	(9 940)	—	(9 940)
Shares issued	3 000	—	3 000
Purchase of Barclays Africa Group Limited shares in respect of equity-settled share-based payment arrangements	(8)	—	(8)
Movement in share-based payment reserve	(22)	—	(22)
Value of employee services	(22)	—	(22)
Share of post-tax results of associates and joint ventures	—	—	—
Transfer from retained earnings	(147)	—	(147)
Transfer to associates' and joint ventures' reserve	147	—	147
Disposal of subsidiary <sup>(2)</sup>	—	(48)	(48)
<b>Balance at the end of the reporting period</b>	58 924	2	58 926

**Notes**

<sup>(1)</sup> All movements are reflected net of taxation.

<sup>(2)</sup> The Bank sold its 85% shareholding in a non-core subsidiary on 2 January 2014 and the subsidiary has been derecognised.

**Condensed consolidated statement of cash flows**  
for the reporting period ended

		30 June	31 December
	Note	2015 Rm	2014 <sup>(1)</sup> Rm
Net cash generated from operating activities		2 841	2 937
Net cash utilised in investing activities		(1 055)	(842)
Net cash utilised in financing activities		(3 280)	(6 210)
<b>Net decrease in cash and cash equivalents</b>		<b>(1 494)</b>	<b>(4 115)</b>
Cash and cash equivalents at the beginning of the reporting period	1	10 014	10 507
Effect of exchange rate movements on cash and cash equivalents		—	(3)
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>2</b>	<b>8 520</b>	<b>6 389</b>
<b>Notes to the condensed statement of cash flows</b>			
<b>1. Cash and cash equivalents at the beginning of the reporting period</b>			
Cash, cash balances and balances with central banks <sup>(2)</sup>		8 777	8 665
Loans and advances to banks <sup>(3)</sup>		1 237	1 842
		10 014	10 507
<b>2. Cash and cash equivalents at the end of the reporting period</b>			
Cash, cash balances and balances with central banks <sup>(2)</sup>		6 811	5 174
Loans and advances to banks <sup>(3)</sup>		1 709	1 215
		8 520	6 389

**Notes**

<sup>(1)</sup>Restated, refer to note 14 for reporting changes.

<sup>(2)</sup>Includes coins and bank notes.

<sup>(3)</sup>Includes call advances, which are used as working capital for the Bank and are a component of other advances within "Loans and advances to banks".

## Condensed notes to the consolidated financial results

for the reporting period ended

### 1. Non-current assets held for sale

During the current reporting period the Bank effected the following changes to non-current assets held for sale:

In the Commercial Property Finance ("CPF") division within RBB, investment securities with a carrying value of **R14m** were disposed of.

### 2. Borrowed funds

During the reporting period, **R2 500m** (30 June 2014: Rnil; 31 December 2014: R500m) of subordinated notes were issued and **R2 000m** (30 June 2014: R1 725m; 31 December 2014: R4 725m) were redeemed.

### 3. Other impairments

	30 June 2015 Rm	31 December 2014 Rm	2014 Rm
Financial instruments	(17)	—	17
Other	—	31	401
Goodwill	—	—	1
Intangible assets	—	—	127
Investments in associates and joint ventures	—	—	2
Property and equipment	—	13	253
Other	—	18	18
	(17)	31	418

### 4. Headline earnings

	30 June 2015		2014		31 December 2014	
	Gross Rm	Net <sup>(1)</sup> Rm	Gross Rm	Net <sup>(1)</sup> Rm	Gross Rm	Net <sup>(1)</sup> Rm
Headline earnings is determined as follows:						
Profit attributable to ordinary equity holder		4 677		4 093		8 995
Total headline earnings adjustment:		(22)		(53)		(208)
IFRS 3 – Goodwill impairment	—	—	—	—	1	1
IFRS 5 – Gains on disposal of non-current assets held for sale	—	—	(42)	(34)	(105)	(94)
IAS 16 – Profit on disposal of property and equipment	(7)	(5)	(12)	(10)	(16)	(13)
IAS 21 – Recycled foreign currency translation reserve	(90)	(90)	—	—	(397)	(397)
IAS 27 – Profit on disposal of subsidiaries	—	—	(44)	(35)	(44)	(35)
IAS 28 – Impairment of investment in associates and joint ventures	—	—	—	—	2	2
IAS 36 – Other impairment	—	—	18	15	18	15
IAS 36 – Impairment of intangible assets	—	—	—	—	127	91
IAS 36 – Impairment of property and equipment	—	—	13	8	253	183
IAS 39 – Release of available-for-sale reserves	101	73	3	2	44	31
IAS 40 – Change in fair value of investment properties	—	—	1	1	8	8
<b>Headline earnings/diluted headline earnings</b>		<b>4 655</b>		<b>4 040</b>		<b>8 787</b>
<b>Headline earnings per share (cents)/diluted headline earnings (cents)</b>		<b>1 174,9</b>		<b>1 049,1</b>		<b>2 271,1</b>

#### Note

<sup>(1)</sup>The net amounts are reflected after taxation and non-controlling interest.

