Standard Bank

Unaudited condensed consolidated interim results and dividend announcement

**for the six months ended 30 June 2015**

Standard Bank Group

The Standard Bank Group Limited's (group) condensed consolidated interim results, including the statement of financial position, income statement, statement of changes in equity and statement of cash flows, for the six months ended 30 June 2015 (results) are prepared in accordance with the requirements of the JSE Limited (JSE) Listings Requirements, the requirements of International Financial Reporting Standards (IFRS), as issued 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 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 audited consolidated annual financial statements.

These interim results have not been audited or independently reviewed by the group's external auditors. The group's 2014 annual financial information has been correctly extracted from the underlying audited consolidated annual financial statements.

The interim results are presented on a normalised basis, unless otherwise indicated as being on an IFRS basis. For further explanation, refer to page 9.

1H15 refers to the first half year results for 2015. 1H14 refers to the first half year results for 2014. FY14 refers to the full year results for 2014. Change % reflects 1H15 growth on 1H14.

The preparation of the group's results was supervised by the group financial director, Simon Ridley, BCom (Natal), CA(SA), AMP (Oxford). The results were made publicly available on 14 August 2015.

This report contains *pro forma* financial information. For further details refer to page 12.

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# Financial highlights

Headline earnings **up 27%**

**R10 529 million**

1H14: R8 306 million

Headline earnings – *pro forma* continuing operations **up 17%**

**R10 426 million**

1H14: R8 925 million

Headline earnings per share **up 27%**

**651 cents**

1H14: 513 cents

Return on equity (ROE)

**15.1%**

1H14: 12.7%

Tier I capital adequacy ratio

**13.7%**

1H14: 12.7%

Dividend per share **up 17%**

**303 cents**

1H14: 259 cents

Cost-to-income ratio

**56.7%**

1H14: 55.3%

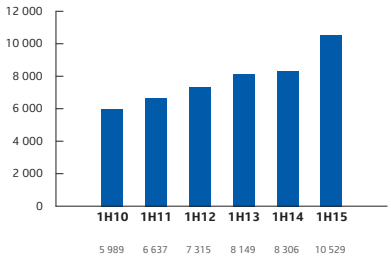
Credit loss ratio

**0.99%**

1H14: 1.13%

**Headline earnings** (Rm)

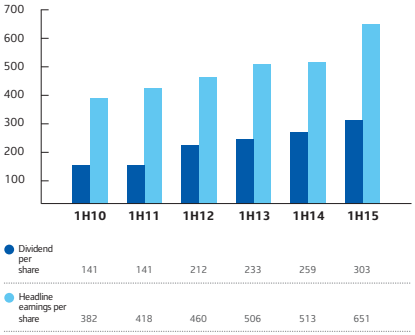
CAGR[1] (1H10 – 1H15): 12%




[1] Compound annual growth rate.

**Headline earnings and dividend per share** (cents)

CAGR (1H10 – 1H15) Dividend per share: 17%; Headline earnings per share: 11%




In line with changes to JSE's Listings Requirements during 2014, the group no longer posts a physical copy of this document to our 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 on the inside of the back cover to be taken there directly.

# Overview of financial results

## Group results

Group headline earnings and headline earnings per share increased by 27% to R10 529 million and 651 cents respectively. Net asset value per share increased by 6% and group ROE increased to 15.1% from 12.7% in 1H14. An interim dividend of 303 cents per share has been declared, a 17% increase on 1H14.

During the period covered by the interim results, the group completed the disposal of its controlling interest in Standard Bank Plc which was designated as a discontinued operation within the group's income statement and statement of financial position up to the date of the transaction's completion, 1 February 2015. Subsequent to the transaction, Standard Bank Plc has been renamed ICBC Standard Bank Plc (ICBCS) and the group's remaining 40% interest has been included as an associate, with equity accounted earnings included in the group's continuing operations results from the disposal date. As a result of this transaction completion, earnings attributable to ordinary shareholders includes R2,8 billion of net disposal gains which have been excluded from headline earnings, consisting primarily of releases to the income statement from the group's foreign currency translation reserve.

