Standard Bank Group

Unaudited condensed consolidated interim results and dividend announcement

for the six months ended 30 June

2016

Standard Bank Moving Forward™

The Standard Bank Group Limited's (the group) condensed consolidated interim results, including the statement of financial position, income statement, statement of changes in equity, statement of other comprehensive income and statement of cash flows, for the six months ended 30 June 2016 (results) are prepared in accordance with the requirements of the JSE Limited (JSE) Listings Requirements, the requirements of International Financial Reporting Standards (IFRS) and its interpretations as adopted by the International Accounting Standards Board, the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee, financial pronouncements as issued by the Financial Reporting Standards Council, the presentation requirements of IAS 34 *Interim Financial Reporting* and the requirements of the South African Companies Act, 71 of 2008.

The accounting policies applied in the preparation of these condensed consolidated interim results are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the group's previous audited consolidated annual financial statements with the exception of changes referred to on page 34.

These interim results have not been audited or independently reviewed by the group's external auditors. The group's 2015 annual financial information has been correctly extracted from the underlying audited consolidated annual financial statements.

The interim results discussed in this announcement are presented on an IFRS basis.

1H16 refers to the first half year results for 2016. 1H15 refers to the first half year results for 2015. FY15 refers to the full year results for 2015. Change % reflects 1H16 change on 1H15.

All amounts relate to the group's results unless otherwise specified.

The directors of the group take full responsibility for the preparation of this report.

The preparation of the group's results was supervised by the group financial director, Arno Daehnke BSc, MSc, PhD, MBA, AMP.

The results were made publicly available on 18 August 2016.

This report contains *pro forma* constant currency financial information. For further details refer to page 35.

Contents

In line with changes to the JSE's Listings Requirements during 2014, the group no longer posts a physical copy of this document to its shareholders. Investors are referred to **www.standardbank.com/reporting** where a detailed analysis of the group's financial results, including an income statement and a statement of financial position for The Standard Bank of South Africa Limited, can be found. Scan the image below to be taken there directly.

Highlights

R10 861 million
Headline earnings 5%
1H15: R10 373 million

680 cents
Headline earnings per share 5%
1H15: 650 cents

340 cents
Dividend per share 12%
1H15: 303 cents

9 381 cents
Net asset value per share 6%
1H15: 8 832 cents

14.4%
Return on equity (ROE)
1H15: 15.1%

13.2%
Common equity tier I ratio
1H15: 13.1%

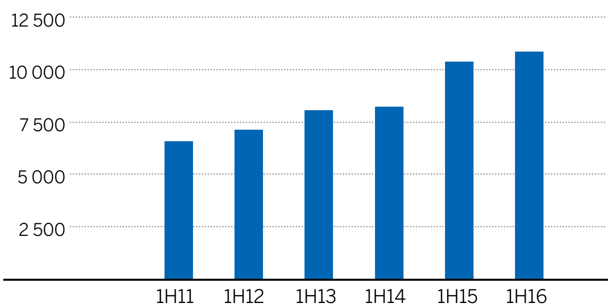
56.8%
Cost-to-income ratio – banking activities
1H15: 57.3%

1.05%
Credit loss ratio – banking activities
1H15: 0.99%

All results in this booklet are presented on an IFRS basis. For financial periods up to the end of December 2015, the group normalised its results to reflect the group's view of the economics of its Black Economic Empowerment Ownership (Tutuwa) initiative and the group's share exposures entered into to facilitate client trading activities and for the benefit of Liberty policyholders.

HEADLINE EARNINGS

CAGR[1] (1H11 – 1H16): 11%

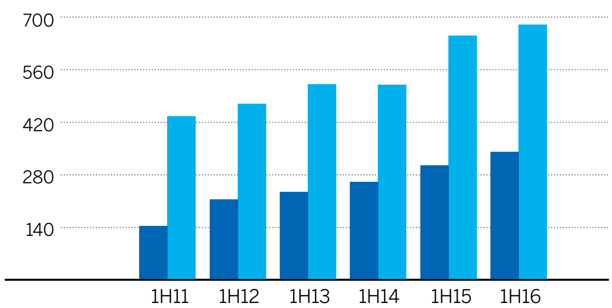


	1H11	1H12	1H13	1H14	1H15	1H16
Rm	6 562	7 110	8 046	8 230	10 373	10 861

[1] Compound annual growth rate.

HEADLINE EARNINGS AND DIVIDEND PER SHARE

CAGR (1H11 – 1H16): Dividend per share: 19%
Headline earnings per share: 9%



Cents	1H11	1H12	1H13	1H14	1H15	1H16
Dividend per share	141	212	233	259	303	340
Headline earnings per share	435	469	520	519	650	680

Overview of financial results

Group results

Shareholders are reminded that the group has reverted to IFRS as its primary reporting basis in 2016. Unless otherwise specified, all figures and movements referred to below are prepared on an IFRS basis. In addition, from the 2016 financial reporting period the group's primary segments comprise the group's banking activities, which consist of Personal and Business Banking (PBB), Corporate and Investment Banking (CIB) and Central and other. The group's banking activities together with the group's other banking interests and Liberty Holdings Limited, represent the group's total operations. The group's interest in ICBC Argentina, previously included in Central and other, and ICBC Standard Bank Plc (ICBCS), previously included in CIB's results, now comprise the group's other banking interests and represent the group's associate interests in previously consolidated entities that are held in terms of strategic partnerships with the Industrial and Commercial Bank of China (ICBC). CIB and Central and other previously reported results have accordingly been restated to exclude the equity accounted earnings relating to these entities.

Group headline earnings and headline earnings per share increased by 5% to R10 861 million and 680 cents respectively. An interim dividend of 340 cents per share has been declared, representing a 12% increase on 1H15 and 2.0x dividend cover. Headline earnings growth of 5% combined with 9% growth in average equity resulted in a decline in group ROE from 15.1% for 1H15 to 14.4% for 1H16. Banking activities recorded an ROE of 15.2% for 1H16.

During 1H16 the group continued to reap the benefits of ongoing growth in its businesses both in South Africa and in the rest of Africa franchise. Rest of Africa legal entities contributed 31% to banking activities' total income, relative to 29% in the prior period, and 27% to the banking activities' headline earnings, from 28% in the prior period.

The 1H15 headline earnings included the financial impact of a partial recovery in respect of insurance claims relating to an external fraud on aluminium held in the Qingdao port in China, a write-down of the residual aluminium exposure in China and cash flow hedge releases relating to the disposal of the group's interest in Standard Bank Plc (SB Plc) and Brazil, which together totalled R1,2 billion. Furthermore, in the prior period, group earnings attributable to ordinary shareholders included R2,8 billion of non-recurring net disposal gains (excluded from headline earnings) relating mainly to the release from the group's foreign currency translation reserve (FCTR) on disposal of its controlling interest in SB Plc which did not recur in 1H16.

The commentary which follows refers to the group's banking activities. Other banking interests and Liberty's results are discussed separately.

Operating environment

The global growth outlook going into 2016 was cautiously positive, with the International Monetary Fund (IMF) forecasting an improvement in global growth to 3.4% relative to the 3.1% recorded in 2015. The risks highlighted focused on China's demand and the speed of its economic re-balancing, sustained low commodity prices and uncertainty leading to overall weak global demand. In the first quarter, output growth across key markets, other than the US, was better than expected and the oil markets improved from January lows on the back of a decline in supply, broadly supporting the outlook. Subsequently, however, the risks highlighted at the beginning of the year have started to materialise, increasing volatility and uncertainty. Britain's vote to leave the European Union and the associated lack of clarity has only served to exacerbate this. Further US monetary tightening, although widely expected at the beginning of the year, has not materialised and accommodative monetary policy in Europe has continued.

Across sub-Saharan Africa, oil and other commodity export-reliant countries continue to feel the impact of lower prices on the back of excess supply and subdued China demand. More specifically, oil exporters continue to experience strain as the oil price stubbornly remains below production cost levels, placing pressure on those countries' foreign currency reserves and local currencies. The pace of structural reform, which is required to promote diversification and much needed economic growth, has been slow. In addition, the prolonged and widespread drought brought by El Niño has affected a number of African countries, in particular across east, south and central parts of the region. Net oil importing countries have benefited from the lower oil prices to moderate the inflationary pressures brought by the drought.

In South Africa (SA), the mining and agriculture sector headwinds associated with low commodity prices and the persistent drought continued to place pressure on the economy into 2016. Whilst the relative currency weakness provided a boost to trade and manufacturing, it was insufficient to offset the headwinds, resulting in GDP contraction year-on-year in 1Q16. For most of the period under review, the country operated under the threat of a downgrade of its sovereign rating to sub-investment grade by ratings agencies. Higher rates and above target inflation throughout the period placed additional strain on consumers, manifesting in lower confidence levels and a contraction of consumer credit. The rand strengthened through the period from the low levels of late January 2016. The overall macro deterioration, although marked and prolonged, has been more gradual than that experienced in the 2008/2009 crisis, enabling businesses and consumers to better prepare and adjust.

Revenue

Total income grew by 15% in 1H16, with net interest income (NII) increasing by 18% on the back of stronger margins, up 23bps to 372bps. The key drivers of the margin expansion were a positive endowment impact, improved PBB loan pricing, and a favourable mix impact.

Non-interest revenue (NIR) grew 12% supported by a growing contribution from the rest of Africa. Net fees and commissions grew by 13% while trading revenue increased by 21% on the back of good growth in fixed income and currencies (FIC) trading, and equities trading, up 19%, and 61% respectively. Other revenue was 21% lower than in the prior period due to the non-recurrence of certain gains on the disposal of real estate investments and fair value gains within the investment portfolio recorded in the prior period.

Credit impairment charges

Total credit impairment charges were 16% higher than the prior period, due primarily to increased credit impairment charges in CIB and to a lesser extent PBB in the rest of Africa. The total credit loss ratio increased from 99bps in the prior period to 105bps. CIB's credit loss ratio increased from 25bps to 49bps and its credit impairment charges increased from R591 million to R1 298 million, in particular on the back of increases in non-performing loans (NPLs) in the oil & gas and power & infrastructure sectors.

PBB's credit loss ratio decreased from 148bps to 141bps, driven by a decline in mortgage related impairment charges period-on-period on the back of sustained good performance of the book as well as better collections. Impairments in commercial and business lending declined while card debtors and vehicle and asset finance (VAF) impairments were 10% and 16% higher respectively. Overall personal unsecured impairments rose, reflective of the difficult macro environment in SA as well as in a number of other countries in which the group operates.

Operating expenses

The group's cost-to-income ratio improved from 57.3% to 56.8% despite operating expenses increasing by 14% over the prior period. Staff costs increased by 16% while other operating expenses increased by 12%. Growth in staff costs was driven by overnight salary increases, the full six month impact of the conversion of temporary staff to permanent employment which began on 1 April 2015 and increases in headcount to support business growth, innovation and digital banking, and wealth and investment initiatives. Other operating expenses include a R300 million loss related to the Japan fraud, increased amortisation of capitalised software and higher premises costs.