## 5. Dividends per share

	30 June	31 December	
	2015 Rm	2014 Rm	2014 Rm
<b>Dividends declared to ordinary equity holder</b>			
Interim dividend ( <b>29 July 2015: 631,07 cents</b> ) (30 July 2014: 593,35 cents)	2 500	2 299	2 299
Special dividend (5 December 2014: 516,1 cents) (8 April 2014: 638,38 cents)	—	2 446	4 446
Final dividend ( <b>3 March 2015: 912,78268 cents</b> )	—	—	3 616
	2 500	4 745	10 361
<b>Dividends declared to preference equity holders</b>			
Interim dividend ( <b>29 July 2015: 3 282,8082 cents</b> ) (30 July 2014: 3 197,4658 cents)	162	158	158
Final dividend ( <b>3 March 2015: 3 210,8904 cents</b> )	—	—	159
	162	158	317
<b>Dividends paid to ordinary equity holder</b>			
Final dividend ( <b>3 March 2015: 912,78268 cents</b> )	3 616	2 890	2 890
Interim dividend (30 July 2014: 593,35 cents)	—	—	2 299
Special dividend (5 December 2014: 516,1 cents) (8 April 2014: 638,38 cents)	—	2 446	4 446
	3 616	5 336	9 635
<b>Dividends paid to preference equity holders</b>			
Final dividend ( <b>3 March 2015: 3 210,8904 cents</b> )	159	147	147
Interim dividend (30 July 2014: 3 197,4658 cents)	—	—	158
	159	147	305

## 6. Acquisitions and disposals of businesses and other similar transactions

### Acquisitions and disposals of businesses during the current reporting period

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

## 7. Related parties

There were no one-off significant transactions with related parties of the Bank during the current and previous reporting period.

## Condensed notes to the consolidated financial results

for the reporting period ended

### 8. Financial guarantee contracts

	30 June	31 December
	2015 Rm	2014 <sup>(1)</sup> Rm
Financial guarantee contracts	96	96

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.

#### Note

<sup>(1)</sup>During the previous reporting period, all financial guarantee contracts were reassessed and as a consequence the disclosure has been refined. The comparatives have been restated accordingly from R4bn to R96m.

### 9. Commitments

	30 June	31 December
	2015 Rm	2014 Rm
<b>Authorised capital expenditure</b>		
Contracted but not provided for	1 333	203
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.		
<b>Operating lease payments due</b>		
No later than one year	813	772
Later than one year and no later than five years	1 865	1 215
Later than five years	1 324	178
	4 002	2 165
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.		
<b>Sponsorship payment due</b>		
No later than one year	213	273
Later than one year and no later than five years	536	468
	749	741

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

### 10. Contingencies

	30 June	31 December
	2015 Rm	2014 <sup>(1)</sup> Rm
Guarantees	29 980	19 073
Irrevocable debt facilities	131 453	109 953
Letters of credit	7 121	4 938
Other contingencies	12	3
	168 566	133 967

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.

#### Note

<sup>(1)</sup>During the previous reporting period, terms and conditions associated with unutilised customer facilities were reviewed and confirmed to be irrevocable in nature. These facilities were previously reported as R74bn and have been restated to R110bn.



## 10. Contingencies (continued)

### Legal proceedings

The Bank is engaged in various litigation proceedings involving claims by and against it, which arise in the ordinary course of business. The Bank does not expect the ultimate resolution of any proceedings, to which the Bank is party, to have a significant adverse effect on the financial statements of the Bank. 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 2015 Rm	2014 <sup>(1)</sup> Rm	31 December 2014 <sup>(1)</sup> Rm
<b>11.1 Headline earnings contribution by segment</b>			
RBB	4 082	3 453	7 579
Corporate and Investment Bank ("CIB")	1 155	1 076	2 192
Wealth	(59)	(24)	(69)
Head Office, Treasury and other operations	(523)	(465)	(915)
	<b>4 655</b>	<b>4 040</b>	<b>8 787</b>

#### Note

<sup>(1)</sup>Operational changes, management changes and associated changes to the way in which the Chief Operating 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 the interim financial results booklet available on [www.barclaysafrica.com](http://www.barclaysafrica.com) published on 29 July 2015.

	30 June 2015 Rm	2014 <sup>(1)</sup> Rm	31 December 2014 <sup>(1)</sup> Rm
<b>11.2 Total income revenue by segment</b>			
RBB	18 453	17 708	36 347
CIB	4 169	4 032	8 271
Wealth	216	221	467
Head Office, Treasury and other operations	(447)	(531)	(757)
	<b>22 391</b>	<b>21 430</b>	<b>44 328</b>

#### Note

<sup>(1)</sup>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 the interim financial results booklet available on [www.barclaysafrica.com](http://www.barclaysafrica.com) published on 29 July 2015.