Headline earnings to 30 June 2015 reported within the group's discontinued operation include the effects of a partial recovery in respect of insurance claims relating to the external fraud 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. The net contribution to headline earnings from the discontinued operation amounts to R171 million. Headline earnings from operations excluding the discontinued operation (continuing operations) increased by 11% to R10 358 million. The commentary which follows refers to the group's continuing banking operations. Liberty Holding Limited's (Liberty) results are discussed separately.

## Operating environment

Global growth of 2.2% in the first quarter of 2015 underperformed the International Monetary Fund (IMF) expectations set at the beginning of the year. The shortfall reflected an unexpected output contraction in the United States caused by one-off factors such as a notably harsh winter and port closures, as well as a strong downsizing of capital expenditure in the oil sector. The economic recovery in the Eurozone seems broadly on track, with a generally robust recovery in domestic demand and inflation beginning to increase in spite of uncertainty created by unfolding events in Greece. Growth in output and domestic demand in emerging markets and developing economies broadly weakened.

The decline in commodity prices has impacted sub-Saharan Africa in a highly differentiated manner. Oil exporters have been most affected, while for much of the rest of the region, the impact has been reasonably favourable, with many countries benefiting from lower oil prices although, for a number of them, this positive effect is partly offset by the decline in the prices of other exported commodities. Overall, although economic growth has subsided slightly from the 5% achieved in 2014, sub-Saharan Africa remains one of the world's fastest growing regions.

In South Africa, the lower oil price has temporarily lowered inflation but electricity shortages, accompanied by subdued consumer and business confidence, restricted economic growth to 2.1% in the first quarter of 2015. The non-recurrence of the damaging strikes in 2014, notably in the platinum sector, has provided some support to first half growth. Consumer credit growth has subsided over the period in line with expenditure on durable goods, while business and corporate credit demand has remained relatively robust. Household debt relative to disposable income inched higher from 78.0% in the fourth quarter of 2014 to 78.4% in the first quarter of 2015, although the net wealth of the household sector increased further as growth in the value of fixed and financial assets outpaced the rate of increase in households' financial liabilities.

## Revenue

Total income grew by 9% in 1H15, with net interest income (NII) increasing by 8% primarily due to 16% increase in average interest-earning assets, driven mainly by growth in lower-yielding high quality Corporate & Investment Banking (CIB) assets. Margin compression of 28 basis points (bps) resulted mainly from significantly higher growth in CIB assets relative to Personal & Business Banking (PBB) assets. Higher funding costs and the requirement to hold higher levels of high quality liquid assets were largely offset by higher average South African interest rates.

Non-interest revenue (NIR) grew 9% supported by good growth in trading and other income. Fees and commissions were 4% higher than in the prior period as knowledge-based fees and commissions declined by 1% and electronic banking was impacted by low growth in the rest of Africa. Trading revenue increased by 16% due mainly to good growth in fixed income and currency trading, up 10%, as well as equities trading, up 52%.

Other revenue growth of 31% was due mainly to profit on the disposal of real estate investments and fair value gains within the property portfolio.

## Credit impairments

Total credit impairments were 2% higher than the prior period while the credit loss ratio declined to 0.99% from 1.13%. Credit impairments in CIB increased to R591 million from R450 million in the prior period with its credit loss ratio unchanged at 0.25%.

In PBB, credit impairments were 2% lower than in the prior period and its credit loss ratio improved to 1.48% from 1.58%. Impairments in the vehicle and asset finance business declined to R511 million from R727 million as the overall quality of the portfolio improved. Impairments in mortgage lending and personal lending were broadly unchanged while card debtors' impairments were 4% higher. Increased provisioning required in business lending in a challenging domestic business environment resulted in business lending impairments increasing to R576 million from R430 million previously. Impairments in PBB's rest of Africa operations were 2% higher and the credit loss ratio declined to 1.94% from 2.13% in 1H14.