The weakness of the rand over the period contributed to 4% of the growth in income and expenses. On a constant currency basis, total income grew by 11% and operating expenses grew by 10%, resulting in positive JAWs of 1%.

Loans and advances

Gross loans and advances to customers grew by 8% from 1H15 to 1H16. CIB loans to customers continued to grow faster than PBB, at 15% and 5% respectively. Residential mortgages recorded growth of 4% relative to 1H15 on the back of an increase in new business registrations. Moderate growth of 2% in card debtors and 3% in personal loans was supplemented by good growth in business and vehicle and asset finance lending, which grew by 6% and 8% respectively.

Capital, funding and liquidity

The group remains appropriately capitalised with capital levels marginally higher than those at year-end. The group's common equity tier I ratio as at 30 June 2016 was 13.2% (FY15: 13.1%) and tier I ratio was 13.6% (FY15: 13.3%). The group's capital position remains strong and more than sufficient to meet the capital requirements as prescribed by regulatory authorities across markets in which the group has a presence.

Deposits and current accounts from customers increased by 7%, compared to the prior period, with retail priced deposits growing at 9%, outpacing wholesale priced deposits from customers, which grew at 6%. Retail priced deposits were 4% lower on 30 June 2016 than on 31 December 2015, adversely impacted by the strengthening of the rand against the USD and several African currencies, most notably the naira. Adjusted for the currency impact, retail priced deposits actually grew slightly period on period.

The group maintained its strong liquidity position within approved risk appetite and tolerance limits. Total contingent liquidity amounted to R329,3 billion as at 30 June 2016 (1H15: R300,6 billion), and remains adequate to meet all internal stress testing, prudential and regulatory requirements. As at 30 June 2016 the group's quarterly average Basel III liquidity coverage ratio (LCR) amounted to 104.8%, exceeding the 70% minimum phased-in Basel III LCR requirement. The group, together with the local banking industry, continues to engage, through the Banking Association South Africa (BASA), with the South African Reserve Bank (SARB) to ensure that the net stable funding ratio (NSFR) framework aligns to local industry conditions and requirements.

Gross loans and advances to customers

	Change %	1H16 Rm	1H15 Rm	FY15 Rm
Personal & Business Banking	5	582 076	555 695	576 078
Mortgage loans	4	332 782	319 168	325 867
Vehicle and asset finance	8	80 929	75 229	80 278
Card debtors	2	31 683	31 139	31 174
Other loans and advances	5	136 682	130 159	138 759
Corporate & Investment Banking	15	370 822	323 322	363 596
Corporate loans	14	306 981	270 321	307 546
Commercial property finance	20	63 841	53 001	56 050
Other services	(77)	(8 534)	(4 824)	(5 033)
Gross loans and advances to customers	8	944 364	874 193	934 641

Deposits and current accounts from customers

	Change %	1H16 Rm	1H15 Rm	FY15 Rm
Personal & Business Banking	10	486 515	442 915	498 189
Retail priced deposits	9	389 910	356 637	404 341
Wholesale priced deposits	12	96 605	86 278	93 848
Corporate & Investment Banking	5	598 024	571 403	572 635
Other services	6	(4 121)	(4 373)	(6 477)
Deposits and current accounts from customers	7	1 080 418	1 009 945	1 064 347
Comprising:				
Retail priced deposits and current accounts	9	389 910	356 637	404 341
Wholesale priced deposits	6	690 508	653 308	660 006
Deposits and current accounts from customers	7	1 080 418	1 009 945	1 064 347

Overview of financial results continued

Headline earnings by business unit

	Change %	1H16 Rm	1H15 Rm	FY15 Rm
Personal & Business Banking	14	5 492	4 834	11 237
Corporate & Investment Banking	13	4 983	4 399	9 094
Central and other	(>100)	(502)	(1)	(8)
Banking activities	8	9 973	9 232	20 323
Other banking interests	(99)	2	208	(569)
Liberty	(5)	886	933	2 433
Standard Bank Group	5	10 861	10 373	22 187

Overview of business unit performance

Personal & Business Banking

PBB's headline earnings grew 14% to R5 492 million. Strong NII growth of 18% and NIR growth of 14% translated into total income growth of 16%. Credit impairment charges were 3% higher than in 1H15 while operating expenses increased by 17%, affected by the impact of the increase in permanent employees for the full period, the R300 million Japan fraud, and higher information technology systems amortisation. PBB's ROE increased from 16.1% to 16.4%. PBB SA's earnings rose by 10% to R5,0 billion, PBB Outside Africa increased 48% to R313 million and PBB Rest of Africa increased by R105 million to R158 million. On a constant currency basis, total income grew by 13% and operating expenses grew by 14%.

Transactional products headline earnings increased 10% relative to the prior period to R1 375 million, despite the operational risk losses associated with the Japan fraud which dampened earnings. Total income increased by 15% driven by positive endowment and balance sheet growth, partly offset by lower interchange revenue.

Mortgage lending headline earnings grew by 17% relative to the prior period to R1 225 million. Total income grew 10% driven by underlying growth in new business and improved pricing. Credit impairments fell 13% and the credit loss ratio declined from 80bps to 67bps on the back of good performance of the book and better collections.

Card products headline earnings grew 15% to R785 million, supported by strong growth in the rest of Africa. Card products recorded total income growth of 17% on the back of strong NII and NIR despite the headwinds brought about by interchange reform. Increasing consumer strain was reflected in the increase in NPLs and credit loss ratio which increased from 463bps to 495bps.

VAF headline earnings increased 1% to R165 million. SA VAF headline earnings grew 10%; however, this was largely offset by losses in the rest of Africa where the VAF product is still in a developmental phase. Total income growth was strong at 16% on the back of a growing book and improving portfolio yield in SA, despite pressure from increased competition and sharply declining new passenger vehicle sales in SA. The credit loss ratio increased from 141bps to 150bps reflecting an uptick in NPLs.

Lending products headline earnings grew 13% to R581 million, supported by total income growth of 16%. Advances growth was driven by growth in revolving credit plans with muted growth across the other portfolios. Lending products' credit loss ratio declined from 216bps to 202bps.

Bancassurance and wealth earnings grew 16% to R1 361 million. Total income improved by 25% as a result of margin earned on increasing loan and deposit balances, higher revenues associated with the bancassurance arrangement with Liberty and insurance returns.

Corporate & Investment Banking

CIB's headline earnings grew 13% to R4 983 million. Total income grew 17% to R17 717 million with a strong contribution from the rest of Africa franchise. NII increased 26%, reflecting the successes of the liability-led model complemented by targeted credit growth within selected sectors. The tough macro-economic environment impacted customers, in particular in the oil-reliant West Africa region, requiring increased credit impairment charges resulting in a credit loss ratio of 49bps (1H15: 25bps). Continued investment in building client capabilities and capacity, coupled with the currency impact, drove cost growth to 14% and positive JAWs of 3%. CIB ROE improved to 18.2% from a restated 17.7% for the first six months of 2015.

Global markets recorded excellent headline earnings growth of 26% to R2 590 million during the period with income growth of 21% on the back of robust client activity across all regions and the ability to take advantage of market volatility and dislocation. Strong income growth supported positive operating leverage.

Transactional products and services headline earnings were down 5% to R1 327 million. Total income was 21% higher due to good deposit growth, positive endowment impact of rate increases in SA and a strong performance from our investor services business. Strong top-line growth was dented somewhat by an increase in impairment charges off a low base, related primarily to exposures in the rest of Africa portfolio. Continued investment in building the capacity of the business to support franchise growth, with a particular focus on IT systems, contributed to cost growth of 22%.

Investment banking headline earnings increased 14% to R1 146 million despite large increases in impairment charges. Strong NII growth, driven by a combination of moderate growth in loans and advances and margin expansion, was partially offset by a decline in NIR, as difficult market conditions dampened confidence and delayed the closing of transactions. Sustained low commodity prices and continued macro deterioration have led to higher impairment charges, particularly in natural resources linked sectors. Costs were well contained resulting in positive JAWs of 6% for the period.

Real estate investments and principal investment management (PIM) recorded a headline loss of R80 million, largely attributed to the costs associated with the business' wind down.

Central and other

In the prior period, the Central and other segment included a R515 million gain related to the cash flow hedge releases on the disposal of the group's operations in Brazil and the 60% interest in SB Plc. Excluding this amount, headline earnings would have been a R516 million loss. By comparison, in the current period, the segment recorded a R502 million loss.

Other banking interests

Headline earnings from the group's other banking interests fell from R208 million to R2 million. The headline earnings contribution from the group's 20% interest in ICBC Argentina grew 52% to R358 million as this operation continued to trade profitably despite the devaluation of the Argentinean peso in late 2015. In the first half of 2015, the group equity accounted its investment in ICBCS from 1 February and reported an equity accounted loss of R28 million. This loss included the group's share of a partial recovery in respect of aluminium fraud related insurance claims of R347 million, offsetting an operating loss for the five months of R375 million. For the current six-month period, the equity accounted loss was R356 million, reflecting the continued difficult operating environment for revenue generation but some improvement in cost control.

Liberty

The financial results reported are the consolidated results of the group's 55% investment in Liberty. Bancassurance results are included in PBB. Liberty's BEE normalised headline earnings for the six months to June 2016 decreased by 9% to R1 821 million, of which the IFRS headline earnings attributable to the group was R886 million. Operating earnings were down by 15% whilst earnings from the shareholder investment portfolio grew by 4%. The fall in operating earnings was as a result of declines in individual and group arrangements as well as asset management which were partly offset by gains in LibFin Markets and a reduction in central and other. Liberty's capital position remains strong despite weaker sales and earnings in the six months to June 2016.

Prospects

The latest IMF forecasts expect global GDP growth of 3.1% for 2016, down from 3.4% at the beginning of the year. Although the impact of "Brexit" is expected to be most felt in the United Kingdom and European economies, prolonged uncertainty regarding the outcome of the separation negotiations could result in downside risk to this forecast. Despite the economic headwinds, the IMF expects emerging and developing markets to grow at 4.1%, far outstripping the advanced economies at 1.8%.

Sub-Saharan Africa's GDP is expected to grow at 1.6% with South Africa trending towards zero growth and a contraction in Nigeria. East and South & Central regions are expected to continue to fare better than the oil exporting countries in West Africa. Ahead of South Africa's next ratings review in December 2016, considerable effort is being spent by government, business and labour to find ways to promote growth, employment and greater inclusion. We are cognisant of the constraints under which our customers are currently operating. Despite increasing our credit provisions to reflect this, the group remains well capitalised and in a position to continue to invest and grow in our targeted sectors and countries.