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

**11. Segment reporting (continued)**

	30 June	31 December
	2015 Rm	2014 <sup>(1)</sup> Rm
<b>11.3 Total internal revenue by segment</b>		
RBB	(4 098)	(4 073)
CIB	1 239	2 125
Wealth	22	18
Head Office, Treasury and other operations	4 143	3 626
	<b>1 306</b>	<b>3 296</b>

**Note**

<sup>(1)</sup>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's changes, refer to the interim financial results booklet available on [www.BarclaysAfrica.com](http://www.BarclaysAfrica.com) published on 29 July 2015.

	30 June	31 December
	2015 Rm	2014 <sup>(1)</sup> Rm
<b>11.4 Total assets by segment</b>		
RBB	684 198	634 622
CIB	414 819	392 011
Wealth	5 757	11 409
Head Office, Treasury and other operations	(245 631)	(226 029)
	<b>859 143</b>	<b>814 061</b>

**Note**

<sup>(1)</sup>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's changes, refer to the interim financial results booklet available on [www.BarclaysAfrica.com](http://www.BarclaysAfrica.com) published on 29 July 2015.

	30 June	31 December
	2015 Rm	2014 <sup>(1)</sup> Rm
<b>11.5 Total liabilities by segment</b>		
RBB	679 141	630 259
CIB	412 654	390 177
Wealth	5 815	11 433
Head Office, Treasury and other operations	(297 867)	(276 427)
	<b>799 743</b>	<b>755 135</b>

**Note**

<sup>(1)</sup>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 the interim financial results booklet available on [www.barclaysafrica.com](http://www.barclaysafrica.com) published on 29 July 2015.

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

## 12. Assets and liabilities not held at fair value

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

	30 June			
	2015		2014 <sup>1</sup>	
	Carrying value Rm	Fair value Rm	Carrying value Rm	Fair value Rm
<b>Financial assets</b>				
Balances with the South African Reserve Bank ("SARB")	16 485	16 485	13 126	13 126
Coins and bank notes	6 812	6 812	5 174	5 174
Money market assets	21	21	13	13
<b>Cash, cash balances and balances with central banks</b>	<b>23 318</b>	<b>23 318</b>	<b>18 313</b>	<b>18 313</b>
<b>Loans and advances to banks</b>	<b>45 783</b>	<b>45 783</b>	<b>52 234</b>	<b>52 234</b>
<b>Other assets</b>	<b>23 687</b>	<b>23 687</b>	<b>11 480</b>	<b>11 480</b>
Retail Banking	359 076	358 540	351 114	351 114
Credit cards	29 376	29 376	28 557	28 557
Instalment credit agreements	72 921	72 296	67 174	67 174
Loans to associates and joint ventures	14 163	14 163	10 968	10 968
Mortgages	225 551	225 579	227 652	227 652
Other loans and advances	331	331	296	296
Overdrafts	2 442	2 442	2 262	2 262
Personal and term loans	14 292	14 353	14 205	14 205
Business Banking	63 219	63 246	60 325	60 325
Mortgages (including CPF)	30 200	30 227	29 719	29 719
Overdrafts	19 377	19 377	18 519	18 519
Term loans	13 642	13 642	12 087	12 087
RBB Rest of Africa	21	21	—	—
CIB	126 527	126 527	113 700	113 375
Wealth	5 117	5 117	5 361	5 361
Head Office, Treasury and other operations	2 939	2 939	2 213	2 213
<b>Loans and advances to customers – net of impairment losses</b>	<b>556 899</b>	<b>556 390</b>	<b>532 713</b>	<b>532 388</b>
<b>Loans to Group companies</b>	<b>11 786</b>	<b>11 786</b>	<b>15 612</b>	<b>15 180</b>
<b>Total assets</b>	<b>661 473</b>	<b>660 964</b>	<b>630 352</b>	<b>629 595</b>
<b>Financial liabilities</b>				
<b>Deposits from banks</b>	<b>33 789</b>	<b>33 789</b>	<b>44 017</b>	<b>44 017</b>
<b>Other liabilities</b>	<b>23 965</b>	<b>23 962</b>	<b>17 889</b>	<b>17 889</b>
Call deposits	61 215	61 215	64 328	64 328
Cheque account deposits	159 891	159 891	143 065	143 065
Credit card deposits	1 889	1 889	1 834	1 834
Fixed deposits	113 376	113 734	116 079	116 079
Foreign currency deposits	26 877	26 877	13 212	13 212
Notice deposits	48 706	48 713	50 999	50 999
Other deposits	2 002	2 002	1 754	1 754
Saving and transmission deposits	113 716	113 716	95 544	95 544
<b>Deposits due to customers</b>	<b>527 672</b>	<b>528 037</b>	<b>486 815</b>	<b>486 815</b>
<b>Debt securities in issue</b>	<b>111 106</b>	<b>111 466</b>	<b>100 521</b>	<b>100 742</b>
<b>Loans to Group companies</b>	<b>277</b>	<b>277</b>	<b>—</b>	<b>—</b>
<b>Borrowed funds</b>	<b>11 026</b>	<b>11 392</b>	<b>14 108</b>	<b>14 539</b>
<b>Total liabilities</b>	<b>707 835</b>	<b>708 923</b>	<b>663 350</b>	<b>664 002</b>

### Note

<sup>(1)</sup>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 the interim financial results booklet available on [www.barclaysafrica.com](http://www.barclaysafrica.com) published on 29 July 2015.