## Operating expenses

Operating expenses increased by 11% over the prior period and the group's cost-to-income ratio increased to 56.7% from 55.3%. Staff expenses increased by 12% while other operating expenses increased by 11%. Growth in staff expenses was affected by the conversion of approximately 1 600 people from temporary to permanent staff in South Africa, as well as earlier recognition of incentive awards and the full-year impact of investment in specialist capabilities. Other operating expenses were affected by higher information technology (IT) expenses related to the systems taken into production including increased amortisation of capitalised software assets.

## Loans and advances

Gross loans and advances to customers grew by 11% from 1H14 to 1H15. PBB balances with customers grew by 4% and CIB balances grew by 22%. Residential mortgages recorded growth of 2% with an increase in value of new business partly offset by a higher prepayment rate, while 6% growth was achieved in vehicle and asset finance. Moderate growth of 5% in card debtors and 1% growth in personal loans was supplemented by good growth of 14% each in business and corporate lending. A high level of loans granted under resale agreements at period-end assisted the growth.

## Capital, funding and liquidity

The group remains appropriately capitalised with tier I and total capital levels at 13.7% (FY14: 12.9%) and 16.1% (FY14: 15.5%) respectively. The group is in a good position to meet the progressively higher requirements as prescribed by regulatory authorities across markets in which we are present.

Deposits and current accounts from customers increased by 11% with 14% growth in retail priced deposits outpacing the 10% growth in wholesale priced deposits from customers. Strong growth, particularly in retail priced deposits, was recorded in the rest of Africa and outside Africa.

The group maintained its strong liquidity positions within approved risk appetite and tolerance limits. Total liquidity in excess of specific prudential requirements amounted to R294,9 billion as at 1H15 (1H14: R268,1 billion), and remains adequate to meet all internal stress testing, prudential and regulatory requirements. The Basel III liquidity coverage ratio (LCR) was implemented on 1 January 2015 and at 30 June 2015 the group had exceeded the 60% minimum phased-in Basel III LCR requirement. Further available stable funding will likely have to be raised by South African banks to fully meet the proposed Basel III net stable funding ratio liquidity regime. Ongoing impact analysis and engagement through the Banking Association of South Africa and the South African Reserve Bank (SARB) continue to address the current industry shortfall.

# Overview of financial results continued

## Overview of business unit performance

### Headline earnings by business unit

| | Change % | 1H15 Rm | 1H14 Rm | FY14 Rm |
|---|---|---|---|---|
| Personal & Business Banking | 16 | **4 811** | 4 159 | 9 801 |
| Corporate & Investment Banking – continuing operations | 18 | **4 547** | 3 865 | 8 724 |
| Central and other | (>100) | **(84)** | 293 | 385 |
| **Banking activities – continuing operations** | 12 | **9 274** | 8 317 | 18 910 |
| Liberty | 6 | **1 084** | 1 021 | 2 158 |
| **Standard Bank Group – continuing operations** | 11 | **10 358** | 9 338 | 21 068 |
| Discontinued operation | >100 | **171** | (1 032) | (3 745) |
| **Standard Bank Group** | 27 | **10 529** | 8 306 | 17 323 |

### Personal & Business Banking

PBB's headline earnings of R4 811 million were 16% higher than the prior period. NII growth of 12% and moderate growth of 8% in NIR enabled total income growth of 10%. Credit impairment charges were 2% lower than in 1H14 while operating expenses increased by 12%, affected by the increase in permanent employees and higher amortisation of IT systems. PBB's ROE increased slightly to 16.0% from 15.8% in the prior period. PBB South Africa earnings rose by 14% while PBB rest of Africa earnings improved to R56 million from R49 million. PBB outside Africa earnings of R205 million were 92% higher than in the prior period.

Transactional products total income increased by 13% helped by both higher average domestic interest rates and balance sheet growth driven by higher cash management, savings and investment portfolio balances. Earnings of R1 189 million were 12% higher than in the prior period.

Mortgage lending headline earnings grew by 12% to R1 037 million. Total income growth of 9% was achieved despite an increase in competitive pricing pressures on new business and a higher rate of pre-payment. Credit impairments were at the same level in the prior period, with the credit loss ratio declining slightly to 80bps from 82bps previously. Non-performing loans reduced as the customer loans increased by 2% over the prior period.