We continue to monitor developments in the banking sector and financial markets to ensure that we remain appropriately equipped to deliver on our vision to be the leading financial services organisation in, for and across Africa. We are focused on delivering effective solutions tailored to our customers' needs and continue to invest in our franchise, our products and our people. We are committed to delivering through-the-cycle earnings growth and ROE within our target range of 15% – 18% over the medium term. This includes a heightened focus on optimising resource allocations across the group, coupled with tighter management of capital supply, and a diligent focus on costs.

Declaration of dividends

Shareholders of Standard Bank Group Limited (the company) are advised of the following dividend declarations out of income reserves in respect of ordinary shares and preference shares.

Ordinary shares

Ordinary shareholders are advised that the board of directors (the board) has resolved to declare a final gross cash dividend No. 94 of 340,00 cents per ordinary share (the cash dividend) to ordinary shareholders recorded in the register of the company at the close of business on Friday, 16 September 2016. The last day to trade to participate in the dividend is Tuesday, 13 September 2016. Ordinary shares will commence trading *ex* dividend from Wednesday, 14 September 2016.

The salient dates and times for the cash dividend are set out in the table below.

Ordinary share certificates may not be dematerialised or rematerialised between Wednesday, 14 September 2016, and Friday, 16 September 2016, both days inclusive. Ordinary shareholders who hold dematerialised shares will have their accounts at their Central Securities Depository Participant (CSDP) or broker credited on Monday, 19 September 2016.

Where applicable, dividends in respect of certificated shares will be transferred electronically to shareholders' bank accounts on the payment date. In the absence of specific mandates, dividend cheques will be posted to shareholders.

Preference shares

Preference shareholders are advised that the board has resolved to declare the following interim distributions:

- 6.5% first cumulative preference shares (first preference shares) dividend No. 94 of 3,25 cents (gross) per first preference share, payable on Monday, 12 September 2016, to holders of first preference shares recorded in the books of the company at the close of business on the record date, Friday, 9 September 2016. The last day to trade to participate in the dividend is Tuesday, 6 September 2016. First preference shares will commence trading *ex* dividend from Wednesday, 7 September 2016.

- Non-redeemable, non-cumulative, non-participating preference shares (second preference shares) dividend No. 24 of 396,13 cents (gross) per second preference share, payable on Monday, 12 September 2016, to holders of second preference shares recorded in the books of the company at the close of business on the record date, Friday, 9 September 2016. The last day to trade to participate in the dividend is Tuesday, 6 September 2016. Second preference shares will commence trading *ex* dividend from Wednesday, 7 September 2016.

The salient dates and times for the preference share distributions are set out in the table below.

Preference share certificates (first and second) may not be dematerialised or rematerialised between Wednesday, 7 September 2016 and Friday, 9 September 2016, both days inclusive. Preference shareholders (first and second) who hold dematerialised shares will have their accounts at their CSDP or broker credited on Monday, 12 September 2016.

Where applicable, dividends in respect of certificated shares will be transferred electronically to shareholders' bank accounts on the payment date. In the absence of specific mandates, dividend cheques will be posted to shareholders.

The relevant dates for the payment of dividends are as follows:

	Ordinary shares	6.5% cumulative preference shares (First preference shares)	Non-redeemable, non-cumulative, non-participating preference shares (Second preference shares)
JSE Limited (JSE)			
Share code	SBK	SBKP	SBPP
ISIN	ZAE000109815	ZAE000038881	ZAE000056339
Namibian Stock Exchange (NSX)			
Share code	SNB		
ISIN	ZAE000109815		
Dividend number	94	94	24
Gross distribution/dividend per share (cents)	340,00	3,25	396,13
Last day to trade in order to be eligible for the cash dividend	Tuesday, 13 September 2016	Tuesday, 6 September 2016	Tuesday, 6 September 2016
Shares trade *ex* the cash dividend	Wednesday, 14 September 2016	Wednesday, 7 September 2016	Wednesday, 7 September 2016
Record date in respect of the cash dividend	Friday, 16 September 2016	Friday, 9 September 2016	Friday, 9 September 2016
Dividend cheques posted and CSDP/broker account credited/updated (payment date)	Monday, 19 September 2016	Monday, 12 September 2016	Monday, 12 September 2016

The above dates are subject to change. Any changes will be released on the SENS and published in the South African and Namibian press.

Tax implications

The cash dividend received under the ordinary shares and the preference shares is likely to have tax implications for both resident and non-resident ordinary and preference shareholders. Such shareholders are therefore encouraged to consult their professional tax advisers.

In terms of the South African Income Tax Act, 58 of 1962, the cash dividend will, unless exempt, be subject to dividends tax that was introduced with effect from 1 April 2012. South African resident ordinary and preference shareholders that are not exempt from dividends tax, will be subject to dividends tax at a rate of 15% of the cash dividend, and this amount will be withheld from the cash dividend with the result that they will receive a net amount of 289 cents per ordinary share, 2,7625 cents per first preference share and 336,7105 cents per second preference share. Non-resident ordinary and preference shareholders may be subject to dividends tax at a rate of less than 15% depending on their country of residence and the applicability of any Double Tax Treaty between South Africa and their country of residence.

The issued share capital of the company, as at the date of declaration, is as follows:
- 1 618 175 588 ordinary shares
- 8 000 000 first preference shares
- 52 982 248 second preference shares.

The company's tax reference number is 9800/211/71/7 and registration number is 1969/017128/06.

Financial statistics

for the six months ended 30 June 2016	Change %	1H16 Unaudited	1H15 Unaudited	FY15 Audited
Number of ordinary shares in issue (000's)				
End of period		1 595 627	1 601 792	1 601 417
Weighted average		1 597 746	1 596 273	1 597 399
Diluted weighted average		1 618 260	1 623 184	1 611 522
Cents per ordinary share				
Headline earnings	5	679,8	649,8	1 388,9
Continuing operations	6	679,8	639,1	1 394,5
Discontinued operation	(100)		10,7	(5,6)
Diluted headline earnings	5	671,2	639,1	1 376,8
Continuing operations	7	671,2	628,6	1 382,4
Discontinued operation	(100)		10,5	(5,6)
Dividend	12	340,0	303,0	674,0
Net asset value	6	9 381	8 832	9 433
Financial performance (%)				
ROE		14.4	15.1	15.6
Net interest margin on continuing banking activities[1]		3.72	3.49	3.52
Credit loss ratio on continuing banking activities		1.05	0.99	0.87
Cost-to-income ratio on continuing banking activities[2]		56.8	57.3	56.5
Capital adequacy ratios (%)				
Basel III				
Tier I capital adequacy ratio[1]		13.6	13.6	13.3
Total capital adequacy ratio[1]		15.9	16.0	15.7
Common equity tier I ratio		13.2	13.1	12.9

[1] 1H15 has been restated as a result of a calculation methodology change.
[2] Comparatives have been restated as a result of a definition change.

Condensed consolidated statement of financial position

as at 30 June 2016	Change %	1H16 Unaudited Rm	1H15 Unaudited Rm	FY15 Audited Rm
Assets				
Cash and balances with central banks	16	73 442	63 066	75 112
Derivative assets	36	79 942	58 931	111 089
Trading assets	47	122 839	83 650	86 219
Pledged assets	(37)	18 324	29 149	34 429
Financial investments	1	470 968	464 052	486 704
Current tax assets	(11)	721	807	534
Loans and advances	2	1 071 206	1 045 389	1 076 917
Non-current asset held for sale[1]	(100)		111	
Other assets	(12)	29 127	32 999	24 552
Interest in associates and joint ventures	(4)	8 827	9 162	9 703
Investment property	6	30 955	29 273	30 508
Property and equipment		16 210	16 254	17 670
Goodwill and other intangible assets	6	23 970	22 644	24 031
Deferred tax assets	(7)	1 241	1 333	1 881
Total assets	5	1 947 772	1 856 820	1 979 349
Equity and liabilities				
Equity	6	176 257	166 729	178 908
Equity attributable to ordinary shareholders	6	149 690	141 470	151 069
Preference share capital and premium		5 503	5 503	5 503
Non-controlling interest	7	21 064	19 756	22 336
Liabilities	5	1 771 515	1 690 091	1 800 441
Derivative liabilities	36	90 951	66 749	133 958
Trading liabilities	(25)	46 848	62 675	43 304
Current tax liabilities	(16)	7 134	8 509	4 304
Deposits and debt funding	6	1 197 155	1 132 127	1 186 514
Policyholder liabilities	3	305 065	295 353	298 232
Subordinated debt	12	28 438	25 443	27 141
Provisions and other liabilities	(4)	95 066	98 823	101 894
Deferred tax liabilities	>100	858	412	5 094
Total equity and liabilities	5	1 947 772	1 856 820	1 979 349

[1] During 2015, the group's associate interest in Ünlü Menkul Değerler A.S. was classified as a non-current asset held for sale and was disposed of on 21 October 2015.

Condensed consolidated income statement

for the six months ended 30 June 2016	Change %	1H16 Unaudited Rm	1H15 Unaudited Rm	FY15 Audited Rm
Continuing operations				
Income from banking activities	15	49 863	43 240	91 113
Net interest income	18	27 775	23 449	49 310
Non-interest revenue	12	22 088	19 791	41 803
Income from investment management and life insurance activities	7	11 695	10 945	23 997
Total income	14	61 558	54 185	115 110
Credit impairment charges	16	(5 815)	(5 032)	(9 371)
Net income after credit impairment charges	13	55 743	49 153	105 739
Operating expenses in banking activities	14	(28 340)	(24 756)	(51 434)
Operating expenses in insurance activities	11	(8 433)	(7 592)	(16 184)
Net income before non-trading and capital related items and equity accounted earnings	13	18 970	16 805	38 121
Non-trading and capital related items	(>100)	(214)	142	(1 512)
Share of post tax profit/(loss) from associates and joint ventures	(47)	152	287	(323)
Net income before indirect taxation	10	18 908	17 234	36 286
Indirect taxation	(5)	(1 137)	(1 195)	(2 739)
Net income before direct taxation	11	17 771	16 039	33 547
Direct taxation	21	(4 716)	(3 908)	(8 187)
Profit for the period from continuing operations	8	13 055	12 131	25 360
Profit from discontinued operation[1]	(100)		3 002	2 741
Profit for the period	(14)	13 055	15 133	28 101
Attributable to non-controlling interests	19	2 047	1 714	3 970
Attributable to preference shareholders	3	196	190	377
Attributable to ordinary shareholders	(18)	10 812	13 229	23 754
Earnings per share from continuing operations and discontinued operation				
Basic earnings per ordinary share (cents)		676,7	828,7	1 487,0
Diluted earnings per ordinary share (cents)		668,1	815,0	1 474,0
Earnings per share from continuing operations				
Basic earnings per ordinary share (cents)		676,7	640,7	1 315,5
Diluted earnings per ordinary share (cents)		668,1	630,1	1 303,9

[1] Gains and losses relating to SB Plc have been presented as a single amount relating to its post tax profit.