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

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

	31 December 2014 <sup>(1)</sup>	
	Carrying value Rm	Fair value Rm
<b>Financial assets</b>		
Balances with the SARB	12 621	12 621
Coins and bank notes	8 777	8 777
Money market assets	21	21
<b>Cash, cash balances and balances with central banks</b>	<b>21 419</b>	<b>21 419</b>
<b>Loans and advances to banks</b>	<b>27 076</b>	<b>27 021</b>
<b>Other assets</b>	<b>7 914</b>	<b>8 203</b>
Retail Banking	355 313	354 885
Credit cards	29 338	29 338
Instalment credit agreements	70 819	70 257
Loans to associates and joint ventures	13 012	13 012
Mortgages	225 501	225 544
Other loans and advances	404	404
Overdrafts	2 254	2 254
Personal and term loans	13 985	14 076
Business Banking	60 928	60 926
Mortgages (including CPF)	30 161	30 157
Overdrafts	18 148	18 128
Term loans	12 619	12 641
CIB	121 250	120 321
Wealth	5 234	5 234
Head Office, Treasury and other operations	901	901
<b>Loans and advances to customers – net of impairment losses</b>	<b>543 626</b>	<b>542 267</b>
<b>Loans to Group companies</b>	<b>17 740</b>	<b>21 762</b>
<b>Total assets</b>	<b>617 775</b>	<b>620 672</b>
<b>Financial liabilities</b>		
<b>Deposits from banks</b>	<b>34 495</b>	<b>35 834</b>
<b>Other liabilities</b>	<b>11 316</b>	<b>11 322</b>
Call deposits	56 986	56 986
Cheque account deposits	146 568	146 568
Credit card deposits	1 932	1 932
Fixed deposits	114 646	115 371
Foreign currency deposits	21 723	21 723
Notice deposits	49 764	49 843
Other deposits	1 972	1 972
Saving and transmission deposits	108 849	108 849
<b>Deposits due to customers</b>	<b>502 440</b>	<b>503 244</b>
<b>Debt securities in issue</b>	<b>99 735</b>	<b>100 100</b>
<b>Borrowed funds</b>	<b>10 535</b>	<b>10 885</b>
<b>Total liabilities</b>	<b>658 521</b>	<b>661 385</b>

**Note**

<sup>(1)</sup>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 the interim financial results booklet available on [www.barclaysafrica.com](http://www.barclaysafrica.com) published on 29 July 2015.

## **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	30 June							
	2015				2014			
	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
<b>Financial assets</b>								
Investment securities	42 875	17 871	1 728	62 474	66 747	—	2 309	69 056
Loans and advances to banks	—	25 484	—	25 484	—	11 063	—	11 063
Trading and hedging portfolio assets	19 576	51 970	1 271	72 817	23 627	51 462	1 175	76 264
Debt instruments	18 209	8 396	872	27 477	20 775	3 361	870	25 006
Derivative assets	376	39 267	399	40 042	1 879	43 422	305	45 606
Commodity derivatives	—	197	—	197	52	309	—	361
Credit derivatives	—	224	111	335	—	230	48	278
Equity derivatives	11	1 480	45	1 536	—	1 331	—	1 331
Foreign exchange derivatives	—	6 410	3	6 413	1 826	6 107	4	7 937
Interest rate derivatives	365	30 956	240	31 561	1	35 445	253	35 699
Equity instruments	930	—	—	930	973	81	—	1 054
Money market assets	61	4 307	—	4 368	—	4 598	—	4 598
Other assets	—	—	17	17	—	—	16	16
Loans and advances to customers	3	19 839	725	20 567	5	5 237	5 424	10 666
<b>Total financial assets</b>	<b>62 454</b>	<b>115 164</b>	<b>3 741</b>	<b>181 359</b>	<b>90 379</b>	<b>67 762</b>	<b>8 924</b>	<b>167 065</b>
<b>Financial liabilities</b>								
Deposits from banks	—	16 948	7	16 955	—	18 515	—	18 515
Trading and hedging portfolio liabilities	2 327	41 835	420	44 582	2 480	42 719	449	45 648
Derivative liabilities	—	41 835	420	42 255	361	42 719	449	43 529
Commodity derivatives	—	216	—	216	29	268	—	297
Credit derivatives	—	173	129	302	—	208	39	247
Equity derivatives	—	2 419	183	2 602	—	1 690	318	2 008
Foreign exchange derivatives	—	5 771	7	5 778	332	4 437	2	4 771
Interest rate derivatives	—	33 256	101	33 357	—	36 116	90	36 206
Short positions	2 327	—	—	2 327	2 119	—	—	2 119
Deposits due to customers	94	7 673	10 689	18 456	104	12 830	6 232	19 166
Debt securities in issue	2	5 172	2 066	7 240	366	4 068	19	4 453
<b>Total financial liabilities</b>	<b>2 423</b>	<b>71 628</b>	<b>13 182</b>	<b>87 233</b>	<b>2 950</b>	<b>78 132</b>	<b>6 700</b>	<b>87 782</b>
<b>Non-financial assets</b>								
Commodities	1 824	—	—	1 824	1 840	—	—	1 840
Investment properties	—	—	263	263	—	—	243	243
<b>Non-recurring fair value measurements</b>								
Non-current assets held for sale <sup>(1)</sup>	—	—	236	236	—	—	414	414