Vehicle and asset finance returned to profitability of R155 million from a loss of R29 million in the prior period. Total income growth of 6% in a difficult market was supplemented by the improvement in the credit loss ratio to 1.41% from 2.09% in the prior period reflecting a higher quality of new business assisted by the investment in online dealer origination capabilities and higher post write-off recoveries.

Card product recorded headline earnings growth of 18% to R671 million during the period. Higher domestic yields, increased utilisation and account upgrades combined with increased nominal consumer spend offset lower average interchange fees to drive total income 10% higher. Credit impairments grew by 4% and the credit loss ratio fell to 4.63% from 4.76% in the prior period.

Lending products' headline earnings fell by 1% to R585 million. Growth of 6% in total income was achieved through good growth in business lending although there was slower growth in personal products lending. Credit impairments were 5% higher than in the previous period as the credit loss ratio declined to 2.16% on 9% growth in the total lending portfolio.

Bancassurance and wealth achieved earnings of R1 174 million that were 12% higher than in the previous period. Total income improved by 11% as higher discretionary assets under management, and offshore products take-up offset lower growth in the brokerage and consulting businesses. Pension fund assets in Nigeria increased but at a lower level than previously due to the deterioration in the economic environment.

## Corporate & Investment Banking

CIB's headline earnings of R4 368 million were 54% higher than in the prior period. Continuing operations' headline earnings were 18% higher as 9% growth in income was matched by similar growth in operating expenses. Although credit impairments showed an appreciable increase, a lower tax rate due to an increase in non-taxable investment income and lower earnings attributable to minority interests in the rest of Africa assisted earnings growth.

The discontinued operation's headline earnings loss, being the outside Africa global markets business, decreased to R179 million from a loss of R1 032 million, mainly due to the non-recurrence of the fair value adjustment on repo positions relating to aluminium financing in China. A partial recovery in respect of insurance claims relating to this matter received during the period was largely offset by a write-down of the residual aluminium exposure in China.

Transactional products and services grew headline earnings by 4% to R1 416 million. Total income was 9% higher on good balance sheet growth and increased client demand for guarantees, export confirmations and letters of credit, offset by reduced investor services demand in Nigeria as its investment environment deteriorated. Expenses were adversely affected by increased staffing requirements in the rest of Africa, increased investment in IT systems to support franchise growth as well as higher client servicing operational costs.

Global markets recorded excellent headline earnings growth of 30% to R2 112 million during the period. Income growth of 12% was due largely to higher client volumes and better positioning in fixed income and currency (FIC) trading, good growth in cash equities and equity derivatives as well as improved commodities trading. Good operational leverage was achieved by subdued growth in expenses.

Investment banking earnings were down 1% to R943 million on broadly the same level of income as in the prior period. Falling commodity prices and deteriorating economic environments in certain countries in the rest of Africa have led to higher impairments required in the oil & gas and power & infrastructure sectors. Good control over expenses was maintained during this period.

Real estate and principal investment management (PIM) recorded headline earnings of R104 million compared to a loss of R110 million in 1H14. Fair value gains within the property investment portfolio and profit on disposal of real estate investments provided the income uplift. The PIM portfolio continues to be gradually wound-down.

## Liberty

The financial results reported are the consolidated results of the group's 54% investment in Liberty. Bancassurance results are included in PBB. Liberty's headline earnings for the six months to June 2015 increased by 6% to R1 991 million of which R1 084 million was attributable to the group. Operating earnings were 10% higher and earnings from the Shareholder Investment Portfolio fell by 2%. The growth in operating earnings was achieved due to strong performances from Individual Arrangements, Liberty Corporate and LibFin Markets. The BEE normalised ROE at 19.4% (1H14: 19.9%) reflects ongoing efficient capital management.

Stanlib performed in line with growth in assets under management with market value growth muted as a result of the higher weighting of interest rate sensitive assets. Margins improved due to better product mix. Net customer cash inflows remain strong with external flows of R10,3 billion into Stanlib asset management operations and R3,2 billion into the group's long-term insurance businesses. The insurance business continues to be managed well within the long-term actuarial expense and policyholder behaviour assumptions. Assets under management were R645 billion (1H14: R639 billion).