Headline earnings

for the six months ended 30 June 2016	Change %	1H16 Unaudited Rm	1H15 Unaudited Rm	FY15 Audited Rm
Profit for the period from continuing operations	6	10 812	10 227	21 013
Headline adjustable items added/(reversed)		80	(15)	1 687
Goodwill impairment – IAS 36				333
Loss/(gains) on a disposal of a business – IFRS 10		3	(189)	(195)
Loss on sale of property and equipment – IAS 16		5	3	48
Realised foreign currency loss/(profit) on foreign operations – IAS 21			41	(5)
Impairment of associate – IAS 27/IAS 36		10		112
Impairment of intangible assets – IAS 36		196	113	1 330
Realised (gains)/losses on available-for-sale assets – IAS 39		(134)	17	64
Taxation on headline earnings adjustable items		(26)	(6)	(381)
Non-controlling interests' share of headline earnings adjustable items		(5)	(4)	(42)
Standard Bank Group headline earnings from continuing operations	7	10 861	10 202	22 277
Profit for the period from discontinued operation	(100)		3 002	2 741
Headline adjustable items reversed			(2 831)	(2 831)
Loss on disposal of subsidiary – IFRS 10			1 303	1 303
Realised foreign currency profit on foreign operations – IAS 21			(4 054)	(4 054)
Net investment hedge gain – IAS 39			(68)	(68)
Realised gains on available-for-sale assets – IAS 39			(12)	(12)
Standard Bank Group headline earnings from discontinued operation	(100)		171	(90)
Standard Bank Group headline earnings	5	10 861	10 373	22 187

Condensed consolidated statement of other comprehensive income

for the six months ended 30 June 2016	1H16 Unaudited Rm	1H15 Unaudited Rm	FY15 Audited Rm
Profit for the period	13 055	15 133	28 101
Other comprehensive income after tax for the period	(9 364)	(4 828)	3 009
Items that may be reclassified subsequently to profit and loss	(9 306)	(4 788)	3 109
Exchange differences on translating foreign operations	(9 315)	(4 303)	4 103
Net change on hedges of net investments in foreign operations	(110)	(166)	(325)
Movement in the cash flow hedging reserve	138	(448)	(903)
Net change in fair value of cash flow hedges	(1 054)	706	1 551
Realised fair value adjustments of cash flow hedges transferred to profit or loss	1 192	(1 154)	(2 454)
Movement in the available-for-sale revaluation reserve	(19)	129	234
Items that may not be reclassified to profit and loss	(58)	(40)	(100)
Defined benefit fund remeasurements	(51)	(46)	(121)
Other (losses)/gains	(7)	6	21
Total comprehensive income for the period	3 691	10 305	31 110
Attributable to non-controlling interests	(194)	1 474	5 227
Attributable to equity holders of the parent	3 885	8 831	25 883

Condensed consolidated statement of changes in equity

for the six months ended 30 June 2016	Ordinary shareholders' equity Rm	Preference share capital and premium Rm	Non-controlling interest Rm	Total equity Rm
Balance at 1 January 2015 (audited)	136 985	5 503	19 146	161 634
Total comprehensive income for the period	8 641	190	1 474	10 305
Transactions with owners, recorded directly in equity	(4 156)	(190)	(767)	(5 113)
Equity-settled share-based payment transactions	89		26	115
Deferred tax on share-based payment transactions	134			134
Transactions with non-controlling shareholders	(152)		(192)	(344)
Net increase in treasury shares	374		(107)	267
Net repurchase of share capital and share premium and capitalisation of reserves	(462)			(462)
Redemption of preference shares	1 307			1 307
Net dividends paid	(5 446)	(190)	(494)	(6 130)
Unincorporated property partnerships capital reductions and distributions			(97)	(97)
Balance at 30 June 2015 (unaudited)	141 470	5 503	19 756	166 729
Balance at 1 July 2015 (unaudited)	141 470	5 503	19 756	166 729
Total comprehensive income for the period	16 865	187	3 753	20 805
Transactions with owners, recorded directly in equity	(7 266)	(187)	(1 126)	(8 579)
Equity-settled share-based payment transactions	(1 481)		47	(1 434)
Deferred tax on share-based payment transactions	(206)			(206)
Transactions with non-controlling shareholders	(217)		(586)	(803)
Net decrease in treasury shares	(308)		156	(152)
Net repurchase of share capital and share premium and capitalisation of reserves	(179)			(179)
Redemption of preference shares	10			10
Net dividends paid	(4 885)	(187)	(743)	(5 815)
Unincorporated property partnerships capital reductions and distributions			(47)	(47)
Balance at 31 December 2015 (audited)	151 069	5 503	22 336	178 908
Balance at 1 January 2016 (audited)	151 069	5 503	22 336	178 908
Total comprehensive income for the period	3 689	196	(194)	3 691
Transactions with owners, recorded directly in equity	(5 068)	(196)	(970)	(6 234)
Equity-settled share-based payment transactions	487		16	503
Deferred tax on share-based payment transactions	47			47
Transactions with non-controlling shareholders	(126)		(302)	(428)
Net increase in treasury shares	561		9	570
Net repurchase of share capital and share premium and capitalisation of reserves	(123)			(123)
Redemption of preference shares	65			65
Net dividends paid	(5 979)	(196)	(693)	(6 868)
Unincorporated property partnerships capital reductions and distributions			(108)	(108)
Balance at 30 June 2016 (unaudited)	149 690	5 503	21 064	176 257

Condensed consolidated statement of cash flows

for the six months ended 30 June 2016	1H16 Unaudited Rm	1H15 Unaudited Rm	FY15 Audited Rm
Net cash flows from operating activities	10 839	15 841	35 504
Direct taxation paid	(4 745)	(4 109)	(8 012)
Other operating cash flows	15 584	19 950	43 516
Net cash flows generated from/(used in) investing activities	1 969	(28 435)	(31 828)
Capital expenditure	(3 123)	(3 798)	(9 527)
Other investing cash inflows/(outflows)	5 092	(24 637)	(22 301)
Net cash flows used in financing activities	(5 736)	(5 956)	(11 509)
Cash outflow from share buybacks net of issue of share capital	(123)	(462)	(641)
Net cash outflow from equity transactions with non-controlling interests	(524)	(454)	(1 118)
Release of empowerment reserve	65	1 307	1 317
Subordinated debt issued	1 714	2 844	4 005
Subordinated debt redeemed		(3 061)	(3 127)
Dividends paid	(6 868)	(6 130)	(11 945)
Effect of exchange rate changes on cash and cash equivalents	(8 742)	737	2 066
Net decrease in cash and cash equivalents	(1 670)	(17 813)	(5 767)
Cash and cash equivalents at beginning of the period	75 112	80 879	80 879
Cash and cash equivalents at the end of the period	73 442	63 066	75 112
Comprising:			
Cash and balances with central banks	73 442	63 066	75 112

Notes

Condensed segment report

for the period ended 30 June 2016	Change %	1H16 Unaudited Rm	1H15 Unaudited[1] Rm	FY15 Audited[1] Rm
Revenue contribution by business unit				
Personal & Business Banking	16	33 541	28 875	60 573
Corporate & Investment Banking	17	17 717	15 149	31 388
Central and other	78	(1 395)	(784)	(848)
Banking activities	15	49 863	43 240	91 113
Other banking interest[2]				
Liberty	7	11 695	10 945	23 997
Standard Bank Group	14	61 558	54 185	115 110
Profit or loss attributable to ordinary shareholders				
Personal & Business Banking	13	5 468	4 825	10 638
Corporate & Investment Banking	17	4 959	4 235	8 678
Central and other	(>100)	(503)	3 028	2 625
Banking activities	(18)	9 924	12 088	21 941
Other banking interest[2]	(99)	2	208	(569)
Liberty	(5)	886	933	2 382
Standard Bank Group	(18)	10 812	13 229	23 754
Total assets by business unit				
Personal & Business Banking	6	677 600	641 314	682 080
Corporate & Investment Banking	7	911 751	854 955	930 644
Central and other	(25)	(40 059)	(32 008)	(42 114)
Banking activities	6	1 549 292	1 464 261	1 570 610
Other banking interest[2]	(5)	7 028	7 361	7 933
Liberty	2	391 452	385 198	400 806
Standard Bank Group	5	1 947 772	1 856 820	1 979 349
Total liabilities by business unit				
Personal & Business Banking	5	606 450	577 616	614 614
Corporate & Investment Banking	6	851 516	801 890	871 597
Central and other	(1)	(52 853)	(52 123)	(61 748)
Banking activities	6	1 405 113	1 327 383	1 424 463
Other banking interest[2]				
Liberty	1	366 402	362 708	375 978
Standard Bank Group	5	1 771 515	1 690 091	1 800 441

[1] Where responsibility for individual cost centres and divisions within business units change, the comparative figures are reclassified accordingly.

[2] For the group's 2016 financial reporting period the group's primary segments comprise the group's banking activities, which consist of PBB, CIB and central and other. The group's banking activities together with the group's other banking interests and Liberty, represent the group's total activities and operations. The group's interest in ICBC Argentina, previously included in Central and other, and ICBCS, previously included in CIB's results, are now included as part of the group's Other banking interests and represent the group's associate interests in previously consolidated entities that are held in terms of strategic partnerships with ICBC.

Notes continued

Contingent liabilities and capital commitments

as at 30 June 2016	1H16 Unaudited Rm	FY15 Audited Rm
Letters of credit and bankers' acceptances	11 834	11 437
Guarantees	63 551	67 161
Contingent liabilities	75 385	78 598
Investment property	681	835
Property and equipment	379	405
Other intangible assets	1 014	1 169
Commitments	2 074	2 409

Legal proceedings

In the ordinary course of business, the group is involved as a defendant in litigation, lawsuits and other proceedings. Management recognises the inherent difficulty of predicting the outcome of defended legal proceedings. Nevertheless, based on management's knowledge from investigation analyses and after consulting with legal counsel, management believes that there are no individual legal proceedings that are currently assessed as being 'likely to succeed and material' or 'unlikely to succeed but material should they succeed'. The group is also the defendant in some legal cases for which the group is fully indemnified by external third parties, none of which are individually material.

Management is accordingly satisfied that the legal proceedings currently pending against the group should not have a material adverse effect on the group's consolidated financial position and the directors are satisfied that the group has adequate insurance programmes and provisions in place to meet claims that may succeed.

Private equity associates and joint ventures

The following table provides disclosure of those private equity associates and joint ventures that are equity accounted in terms of IAS 28 *Investments in Associates and Joint Ventures* and have been ring-fenced in terms of the requirements of Circular 2/2015 *Headline Earnings*, issued by the SAICA at the request of the JSE. On the disposal of these associates and joint ventures held by the group's private equity division, the gain or loss on the disposal will be included in headline earnings.

	1H16 Unaudited Rm	FY15 Audited Rm
Cost	38	48
Carrying value	514	492
Fair value	514	482
Realised gains on disposal for the period included in headline earnings	45	
Attributable income before impairment	29	51

Equity securities

During the period, the group allotted 1 309 717 shares (FY15: 3 813 706 shares) in terms of the group's share incentive schemes and repurchased 1 386 311 shares (FY15: 3 923 373 shares).