**Note**

<sup>(1)</sup>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)**

	31 December 2014			
	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
<b>Recurring fair value measurements</b>				
<b>Financial assets</b>				
Investment securities	48 973	19 329	2 316	70 618
Loans and advances to banks	—	20 523	—	20 523
Trading and hedging portfolio assets	25 061	52 995	1 151	79 207
Debt instruments	24 433	4 743	870	30 046
Derivative assets	2	42 347	281	42 630
Commodity derivatives	2	348	—	350
Credit derivatives	—	284	91	375
Equity derivatives	—	1 011	29	1 040
Foreign exchange derivatives	—	8 327	1	8 328
Interest rate derivatives	—	32 377	160	32 537
Equity instruments	626	321	—	947
Money market assets	—	5 584	—	5 584
Other assets	—	—	17	17
Loans and advances to customers	4	6 160	4 731	10 895
<b>Total financial assets</b>	<b>74 038</b>	<b>99 007</b>	<b>8 215</b>	<b>181 260</b>
<b>Financial liabilities</b>				
Deposits from banks	—	19 609	—	19 609
Trading and hedging portfolio liabilities	2 795	44 042	320	47 157
Derivative liabilities	—	44 042	320	44 362
Commodity derivatives	—	308	—	308
Credit derivatives	—	324	39	363
Equity derivatives	—	1 296	198	1 494
Foreign exchange derivatives	—	9 931	7	9 938
Interest rate derivatives	—	32 183	76	32 259
Short positions	2 795	—	—	2 795
Deposits due to customers	80	13 606	5 530	19 216
Debt securities in issue	2	5 236	42	5 280
<b>Total financial liabilities</b>	<b>2 877</b>	<b>82 493</b>	<b>5 892</b>	<b>91 262</b>
<b>Non-financial assets</b>				
Commodities	1 700	—	—	1 700
Investment properties	—	—	252	252
<b>Non-recurring fair value measurements</b>				
Non-current assets held for sale <sup>(1)</sup>	—	—	250	250

**Note**

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

### 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
<b>Cash, cash balances and balances with central banks</b>	Discounted cash flow models	Underlying price of market traded instruments and/or interest rates
<b>Loans and advances to banks</b>	Discounted cash flow models	Interest rate and/or money market curves
<b>Trading and hedging portfolio assets and liabilities</b>		
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
Equity instruments	Net asset value	Underlying price of market traded instruments
Money market assets	Discounted cash flow models	Money market rates and/or interest rates
<b>Loans and advances to customers</b>	Discounted cash flow models	Interest rate curves and/or money market curves
<b>Investment securities</b>	Listed equity: market bid price. Other items: discounted cash flow models	Underlying price of the market traded instruments interest rate curves
<b>Deposits from banks</b>	Discounted cash flow models	Interest rate curves and/or money market curves
<b>Deposits due to customers</b>	Discounted cash flow models	Interest rate curves and/or money market curves
<b>Debt securities in issue and other liabilities</b>	Discounted cash flow models	Underlying price of the market traded instrument and/or interest rate curves

### 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 and liabilities is set out below:

	30 June 2015					
	Trading and hedging portfolio assets Rm	Other assets Rm	Loans and advances to customers Rm	Investment securities Rm	Investment properties Rm	Total assets at fair value Rm
<b>Opening balance at the beginning of the reporting period</b>	<b>1 151</b>	<b>17</b>	<b>4 731</b>	<b>2 316</b>	<b>252</b>	<b>8 467</b>
Movement in other comprehensive income	—	—	—	—	—	—
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)
Settlements	—	—	—	—	—	—
Transferred to/(from) assets	—	—	—	—	—	—
Movement in/(out) of Level 3	(8)	—	—	—	—	(8)
<b>Closing balance at the end of the reporting period</b>	<b>1 271</b>	<b>17</b>	<b>725</b>	<b>1 728</b>	<b>263</b>	<b>4 004</b>