The total equity securities held as treasury shares at the end of the period was 16 798 218 shares (FY15: 11 084 016 shares). These treasury shares exclude group shares that are held by certain structured entities (SEs) relating to the group's Tutuwa initiative (refer to the related party note for more detail) since those SEs hold the voting rights on such shares and are accordingly not treasury shares as defined by the JSE Listings Requirements.

Subordinated debt

During the period the group issued R1.7 billion (FY15: R4 billion) and redeemed Rnil (FY15: R3.1 billion) subordinated debt instruments.

The terms of the issued bonds include a regulatory requirement which provides for the write-off in whole or in part on the earlier of a decision by the relevant regulator (SARB) that a write off, or a public sector injection of capital or equivalent support is necessary, without which the issuer would have become non-viable.

Japan card fraud incident

As announced by the group on 23 May 2016 on SENS, the group's South African banking operations were the victim of a sophisticated, coordinated fraud incident which involved the withdrawal of cash using a small number of fictitious cards at various ATMs in Japan. Standard Bank was the target of the fraud and there has been no financial loss for its customers. Swift action was taken to contain the matter and the gross loss (prior to any potential recoveries) is estimated at R300 million. This loss has been recognised in operating expenses within the group's banking activities.

Investigations into the cause of the fraud are at an advanced stage. The group is proactively taking steps to prevent any potential reoccurrence of such an incident.

Foreign currency translation reserve

During the six months ended 30 June 2016 the group's FCTR decreased by R7.1 billion. This decrease was partly attributable to the weakening of the Nigerian naira (51%) and Mozambican metical (40%) against the South African rand which resulted in an FCTR loss of R2.6 billion and R1 billion respectively relating to the group's investments in Stanbic IBTC Holdings PLC (SIBTC Holdings) and Standard Bank S.A.R.L, Mozambique (Mozambique). Post 30 June 2016, the Nigerian naira and the Mozambican metical continued to depreciate which may result in a further decrease of the group's FCTR in the second half of 2016 should such depreciation be sustained.

The group's goodwill materially comprises of goodwill relating to the group's investment in SIBTC Holdings which is denominated in Nigerian naira. While the group will, in terms of IFRS, continue to review its investment in Nigeria for impairment, the weakening of the Nigerian naira did not result in any impairment to the group's investment in SIBTC Holdings at 30 June 2016. Similarly, the weaker Mozambican metical did not result in any impairment to the group's investment in Mozambique at 30 June 2016.

SIBTC Holdings financial statements

SIBTC Holdings advised its shareholders through The Nigerian Stock Exchange (NSE) on 24 March 2016 that, due to the Financial Reporting Council of Nigeria's (FRC) allegations surrounding material misstatements of its 2013 and 2014 financial statements (as referred to in the group's SENS announcements dated 30 October 2015 and 4 November 2015) and the associated legal proceedings, it would be unable to complete its 2015 audit and issue its 2015 annual report before 31 March 2016. Whilst SIBTC Holdings noted that it intended to finalise its audited financial statements on or before 31 May 2016, this was unable to be achieved. On 27 May 2016, a revised announcement was released through the NSE to shareholders informing them of this fact as well as stating that the FRC informed KPMG, SIBTC Holding's external auditors, that it would sanction KPMG if, pending the outcome of litigation about the FRC's allegations on SIBTC Holdings' financial statements, it issued an audit opinion in respect of the financial statements of SIBTC Holdings or any of its subsidiaries. SIBTC Holdings and the group's management continues to explore all available avenues to resolve this matter with the FRC, including through litigation in the courts of Nigeria.

The results of SIBTC Holdings will continue to be included in the group's consolidated results but will not be individually identifiable or disclosed separately. These developments have not had any material impact on the group's results for the six months ended 30 June 2016.

Notes continued

Related party transactions

Tutuwa related parties

Tutuwa participants were allowed to access their underlying equity value post the expiry of the lock-in period on 31 December 2014.

Tutuwa share movement since lock-in period ended

	Unaudited		Audited	
	Issued number of shares 000's	Weighted number of shares 000's	Issued number of shares 000's	Weighted number of shares 000's
Shares financed by the group – beginning of the period	5 751	5 751	27 726	27 726
Less: sale of shares by participants			(21 975)	(20 127)
Shares financed by the group – end of the period	5 751	5 751	5 751	7 599

Post-employment benefit plans

Details of transactions between the group and the group's post-employment benefit plans are listed below:

	1H16 Unaudited Rm	FY15 Audited Rm
Value of assets under management	12 302	11 776
Investments held in bonds and money market instruments	921	667
Value of ordinary group shares held	534	471

Balances and transactions with ICBCS

The following significant balances and transactions were entered into between the group and ICBCS, an associate of the group:

	1H16 Unaudited Rm	FY15 Audited Rm
Derivative assets	2 483	4 780
Trading assets	31	35
Loans and advances	30 136	29 902
Other assets	1 567	158
Derivative liabilities	(3 794)	(5 351)
Deposits and debt funding	(2 946)	(6 756)
Provisions and other liabilities	(2 050)	(218)

The group entered into certain transitional service level arrangements with ICBCS in order to manage the orderly separation of ICBCS from the group post the sale of 60% of SB Plc. In terms of these arrangements, services are delivered to and received from ICBCS for the account of each respective party.

Balances and transactions with ICBC

The following significant balances and transactions were entered into between the group and ICBC, a 20.1% shareholder of the group:

	1H16 Unaudited Rm	FY15 Audited Rm
Trading assets		7
Loans and advances	93	153
Other assets[1]	502	918
Deposits and debt funding	(6 696)	
Provisions and other liabilities		(71)

[1] The group recognised losses in respect of certain commodity reverse repurchase agreements with third parties prior to the date of conclusion of the sale and purchase agreement relating to SB Plc with ICBC. As a consequence of the sale and purchase agreement the group holds the right to 60% of insurance and other recoveries, net of costs, relating to claims for those recognised losses prior to the date of conclusion of the transaction. Settlement of these amounts will occur based on audited information on pre-agreed anniversaries of the completion of the transaction and the full and final settlement of all claims in respect of losses incurred. As at 30 June 2016, a balance of R562 million (FY15: R619 million) is receivable from ICBC in respect of this arrangement. An amount of R40 million (1H15: R539 million) was recognised in the income statement for the period in respect of this right.

Other related party transactions

Acquisition of investment from an interest in associate

As at 30 June 2016, Liberty held an investment in the South Africa Infrastructure Fund Trust (SAIF), which was accounted for as an interest in associate measured at fair value through profit or loss. SAIF has commenced a process to realise its assets. Through this process Liberty, on 4 July 2016, purchased a share in Trans African Concessions (TRAC) Proprietary Limited from SAIF for an amount of R1.5 billion. This purchase is part of an agreed arrangement with several partners that will facilitate the establishment of a STANLIB managed infrastructure fund holding various non-controlling interests in toll road concessions. This fund is likely to be accounted for as a mutual fund subsidiary of both Liberty and the group.

Proposed sale of hotels businesses to The Cullinan Hotel Proprietary Ltd (Cullinan)

Liberty has entered into a sale of business agreement with Cullinan to dispose of interests in two investment properties and the accompanying hotel businesses for an aggregate cash consideration of R310 million. The group through Liberty, has a 40% interest in Cullinan, which is accounted for as an associate measured at fair value through profit or loss. There will not be significant financial impact to the group's results or statement of financial position arising from this disposal.

Change in group directorate

The following changes in directorate took place during the six months ended 30 June 2016:

Retirements		
S Ridley	as financial director	30 April 2016

Appointments		
A Daehnke	as financial director	1 May 2016

Notes continued

Day one profit or loss

The table below sets out the aggregate net day one profits yet to be recognised in profit or loss at the beginning and end of the period with a reconciliation of changes in the balances during the period.

	Derivative instruments Rm	Trading assets Rm	Trading liabilities Rm	Total Rm
Balance as at 1 January 2015 (audited)	61	418		479
Additional net profit on new transactions during period	346	268		614
Recognised in profit or loss during period	(159)	(104)		(263)
Exchange differences	47			47
Balance as at 31 December 2015 (audited)	295	582		877
Balance as at 1 January 2016 (audited)	295	582		877
Additional net profit on new transactions during period	2	103	23	128
Recognised in profit or loss during period	(176)	(52)	(3)	(231)
Exchange differences	(42)			(42)
Balance as at 30 June 2016 (unaudited)	79	633	20	732

Fair value disclosures

Financial assets and liabilities measured at fair value

Fair value hierarchy of instruments measured at fair value

In terms of IFRS, the group is either required to or elects to measure a number of its financial assets and financial liabilities at fair value, being the price that would, respectively, be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market between market participants at the measurement date. Regardless of the measurement basis, the fair value is required to be disclosed, with some exceptions, for all financial assets and financial liabilities. Fair value is a market-based measurement and uses the assumptions that market participants would use when pricing an asset or liability under current market conditions. When determining fair value it is presumed that the entity is a going concern and is not an amount that represents a forced transaction, involuntary liquidation or a distressed sale. Information obtained from the valuation of financial instruments is used to assess the performance of the group and, in particular, provides assurance that the risk and return measures that the group has taken are accurate and complete.

Valuation process

The group's valuation control framework governs internal control standards, methodologies, and procedures over its valuation processes, which include:

Prices quoted in an active market: The existence of quoted prices in an active market represents the best evidence of fair value. Where such prices exist, they are used in determining the fair value of financial assets and financial liabilities.

Valuation techniques: Where quoted market prices are unavailable, the group establishes fair value using valuation techniques that incorporate observable inputs, either directly, such as quoted prices, or indirectly, such as those derived from quoted prices. Parameter inputs are obtained directly from the market, consensus pricing services or recent transactions in active markets, whenever possible.

Where such inputs are not available, the group makes use of theoretical inputs in establishing fair value (unobservable inputs). Such inputs are based on other relevant input sources of information and incorporate assumptions that include prices for similar transactions, historic data, economic fundamentals, and research information, with appropriate adjustments to reflect the terms of the actual instrument being valued and current market conditions. Unobservable inputs are subject to management judgement and, although the group believes that its estimates of fair values are appropriate, changing one or more of these assumptions to reasonably possible alternative values would affect the reported fair values of these financial instruments.

Valuation techniques used for financial instruments include the use of financial models that are populated using market parameters that are corroborated by reference to independent market data, where possible, or alternative sources such as, third party quotes, recent transaction prices or suitable proxies. The fair value of certain financial instruments is determined using industry standard models such as discounted cash flow analysis and standard option pricing models. These models are generally used to estimate future cash flows and discount these back to the valuation date. For complex or unique instruments, more sophisticated modelling techniques may be required, which require assumptions or more complex parameters such as correlations, prepayment spreads, default rates and loss severity.