	30 June 2014					
	Trading and hedging portfolio assets Rm	Other assets Rm	Loans and advances to customers Rm	Investment securities Rm	Investment properties Rm	Total assets at fair value Rm
<b>Opening balance at the beginning of the reporting period</b>	<b>1 037</b>	<b>16</b>	<b>6 477</b>	<b>2 313</b>	<b>240</b>	<b>10 083</b>
Movement in other comprehensive income	—	—	—	—	—	—
Net interest income	—	—	58	—	—	58
Gains and losses from banking and trading activities	88	—	—	—	—	88
Gains and losses from investment activities	—	—	—	(4)	3	(1)
Purchases	4	—	285	—	—	289
Sales	—	—	—	—	—	—
Settlements	—	—	(1 396)	—	—	(1 396)
Transferred to/(from) assets	6	—	—	—	—	6
Movement in/(out) of Level 3	40	—	—	—	—	40
<b>Closing balance at the end of the reporting period</b>	<b>1 175</b>	<b>16</b>	<b>5 424</b>	<b>2 309</b>	<b>243</b>	<b>9 167</b>

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

#### 13.6 Reconciliation of Level 3 assets and liabilities (continued)

	31 December 2014					
	Trading and hedging portfolio assets Rm	Other assets Rm	Loans and advances to customers Rm	Investment securities Rm	Investment properties Rm	Total assets at fair value Rm
<b>Opening balance at the beginning of the reporting period</b>	1 037	16	6 477	2 313	240	10 083
Movement in other comprehensive income	—	—	—	5	—	5
Net interest income	—	1	373	69	—	443
Gains and losses from banking and trading activities	173	—	(29)	(7)	—	137
Gains and losses from investment activities	—	—	2	(83)	12	(69)
Purchases	—	—	143	9	—	152
Sales	(37)	—	(620)	(9)	—	(666)
Settlements	—	—	(1 615)	—	—	(1 615)
Transferred to/(from) assets	—	—	—	—	—	—
Movement in/(out) of Level 3	(22)	—	—	19	—	(3)
<b>Closing balance at the end of the reporting period</b>	1 151	17	4 731	2 316	252	8 467

	30 June 2015			
	Trading and hedging portfolio liabilities Rm	Deposits due to customers Rm	Debt securities in issue Rm	Total liabilities at fair value Rm
<b>Opening balance at the beginning of the reporting period</b>	320	5 530	42	5 892
Movement in other comprehensive income	—	—	—	—
Net interest income	—	—	—	—
Gains and losses from banking and trading activities	147	282	168	261
Sales	—	—	—	—
Issue/(settlements)	(5)	4 877	2 192	7 064
Movement in/(out) of Level 3	(42)	—	—	(42)
<b>Closing balance at the end of the reporting period</b>	420	10 689	2 066	13 175

	30 June 2014			
	Trading and hedging portfolio liabilities Rm	Deposits due to customers Rm	Debt securities in issue Rm	Total liabilities at fair value Rm
<b>Opening balance at the beginning of the reporting period</b>	542	7 138	35	7 715
Movement in other comprehensive income	—	—	—	—
Net interest income	—	10	—	10
Gains and losses from banking and trading activities	(114)	(217)	—	(331)
Sales	—	—	—	—
Settlements	—	(699)	(16)	(715)
Movement in/(out) of Level 3	21	—	—	21
<b>Closing balance at the end of the reporting period</b>	449	6 232	19	6 700

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

#### 13.6 Reconciliation of Level 3 assets and liabilities *(continued)*

	31 December 2014			
	Trading and hedging portfolio liabilities Rm	Deposits due to customers Rm	Debt securities in issue Rm	Total liabilities at fair value Rm
<b>Opening balance at the beginning of the reporting period</b>	542	7 138	35	7 715
Movement in other comprehensive income	(8)	—	—	(8)
Net interest income	—	1	1	2
Gains and losses from banking and trading activities	(62)	(1 501)	6	(1 557)
Sales	(75)	—	—	(75)
Settlements	—	(81)	—	(81)
Movement in/(out) of Level 3	(77)	(27)	—	(104)
<b>Closing balance at the end of the reporting period</b>	<b>320</b>	<b>5 530</b>	<b>42</b>	<b>5 892</b>

##### 13.6.1 Significant transfers between levels

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

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

	30 June 2014					
	Trading and hedging portfolio assets Rm	Loans and advances to customers Rm	Investment securities Rm	Investment properties Rm	Non-current assets held for sale Rm	Total assets at fair value Rm
Gains and losses from banking and trading activities	60	(188)	—	—	—	(128)



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

**13.7 Unrealised gains and losses on Level 3 assets and liabilities** *(continued)*

	31 December 2014					
	Trading and hedging portfolio assets Rm	Loans and advances to customers Rm	Investment securities Rm	Investment properties Rm	Non-current assets held for sale Rm	Total assets at fair value Rm
Gains and losses from banking and trading activities	79	(28)	—	—	—	51

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

	30 June 2014					
	Trading and hedging portfolio liabilities Rm	Other liabilities Rm	Deposits due to customers Rm	Debt securities in issue Rm	Total liabilities at fair value Rm	
Gains and losses from banking and trading activities	(23)	—	—	—	(23)	