Valuation adjustments: Valuation adjustments are an integral part of the valuation process. Adjustments include, but are not limited to:

- Credit spreads on illiquid issuers
- Implied volatilities on thinly traded stocks
- Correlation between risk factors
- Prepayment rates
- And other illiquid risk drivers.

In making appropriate valuation adjustments, the group applies methodologies that consider factors such as bid-offer spreads, liquidity, counterparty and own credit risk. Exposure to such illiquid risk drivers is typically managed by:

- Using bid-offer spreads that are reflective of the relatively low liquidity of the underlying risk driver
- Raising day one profit provisions in accordance with IFRS
- Quantifying and reporting the sensitivity to each risk driver
- Limiting exposure to such risk drivers and analysing exposure on a regular basis.

Validation and control: All financial instruments carried at fair value, regardless of classification, and for which there are no quoted market prices for that instrument, are fair valued using models that conform to international best practice and established financial theory. These models are validated independently by the group's model validation unit and formally reviewed and approved by the market risk methodologies committee. This control applies to both off-the-shelf models as well as those developed internally by the group. Further, all inputs into the valuation models are subject to independent price validation procedures carried out by the group's market risk unit. Such price validation is performed on at least a monthly basis, but daily where possible given the availability of the underlying price inputs. Independent valuation comparisons are also performed and any significant variances noted are appropriately investigated. Less liquid risk drivers, which are typically used to mark level 3 assets and liabilities to model, are carefully validated and tabled at the monthly price validation forum to ensure that these are reasonable and used consistently across all entities in the group. Sensitivities arising from exposures to such drivers are similarly scrutinised, together with movements in level 3 fair values. They are also disclosed on a monthly basis at the market risk and asset and liability committees.

Portfolio exception: The group has, on meeting certain qualifying criteria, elected the portfolio exception to measure the fair value of certain groups of financial assets and financial liabilities on a net basis.

Fair value hierarchy

The table on page 26 analyses the group's financial instruments carried at fair value, by level of fair value hierarchy. The different levels are based on the extent that available market data is used in the calculation of the fair value of the financial instruments. The levels have been defined as follows:

Level 1 – fair value is based on quoted market prices (unadjusted) in active markets for an identical financial asset or liability. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – fair value is determined through valuation techniques based on observable inputs, either directly, such as quoted prices, or indirectly, such as those derived from quoted prices. This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3 – fair value is determined through valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instrument being valued and the similar instrument.

Notes continued

Fair value disclosures continued

Accounting classifications and fair values of financial assets and liabilities

The table below categorises the group's assets and liabilities as at 30 June 2016 between that which is financial and non-financial. All financial assets and liabilities have been classified according to their measurement category with disclosure of the fair value being provided for those items.

as at 30 June 2016 (unaudited)	Held-for-trading Rm	Designated at fair value Rm
Assets		
Cash and balances with central banks		
Derivative assets	79 942	
Trading assets	122 839	
Pledged assets	1 529	13 827
Financial investments		362 996
Loans and advances to banks		
Loans and advances to customers		103
Interest in associates and joint ventures		
Investment property		
Other financial assets[3]		
Other non-financial assets		
	204 310	376 926
Liabilities		
Derivative liabilities	90 951	
Trading liabilities	46 848	
Deposits and debt funding from banks		
Deposits and debt funding from customers		13 880
Policyholders' liabilities[4]		91 628
Subordinated debt		
Other financial liabilities[3]		39 147
Other non-financial liabilities		
	137 799	144 655

[1] Includes financial assets and financial liabilities for which the carrying value has been adjusted for changes in fair value due to designated hedged risks.
[2] Carrying value has been used where it closely approximates fair values, excluding non-financial assets and liabilities.
[3] The fair value of the other financial assets and liabilities approximates the carrying value due to their short-term nature.
[4] The fair value has been provided for financial liabilities under investment contracts which have been designated at fair value. The remaining liabilities for which fair value disclosure has not been provided relate to insurance contracts and investment contracts with discretionary participation features that are not financial instruments as defined.

Held-to-maturity Rm	Loans and receivables[1] Rm	Available-for-sale Rm	Other amortised cost[1] Rm	Other assets/ liabilities Rm	Total carrying amount Rm	Fair value[2] Rm
	73 442				73 442	73 442
					79 942	79 942
					122 839	122 839
	191	2 777			18 324	18 324
62 858	2 145	42 969			470 968	470 518
	150 866				150 866	150 733
	920 237				920 340	917 167
				8 827	8 827	
				30 955	30 955	30 955
	11 959				11 959	
				59 310	59 310	
62 858	1 158 840	45 746		99 092	1 947 772	
					90 951	90 951
					46 848	46 848
			133 990		133 990	129 677
			1 049 285		1 063 165	1 058 325
				213 437	305 065	91 628
			28 438		28 438	28 202
			51 764		90 911	
				12 147	12 147	
			1 263 477	225 584	1 771 515	

Notes continued

Fair value disclosures continued

Accounting classifications and fair values of financial assets and liabilities continued

as at 31 December 2015 (restated)	Held-for-trading Rm	Designated at fair value Rm
Assets		
Cash and balances with central banks		
Derivative assets	111 089	
Trading assets	86 219	
Pledged assets	8 220	22 319
Financial investments		350 544
Loans and advances to banks[3]		
Loans and advances to customers[3]		78
Interest in associates and joint ventures		
Investment property		
Other financial assets[4]		
Other non-financial assets		
	205 528	372 941
Liabilities		
Derivative liabilities	133 958	
Trading liabilities	43 304	
Deposits and debt funding from banks		
Deposits and debt funding from customers		18 929
Policyholders' liabilities[5]		88 459
Subordinated debt		
Other financial liabilities[4]		46 329
Other non-financial liabilities		
	177 262	153 717

1 Includes financial assets and financial liabilities for which the carrying value has been adjusted for changes in fair value due to designated hedged risks.
2 Carrying value has been used where it closely approximates fair values, excluding non-financial assets and liabilities.
3 A balance of R19 836 million was reclassified from loans and advances to customers to loans and advances to banks in order to align the counterparty to the underlying lending arrangement and to conform with the basis of disclosure in the current financial period.
4 The fair value of the other financial assets and liabilities approximates the carrying value due to their short-term nature.
5 The fair value has been provided for financial liabilities under investment contracts which have been designated at fair value. The remaining liabilities for which fair value disclosure has not been provided relate to insurance contracts and investment contracts with discretionary participation features that are not financial instruments as defined.

	Held-to-maturity Rm	Loans and receivables[1] Rm	Available-for-sale Rm	Other amortised cost[1] Rm	Other assets/ liabilities Rm	Total carrying amount Rm	Fair value[2] Rm
		75 112				75 112	75 112
						111 089	111 089
						86 219	86 219
		175	3 715			34 429	34 434
	73 689	21 418	41 053			486 704	487 147
		165 156				165 156	163 005
		911 683				911 761	896 045
					9 703	9 703	
					30 508	30 508	30 508
		11 767				11 767	
					56 901	56 901	
	73 689	1 185 311	44 768		97 112	1 979 349	
						133 958	133 958
						43 304	43 304
				137 202		137 202	134 531
				1 030 383		1 049 312	1 035 638
					209 773	298 232	88 459
				27 141		27 141	23 456
				46 580		92 909	
					18 383	18 383	
				1 241 306	228 156	1 800 441	

Notes continued

Fair value disclosures continued

Financial assets and liabilities measured at fair value

The following table analyses the group's fair value measured financial assets and financial liabilities by levels of the fair value hierarchy:

	1H16				FY15			
	Unaudited				Audited			
as at 30 June 2016	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Financial assets								
Measured on a recurring basis[1]								
Derivative assets	201	76 848	2 893	79 942	59	108 573	2 457	111 089
Trading assets	54 733	61 739	6 367	122 839	31 486	45 791	8 942	86 219
Pledged assets	3 633	14 500		18 133	29 977	4 277		34 254
Financial investments	222 714	173 467	9 784	405 965	202 120	179 464	10 013	391 597
Loans and advances to customers		103		103	2	76		78
Total assets at fair value	281 281	326 657	19 044	626 982	263 644	338 181	21 412	623 237
Financial liabilities								
Measured on a recurring basis[1]								
Derivative liabilities	262	79 069	11 620	90 951	19	119 298	14 641	133 958
Trading liabilities	31 005	13 162	2 681	46 848	21 388	19 432	2 484	43 304
Deposits from customers		13 880		13 880		18 929		18 929
Policyholders' liabilities		91 628		91 628		88 459		88 459
Other financial liabilities		39 147		39 147		46 329		46 329
Total liabilities at fair value	31 267	236 886	14 301	282 454	21 407	292 447	17 125	330 979

[1] Recurring fair value measurements of assets or liabilities are those assets and liabilities that IFRS require or permit to be carried at fair value in the statement of financial position at the end of each reporting period.

Level 2 and 3 – valuation techniques and inputs

Item and description	Valuation technique	Main inputs and assumptions
Derivative financial instruments Derivative financial instruments comprise foreign exchange, interest rate, commodity, credit and equity derivatives that are either held-for-trading or designated as hedging instruments in hedge relationships.	Standard derivative contracts are valued using market accepted models and quoted parameter inputs. More complex derivative contracts are modelled using more sophisticated modelling techniques applicable to the instrument. Techniques include: • Discounted cash flow model • Black-Scholes model • Combination technique models	**For level 2 and 3 fair value hierarchy items** • Discount rate* • Spot prices of the underlying • Correlation factors • Volatilities • Dividend yields • Earnings yield • Valuation multiples
Trading assets and trading liabilities Trading assets and liabilities comprise instruments which are part of the group's underlying trading activities. These instruments primarily include sovereign and corporate debt, commodities, collateral, collateralised lending agreements and equity securities. **Pledged assets** Pledged assets comprise instruments that may be sold or repledged by the group's counterparty in the absence of default by the group. Pledged assets include sovereign and corporate debt, equities, commodities pledged in terms of repurchase agreements and commodities that have been leased to third parties. **Financial investments** Financial investments are non-trading financial assets and primarily comprise sovereign and corporate debt, listed and unlisted equity instruments, listed sovereign or corporate debt, investments in debentures issued by the SARB, investments in mutual fund investments and unit-linked investments.	Where there are no recent market transactions in the specific instrument, fair value is derived from the last available market price adjusted for changes in risks and information since that date. Where a proxy instrument is quoted in an active market, the fair value is determined by adjusting the proxy fair value for differences between the proxy instrument and the instrument being fair valued. Where proxies are not available, the fair value is estimated using more complex modelling techniques. These techniques include discounted cash flow and Black-Scholes models using current market rates for credit, interest, liquidity, volatility and other risks. Combination techniques are used to value unlisted equity securities and include inputs such as earnings and dividend yields of the underlying entity.	
Loans and advances to banks and customers Loans and advances comprise: • Loans and advances to banks: call loans, loans granted under resale agreements and balances held with other banks. • Loans and advances to customers: mortgage loans (home loans and commercial mortgages), other asset-based loans, including collateralised debt obligations (instalment sale and finance leases), and other secured and unsecured loans (card debtors, overdrafts, other demand lending, term lending and loans granted under resale agreements).	For certain loans fair value may be determined from the market price of a recently occurring transaction adjusted for changes in risks and information between the transaction and valuation dates. Loans and advances are reviewed for observed and verified changes in credit risk and the credit spread is adjusted at subsequent dates if there has been an observable change in credit risk relating to a particular loan or advance. In the absence of an observable market for these instruments, discounted cash flow models are used to determine fair value. Discounted cash flow models incorporate parameter inputs for interest rate risk, foreign exchange risk, liquidity and credit risk, as appropriate. For credit risk, probability of default and loss given default parameters are determined using credit default swaps (CDS) markets, where available and appropriate, as well as the relevant terms of the loan and loan counterparty such as the industry classification and subordination of the loan.	**For level 2 and 3 fair value hierarchy items** • Discount rate*

Notes continued

Fair value disclosures continued

Level 2 and 3 – valuation techniques and inputs continued

Item and description	Valuation technique	Main inputs and assumptions
Deposits from banks and customers Deposits from banks and customers comprise amounts owed to banks and customers, deposits under repurchase agreements, negotiable certificates of deposit, credit-linked deposits and other deposits.	For certain deposits, fair value is determined from the market price on a recently occurring transaction adjusted for all changes in risks and information between the transaction and valuation dates. In the absence of an observable market for these instruments, discounted cash flow models are used to determine fair value based on the contractual cash flows related to the instrument. The fair value measurement incorporates all market risk factors including a measure of the group's credit risk relevant for that financial liability. The market risk parameters are valued consistently to similar instruments held as assets stated in the section on loans and advances above. The credit risk of the reference asset in the embedded CDS in credit-linked deposits is incorporated into the fair value of all credit-linked deposits that are designated to be measured at fair value through profit or loss. For collateralised deposits that are designated to be measured at fair value through profit or loss, such as securities repurchase agreements, the credit enhancement is incorporated into the fair valuation of the liability.	**For level 2 and 3 fair value hierarchy items** • Discount rate*
Policyholder liabilities Policyholder liabilities comprise unit-linked policies and annuity certains.	Unit-linked policies: assets which are linked to the investment contract liabilities are owned by the group. The investment contract obliges the group to use these assets to settle these liabilities. The fair value of investment contract liabilities is therefore, determined with reference to the fair value of the underlying assets (i.e. amount payable on surrender of the policies). Annuity certains: discounted cash flow models are used to determine the fair value of the stream of future payments.	**For level 2 and 3 fair value hierarchy items** • Discount rate* • Spot price of underlying
Third party financial liabilities arising on the consolidation of mutual funds (included in other liabilities) These are liabilities that arise on the consolidation of mutual funds.	The fair values of third party financial liabilities arising on the consolidation of mutual funds are determined using the quoted put (exit) price provided by the fund manager and discounted for the applicable notice period. The fair value of a financial liability with a demand feature is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.	**For level 2 and 3 fair value hierarchy items** • Discount rate*

* Discount rates, where applicable, include the risk-free rate, risk premiums, liquidity spreads, credit risk (own and counterparty as appropriate), timing of settlement, storage/service costs, prepayment and surrender risk assumptions and recovery rates/loss given default.

Fair value disclosures continued

Reconciliation of level 3 financial assets

The following table provides a reconciliation of the opening to closing balance for all financial assets, that are measured at fair value and incorporate inputs that are not based on observable market data (level 3):

	Measured on a recurring basis				
	Derivative assets Rm	Trading assets Rm	Financial investments Rm	Non-current assets held for sale[1] Rm	Total Rm
Balance at 1 January 2015 (audited)	753	4 647	5 807	3 574	14 781
Total gains/(losses) included in profit or loss	649	212	(11)	(510)	340
Interest income			65		65
Trading revenue	649	212	(2)	(510)	349
Other revenue			(172)		(172)
Investment gains			98		98
Total gains/(losses) included in OCI			129	(1)	128
Issuances and purchases	1 672	1 100	1 851		4 623
Sales and settlements	(626)	(495)	(1 696)	(3)	(2 820)
Transfers into level 3[2]		3 477	3 552		7 029
Transfers out of level 3[3]			(167)		(167)
Disposal of non-current assets held for sale				(3 143)	(3 143)
Exchange gains	9	1	548	83	641
Balance at 31 December 2015 (audited)	2 457	8 942	10 013		21 412
Balance at 1 January 2016 (audited)	**2 457**	**8 942**	**10 013**		**21 412**
Total (losses)/gains included in profit or loss	**(103)**	**(95)**	**32**		**(166)**
Interest income			**72**		**72**
Trading revenue	**(103)**	**(95)**			**(198)**
Other revenue			**(40)**		**(40)**
Total gains included in OCI			**52**		**52**
Issuances and purchases	**535**	**402**	**818**		**1 755**
Sales and settlements	**(245)**	**(2 255)**	**(431)**		**(2 931)**
Transfers into level 3[2]	**249**		**20**		**269**
Transfers out of level 3[3]		**(524)**	**(676)**		**(1 200)**
Reclassifications		**(102)**			**(102)**
Exchange losses		**(1)**	**(44)**		**(45)**
Balance at 30 June 2016 (unaudited)	**2 893**	**6 367**	**9 784**		**19 044**

1 Relates to financial assets within the disposal group that have been classified as level 3.
2 Transfers of financial assets between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. During the period, the valuation inputs of certain financial assets became unobservable. The fair value of these assets was transferred into level 3.
3 During the year, the valuation inputs of certain level 3 financial assets became observable. The fair value of these financial assets was transferred into level 2.

Notes continued

Fair value disclosures continued

Level 3 financial assets

The following table provides disclosure of the unrealised gains/(losses) included in profit or loss for level 3 financial assets that are held at the end of the respective reporting periods.

	Measured on a recurring basis			
	Derivative assets Rm	Trading assets Rm	Financial investments Rm	Total Rm
30 June 2016 (unaudited)				
Interest income			72	72
Trading revenue	(103)	(95)		(198)
Other revenue			(40)	(40)
	(103)	(95)	32	(166)
31 December 2015 (audited)				
Interest income			47	47
Trading revenue	414	266	(58)	622
Other revenue			165	165
	414	266	154	834

Reconciliation of level 3 liabilities

The following table provides a reconciliation of the opening to closing balance for all financial liabilities that are measured at fair value based on inputs that are not based on observable market data (level 3).

			Measured on a non-recurring basis	
	Derivative liabilities Rm	Trading liabilities Rm	Non-current liabilities held for sale[1] Rm	Total Rm
Balance at 1 January 2015 (audited)	5 958	1 922	6 482	14 362
Total losses included in profit or loss – trading revenue[2]	5 641	56	232	5 929
Issuances and purchases	3 344	924		4 268
Sales and settlements	(301)	(435)		(736)
Disposal of non-current liabilities held for sale			(6 905)	(6 905)
Exchange (gains)/losses	(1)	17	191	207
Balance at 31 December 2015 (audited)	14 641	2 484		17 125
Balance at 1 January 2016 (audited)	14 641	2 484		17 125
Total (gains)/losses included in profit or loss – trading revenue[2]	(2 660)	156		(2 504)
Issuances and purchases	571	215		786
Sales and settlements	(932)	(159)		(1 091)
Exchange gains		(15)		(15)
Balance at 30 June 2016 (unaudited)	11 620	2 681		14 301

[1] Relates to financial liabilities within the disposal group that have been classified as level 3.
[2] The change in fair value has been materially offset by changes in the fair value of financial assets and liabilities classified as level 2 in the fair value hierarchy which hedge this position.

Fair value disclosures continued

Level 3 financial liabilities

The following table provides disclosure of the unrealised (gains)/losses included in profit or loss for level 3 financial liabilities that are held at the end of the respective reporting periods.

	Measured on a recurring basis		
	Derivative liabilities Rm	Trading liabilities Rm	Total Rm
30 June 2016 (unaudited)			
Trading revenue (gains)/losses	(2 221)	156	(2 065)
31 December 2015 (audited)			
Trading revenue	5 879	56	5 935

Sensitivity and interrelationships of inputs

The behaviour of the unobservable parameters used to fair value level 3 assets and liabilities is not necessarily independent, and may often hold a relationship with other observable and unobservable market parameters. Where material and possible, such relationships are captured in the valuation by way of correlation factors, though these factors are, themselves, frequently unobservable. In such instances, the range of possible and reasonable fair value estimates is taken into account when determining appropriate model adjustments. The table that follows indicates the effect that a significant change in one or more of the inputs to a reasonably possible alternative assumption would have on total comprehensive income at the reporting date (where the change in the unobservable input would change the fair value of the asset or liability significantly). The changes in the inputs that have been used in the analysis have been determined taking into account several considerations such as the nature of the asset or liability and the market within which the asset or liability is transacted. Stress tests have been conducted by only flexing/stressing a major significant unobservable input or risk factor (i.e. assumes that all risks are mutually exclusive).

The valuation techniques used in determining the fair value of financial assets and liabilities classified within level 3

		Effect on total comprehensive income	
	Variance in fair value measurement	Favourable Rm	(Unfavourable) Rm
30 June 2016 (unaudited)			
Derivative instruments	From 1% to (1%)	34	(34)
Trading assets	From 1% to (1%)	170	(170)
Financial investments	From 1% to (1%)	247	(247)
Trading liabilities	From 1% to (1%)	176	(176)
Total		627	(627)
31 December 2015 (audited)			
Derivative instruments	From 1% to (1%)	48	(48)
Trading assets	From 1% to (1%)	239	(239)
Financial investments	From 1% to (1%)	283	(283)
Trading liabilities	From 1% to (1%)	163	(163)
Total		733	(733)

Notes continued

Offsetting and other similar arrangements

Financial instruments subject to offsetting, enforceable master netting arrangements or similar agreements

IFRS requires a financial asset and a financial liability to be offset and the net amount presented in the statement of financial position when, and only when, the group has a current legally enforceable right to set off recognised amounts, as well as the intention to settle on a net basis or to realise the asset and settle the liability simultaneously. There are no instances where the group has a current legally enforceable right to offset without the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

The following table sets out the impact of offset, as well as the required disclosures where financial assets and financial liabilities that are subject to enforceable master netting arrangements, or similar agreements, irrespective of whether they have been offset in accordance with IFRS. There are no items measured on different measurement bases within the line items in the tables below.

It should be noted that the information below is not intended to represent the group's actual credit exposure nor will it agree to that presented in the statement of financial position.