	31 December 2014					
	Trading and hedging portfolio liabilities Rm	Other liabilities Rm	Deposits due to customers Rm	Debt securities in issue Rm	Total liabilities at fair value Rm	
Gains and losses from banking and trading activities	(116)	—	—	—	(116)	

### 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:

		30 June	
		2015	
Significant unobservable parameters		Potential effect recorded in profit or loss	Potential effect recorded directly in equity
		Favourable/Unfavourable Rm	Favourable/Unfavourable Rm
Deposits due to customers	BAGL/Absa funding spread	—/—	—/—
Investment securities	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

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

#### 13.8 Sensitivity analysis of valuations using unobservable inputs (continued)

		30 June 2014	
		Potential effect recorded in profit or loss	Potential effect recorded directly in equity
	Significant unobservable parameters	Favourable/Unfavourable Rm	Favourable/Unfavourable Rm
Loans and advances to customers	Volatility, credit spreads, yield curves, discount rates	5/168	—/—
Investment securities	Yield curves, future earnings and marketability discount, comparator multiples	—/—	—/—
Other assets	Volatility, credit spreads	—/—	—/—
Trading and hedging portfolio assets	Volatility, credit spreads	44/—	—/—
Investment properties	Investment properties	—/—	—/—
Trading and hedging portfolio liabilities	Credit spreads	281/284	—/—
Deposits due to customers	Yield curves	500/500	—/—
		830/952	—/—

		31 December 2014	
		Potential effect recorded in profit or loss	Potential effect recorded directly in equity
	Significant unobservable parameters	Favourable/Unfavourable Rm	Favourable/Unfavourable Rm
Deposits due to customers	BAGL/Absa funding spread	—/—	—/—
Investment securities	Yield curves, future earnings and marketability discount, comparator multiples	131/131	—/—
Loans and advances to customers	Credit spreads	1 037/23	—/—
Other assets	Volatility, credit spreads	3/3	—/—
Trading and hedging portfolio assets	Volatility, credit spreads	—/—	—/—
Trading and hedging portfolio liabilities	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	34/34	—/—
		1 205/191	—/—

## 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	2015	June 2014	December 2014
			Range of estimates utilised for the unobservable inputs		
<b>Loans and advances to customers</b>	Discounted cash flow, and/or dividend yield models	Credit spreads	<b>0,96% to 3,99%</b>	Credit spreads vary between 1,35% and 7,5%	0,96% to 3,99%
<b>Investment securities</b>	Discounted cash flow models, third-party valuations, earnings multiples and/or income capitalisation valuations	Risk adjusted yield or curves, future earnings, marketability discounts and/ comparator multiples	<b>Discount rates between 9,1% and 17,9%, comparable multiples between 5 and 6</b>	Discount rates between 9,7% and 18%, multiples between 5,5 and 6,1	Discount rates between 9,1% and 17,9%, comparable multiples between 5 and 6
<b>Trading and hedging portfolio assets and liabilities</b>					
Debt instruments	Discounted cash flow models	Credit spreads	<b>0,9% to 3,5%</b>	0,9% to 3,5%	0,9% to 3,5%
Derivative assets					
Credit derivatives	Discounted cash flow, credit default swap (hazard rate) models	Credit spreads, recovery rates and/or quanto ratio	<b>0% to 23,58%</b>	0% to 3,5%	0% to 13,45%
Equity derivatives	Discounted cash flow, option pricing and/or futures pricing models	Volatility and/or dividend streams (greater than 3 years)	<b>15,15% to 46,80%</b>	16,9% to 37,2%	18,16% to 48,20%
Foreign exchange derivatives	Discounted cash flow and/or option pricing models	African basis curves (greater than 1 year)	<b>-10,00% to 13,95%</b>	-2,5% to 1,7%	-10,74% to 6,53%
Interest rate derivatives	Discounted cash flow and/or option pricing models	Real yield curves (less than 2 years)	<b>-2,59% to 2,47%</b>	-1,5% to 8,3%	-1,56% to 10,04%
<b>Deposits due to customers</b>	Discounted cash flow models	BACL funding spreads (greater than 5 years)	<b>0,85% to 1,2%</b>	0,85% to 1,2%	0,85% to 1,2%
<b>Debt securities in issue</b>	Discounted cash flow models	ZAR-MM-Funding (greater than 5 years)	<b>1,44% to 1,70%</b>	10 to 20 bps	1,28% to 1,38%
<b>Investment properties</b>	Discounted cash flow models	Estimates of periods in which rental units will be disposed of	<b>2 to 7 years</b>	2 to 7 years	2 to 7 years
		Annual selling price escalations	<b>0% to 6%</b>	0% to 6%	0% to 6%
		Annual rental escalations	<b>0% to 10%</b>	0% to 10%	0% to 10%
		Expense ratios	<b>22% to 75%</b>	22% to 75%	22% to 75%
		Vacancy rates	<b>2% to 15%</b>	2% to 15%	2% to 15%
		Income capitalisation rates	<b>10% to 12%</b>	10% to 12%	10% to 12%
		Risk adjusted discount rates	<b>14% to 16%</b>	14% to 16%	14% to 16%

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.

For debt securities in issue held at amortised cost, a further significant input would be the underlying price of the market traded instrument.

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.

#### 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 2015 Rm	2014 Rm	31 December 2014 Rm
<b>Opening balance at the beginning of the reporting period</b>	<b>(52)</b>	(55)	(55)
New transactions	<b>(83)</b>	(4)	(23)
Amounts recognised in profit and loss during the reporting period	<b>28</b>	15	26
<b>Closing balance at the end of the reporting period</b>	<b>(107)</b>	(44)	(52)

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

#### 13.11 Third-party credit enhancements

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

### 14. Reporting changes overview

The financial reporting changes that have had an impact on the Bank's results for the comparative reporting period ended 30 June 2014 include:

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

#### 14.1 Accounting policy changes due to amended IFRS

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

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

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

#### 14.2 Internal reclassification changes

The Bank elected to make an internal reclassification change involving the classification of items in the statement of financial position. Investment securities across the Bank have been appropriately grouped together as "Investment securities".

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

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

#### 14.3 Impact of reporting changes on the Bank's results

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

##### **Condensed consolidated statement of financial position as at 30 June 2014**

	As previously reported <sup>(1)</sup> Rm	IFRS accounting policy changes Rm	Internal reclassification changes Rm	Restated Rm
<b>Assets</b>				
Statutory liquid asset portfolio	63 589	—	(63 589)	—
Investment securities	5 467	—	63 589	69 056
Loans and advances to customers	542 481	898	—	543 379
<b>Liabilities</b>				
Deposits due to customers	505 083	898	—	505 981

#### Note

<sup>(1)</sup>As per financial results published on 30 July 2014.

## Absa Bank Limited

Incorporated in the Republic of South Africa  
*Registration number:* 1986/004794/06  
Authorised financial services and registered credit provider (NCRCP7)  
*JSE share code:* ABSP and ABMN  
*ISIN:* ZAE000079810

## Registered office

7th Floor, Barclays Towers West  
15 Troye Street, Johannesburg, 2001  
PO Box 7735, Johannesburg, 2000  
Switchboard: +27 11 350 4000  
[barclaysafrica.com](http://barclaysafrica.com)

## Board of directors

### Independent non-executive directors

C Beggs, Y Z Cuba, T Dinga, S A Fakie (resigned 30 June 2015),  
M J Husain, T M Mokgosi-Mwantembe,  
T S Munday (Lead Independent Director)

### Non-executive director

W E Lucas-Bull (Chairman)

### Executive directors

D W P Hodnett (Deputy Chief Executive Officer and Financial Director),  
M Ramos (Chief Executive Officer)

## Queries

Please direct investor relations and annual report queries to  
[groupinvestorrelations@barclaysafrica.com](mailto:groupinvestorrelations@barclaysafrica.com)

Please direct media queries to [groupmedia@barclaysafrica.com](mailto:groupmedia@barclaysafrica.com)

For all customer and client queries, please go to the relevant country website (see details below) for the local customer contact information

Please direct queries relating to your Barclays Africa Bank shares to  
[questions@computershare.co.za](mailto:questions@computershare.co.za)

Please direct other queries regarding the Bank to  
[groupsec@barclaysafrica.com](mailto:groupsec@barclaysafrica.com)

## Head of Investor Relations

Alan Hartdegen  
*Telephone:* +27 11 350 2598

## Company Secretary

Nadine Drutman  
*Telephone:* +27 11 350 5347

## Head of Finance

Jason Quinn  
*Telephone:* +27 11 350 7565

## Transfer secretary

Computershare Investor Services (Pty) Ltd  
*Telephone:* +27 11 370 5000  
[computershare.com/za/](http://computershare.com/za/)

## ADR depositary

BNY Mellon  
*Telephone:* +1 212 815 2248  
[bnymellon.com](http://bnymellon.com)

## Auditors

Ernst & Young Inc.  
*Telephone:* +27 11 772 3000  
[ey.com/ZA/en/Home](http://ey.com/ZA/en/Home)

PricewaterhouseCoopers Inc.  
*Telephone:* +27 11 797 4000  
[pwc.co.za](http://pwc.co.za)

## Sponsors

### Lead independent sponsor

J. P. Morgan Equities South Africa (Pty) Ltd  
*Telephone:* +27 11 507 0300  
[jpmorgan.com/pages/jpmorgan/emea/local/za](http://jpmorgan.com/pages/jpmorgan/emea/local/za)

### Joint sponsor

Absa Bank Limited (Corporate and Investment Bank)  
*Telephone:* +27 11 895 6843  
*E-mail:* [equitysponsor@absacapital.com](mailto:equitysponsor@absacapital.com)