	Gross amount of recognised financial assets[1] Rm	Financial liabilities set off in the statement of financial position[2] Rm	Net amounts of financial assets presented in the statement of financial position[3] Rm	Collateral received[4] Rm	Net amount Rm
Assets					
30 June 2016 (unaudited)					
Derivative assets	57 108		57 108	(50 913)	6 195
Trading assets	31 102		31 102	(29 079)	2 023
Loans and advances[5]	124 267	(32 116)	92 151	(90 607)	1 544
	212 477	(32 116)	180 361	(170 599)	9 762
31 December 2015 (restated)[6]					
Derivative assets	74 455		74 455	(68 533)	5 922
Trading assets	23 577		23 577	(21 242)	2 335
Loans and advances[5]	110 748	(34 862)	75 886	(74 256)	1 630
	208 780	(34 862)	173 918	(164 031)	9 887

	Gross amount of recognised financial liabilities[1] Rm	Financial assets set off in the statement of financial position[2] Rm	Net amount of financial liabilities presented in the statement of financial position[3] Rm	Collateral pledged[4] Rm	Net amount Rm
Liabilities					
30 June 2016 (unaudited)					
Derivative liabilities	69 421		69 421	(57 560)	11 861
Trading liabilities	15 880		15 880	(15 880)	
Deposits and debt funding[5]	37 473	(32 116)	5 357		5 357
	122 774	(32 116)	90 658	(73 440)	17 218
31 December 2015 (restated)[6]					
Derivative liabilities	90 316		90 316	(72 405)	17 911
Trading liabilities	34 225		34 225	(31 890)	2 335
Deposits and debt funding[5]	45 463	(34 862)	10 601	(4 417)	6 184
	170 004	(34 862)	135 142	(108 712)	26 430

1 Gross amounts are disclosed for recognised financial assets and financial liabilities that are either offset in the statement of financial position or are subject to a master netting arrangement or a similar agreement, irrespective of whether the offsetting criteria is met.
2 Gross amounts of recognised financial assets or financial liabilities that qualify for offset in accordance with the criteria per IFRS.
3 Related amounts not offset in the statement of financial position that are subject to a master netting arrangement or similar agreement, including financial collateral (whether recognised or unrecognised) and cash collateral. In most cases the group is allowed to sell or repledge collateral received.
4 Related amounts not offset in the statement of financial position that are subject to a master netting arrangement or similar agreement, including financial collateral (whether recognised or unrecognised) and cash collateral. In most instances, the counterparty may not sell or repledge collateral pledged by the group.
5 The most material amounts offset in the statement of financial position pertain to cash management accounts. The cash management accounts allow holding companies (or central treasury functions) to manage the cash flows of a group by linking the current accounts of multiple legal entities within a group of companies. It allows for cash balances of the different legal entities to be offset against each other to arrive at a net balance for the whole group. In addition, it should be noted that all repurchase agreements and reverse repurchase agreements, subject to a master netting arrangement (or similar agreement), have been included.
6 A reassessment of financial instruments subject to master netting arrangements resulted in a restatement of amounts presented at December 2015. The restatement improves the comparability of the financial information and did not affect the group's statement of financial position.

Offsetting and other similar arrangements continued

The table below sets out the nature of the agreements and the rights relating to items which do not qualify for offset but that are subject to either a master netting arrangement or similar agreement.

Financial asset/liability	Nature of agreement	Related rights to offset
Derivative assets and liabilities	International swaps and derivatives	The agreement allows for offset in the event of default.
Trading assets and trading liabilities	Global master repurchase agreements	The agreement allows for offset in the event of default.
Loans and advances to banks	Customer agreement and Banks Act	In the event of liquidation or bankruptcy, offset shall be enforceable subject to Banks Act requirements being met.
Deposits and debt funding	Customer agreement and Banks Act	In the event of liquidation or bankruptcy, offset shall be enforceable subject to Banks Act requirements being met.

Accounting policies and restatements

Basis of preparation

The group's results are prepared in accordance with the going concern principle under the historical cost basis as modified by the fair value accounting of certain assets and liabilities where required or permitted by IFRS.

The accounting policies applied in the preparation of the consolidated financial statements from which the results have been derived are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the group's previous consolidated audited annual financial statements, except for changes as required by the mandatory and early adoption of new and revised IFRS and circular, as set out below.

Adoption of new and amended standards and circular effective for the current financial year

The accounting policies are consistent with those reported in the previous year except as required in terms of the adoption of the following amendments effective for the current period:

- Amendment to IFRS 11 *Joint Arrangements* (IFRS 11)
- SAICA Headline Earnings circular (Circular 2/2015)
- IAS 27 *Separate Financial Statements* (IAS 27): amendment which allows entities preparing separate financial statements to utilise the equity method to account for investments in subsidiaries, joint ventures and associates. The standard will be applied retrospectively.

Early adoption of revised standards:

- Amendment to IAS 7 *Statement of Cash Flow* (IAS 7)
- Amendment to IAS 12 *Income Taxes* (IAS 12)

The above mentioned amendments to the IFRS standards and circular, adopted on 1 January 2016, did not have any effect on the group's previously reported financial results or disclosures and had no material impact on the group's accounting policies. However, the group has elected to change the accounting policy for investments in associates and joint ventures only to both Standard Bank Group Limited and The Standard Bank of South Africa's separate financial statements as a result of the IAS 27 amendment from the cost method to the equity accounting method. The amendment has been applied retrospectively.

The amendment to IAS 1 *Presentation of Financial Statements* (IAS 1) which was early adopted at the 31 December 2015 reporting period, resulted in the following changes to the group's 30 June 2016 interim report:

- Changes to the ordering of line items in the financial statements, notably in the statement of financial position to better reflect liquidity
- The application of materiality to items in the income statement, together with the development of a revised income statement format, resulted in changes to the income statement's previously reported results as set out in the following table:

<table>
<tr><th colspan="2">As previously presented</th><th colspan="2">Revised presentation</th></tr>
<tr><th>Description</th><th>1H15
Unaudited
Rm
Gain/(loss)</th><th>Description</th><th>1H15
Unaudited
Rm
Gain/(loss)</th></tr>
<tr><td>Non-interest revenue</td><td>19 796</td><td rowspan="2">Non-interest revenue[1]</td><td rowspan="2">19 791</td></tr>
<tr><td>Revenue sharing agreements with discontinued operation</td><td>(5)</td></tr>
<tr><td>Income from investment management and life insurance activities</td><td>35 550</td><td rowspan="2">Income from investment management and life insurance activities[2]</td><td rowspan="2">10 945</td></tr>
<tr><td>Benefits due to policyholders</td><td>(24 605)</td></tr>
<tr><td>Operating expenses in banking activities</td><td>(24 762)</td><td>Operating expenses in banking activities[3]</td><td>(24 756)</td></tr>
<tr><td>Share of post tax profit/(loss) from associates and joint ventures</td><td>174</td><td>Share of post tax profit/(loss) from associates and joint ventures[3]</td><td>287</td></tr>
<tr><td>Gains on disposal and liquidation of subsidiaries</td><td>261</td><td>Non-trading and capital related items[3]</td><td>142</td></tr>
</table>

[1] Inclusion in total income of revenue sharing agreements with discontinued operation.
[2] In determining net income from investment management and life insurance activities, benefits due to policyholders is now presented together with income from investment management and life insurance activities.
[3] A new line item, namely 'non-trading and capital related items', has been included in the income statement. This line item replaces the previously disclosed income statement line items relating to, where applicable, goodwill impairment and gain on disposal and liquidation of subsidiaries includes the impairment of intangible assets and the loss on disposal of property and equipment that were previously included in operating expenses; and further includes the net impairment of associates and gains on disposals of associates previously included in the share of profit from associates and joint ventures.

Pro forma constant currency financial information

The *pro forma* constant currency information disclosed in these results is the responsibility of the group's directors. The *pro forma* constant currency information has been presented to illustrate the impact of changes in currency rates on the group's results and may not fairly present the group's results of operations. In determining the change in constant currency terms, the comparative financial reporting period's results have been adjusted for the difference between the current and prior period's average exchange rates (determined as the average of the daily exchange rates). The measurement has been performed for each of the group's material currencies. The *pro forma* constant currency financial information has not been reviewed and reported on by the group's external auditors.

The following average exchange rates were used in the determination of the *pro forma* constant currency information.

	US dollar	Nigerian naira	Kenyan shilling	Zambian kwacha	Ugandan shilling
1H16 average exchange rate	**15,400**	**0,076**	**0,152**	**1,443**	**0,005**
1H15 average exchange rate	11,915	0,061	0,127	1,682	0,004

Acronyms and abbreviations

ATM	Automated teller machine
BASA	The Banking Association South Africa
Basel III	Basel Capital Accord
BEE	Black Economic Empowerment
bps	Basis points
Brazil	Banco Standard de Investimentos SA
CAGR	Compound annual growth rate
CDS	Credit default swaps
CIB	Corporate & Investment Banking
CSDP	Central Securities Depository Participant
Cullinan	The Cullinan Hotel Proprietary Ltd
FCTR	Foreign currency translation reserve
FIC	Fixed income and currencies
FRC	Financial Reporting Council of Nigeria
GDP	Gross domestic product
IAS	International Accounting Standards
ICBC	The Industrial and Commercial Bank of China Limited
ICBCS	The Industrial and Commercial Bank of China Standard Bank Plc
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
JAWs	Difference between income and expense growth rate
JSE	JSE Limited
LCR	Liquidity coverage ratio
Liberty	Liberty Holdings Group
NII	Net interest income
NIR	Non-interest revenue
NPL	Non-performing loans
NSE	Nigeria Stock Exchange
NSFR	Net stable funding ratio
NSX	Namibian Stock Exchange
PBB	Personal & Business Banking
PIM	Principal investment management
ROE	Return on equity
SA	South Africa
SAICA	South African Institute of Chartered Accountants
SAIF	South Africa Infrastructure Fund
SARB	South African Reserve Bank
SB Plc	Standard Bank Plc
SE	Structured entities
SENS	Stock Exchange News Service
SIBTC Holdings	Stanbic IBTC Holdings Plc
the group	Standard Bank Group
Tutuwa	The group's black economic empowerment ownership initiative
US	United States
VAF	Vehicle and asset finance

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JSE independent sponsor
Deutsche Securities (SA) Proprietary Limited

Namibian sponsor
Simonis Storm Securities (Proprietary) Limited

JSE joint sponsor
The Standard Bank of South Africa Limited

Share and bond codes
JSE share code: SBK
ISIN: ZAE000109815
NSX share code: SNB
ISIN: ZAE000109815
SBKP ZAE000038881 (First preference shares)
SBPP ZAE000056339 (Second preference shares)
JSE bond codes: SBS, SBK, SBN, SBR, ETN series

SSN series and CLN series (all JSE-listed bonds issued in terms of The Standard Bank of South Africa Limited's Domestic Medium Term Note Programme and Credit Linked Note Programme).

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The Standard Bank Group is a leading African integrated financial services group, offering a full range of banking and related financial services.
Pictured is Dar es Salaam in Tanzania, one of the 20 countries in which the group operates in sub-Saharan Africa.