# Overview of financial results continued

## Prospects

Global growth of 3.3% is expected by the IMF in 2015, marginally lower than in 2014, with a gradual improvement in advanced economies and a slowdown in emerging market and developing economies. The underlying drivers for a gradual acceleration in economic activity in advanced economies remain intact while lower commodity prices pose risks to the outlook in many low-income developing economies after several years of strong growth.

The economies of sub-Saharan Africa are set to register solid economic performance with output expected to expand by 4.5% in 2015, but at the lower end of the range experienced in recent years. In South Africa, economic growth outlook remains around 2% for 2015 and 2016 with downside risks such as uncertainty in the labour market, inconsistent domestic electricity supply, prices of mining related commodities and vulnerable global growth, expected to persist.

We have strengthened our balance sheet and continue to strive for operational efficiency through increased digitisation and integration of the universal banking model. We will continue to leverage our brand, market positioning and talented staff to better service our clients and customers across Africa. In spite of the evident economic challenges we remain committed to making progress in lifting ROE further over the medium term.

**Sim Tshabalala**
*Group chief executive*

**Ben Kruger**
*Group chief executive*

**Thulani Gcabashe**
*Chairman*

13 August 2015

# 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 an interim gross cash dividend No. 92 of 303,00 cents per ordinary share (the cash dividend) to ordinary shareholders recorded in the register of the company at the close of business on Friday, 11 September 2015. The last day to trade to participate in the dividend is Friday, 4 September 2015. Ordinary shares will commence trading *ex* dividend from Monday, 7 September 2015.

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

Ordinary share certificates may not be dematerialised or rematerialised between Monday, 7 September 2015, and Friday, 11 September 2015, 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, 14 September 2015.

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. 92 of 3,25 cents (gross) per first preference share, payable on Monday, 7 September 2015, to holders of first preference shares recorded in the books of the company at the close of business on the record date, Friday, 4 September 2015. The last day to trade to participate in the dividend is Friday, 28 August 2015. First preference shares will commence trading *ex* dividend from Monday, 31 August 2015.
- Non-redeemable, non-cumulative, non-participating preference shares (second preference shares) dividend No. 22 of 353,20 cents (gross) per second preference share, payable on Monday, 7 September 2015, to holders of second preference shares recorded in the books of the company at the close of business on the record date, Friday, 4 September 2015. The last day to trade to participate in the dividend is Friday, 28 August 2015. Second preference shares will commence trading *ex* dividend from Monday, 31 August 2015.

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

Preference share certificates (first and second) may not be dematerialised or rematerialised between Monday, 31 August 2015 and Friday, 4 September 2015, both days inclusive. Preference shareholders (first and second) who hold dematerialised shares will have their accounts at their CSDP or broker credited on Monday, 7 September 2015.

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.

# Declaration of dividends continued

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** | | | |
| Share code | **SBK** | **SBKP** | **SBPP** |
| ISIN | **ZAE000109815** | **ZAE000038881** | **ZAE000056339** |
| **Namibian Stock Exchange (NSX)** | | | |
| Share code | **SNB** | | |
| ISIN | **ZAE000109815** | | |
| Dividend number | **92** | **92** | **22** |
| Gross distribution/dividend per share (cents) | **303,00** | **3,25** | **353,20** |
| Last day to trade in order to be eligible for the cash dividend | **Friday, 4 September 2015** | **Friday, 28 August 2015** | **Friday, 28 August 2015** |
| Shares trade *ex* the cash dividend | **Monday, 7 September 2015** | **Monday, 31 August 2015** | **Monday, 31 August 2015** |
| Record date in respect of the cash dividend | **Friday, 11 September 2015** | **Friday, 4 September 2015** | **Friday, 4 September 2015** |
| Dividend cheques posted and CSDP/broker account credited/updated (payment date) | **Monday, 14 September 2015** | **Monday, 7 September 2015** | **Monday, 7 September 2015** |

The above dates are subject to change. Any changes will be released on the Stock Exchange News Service (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 257,55000 cents per ordinary share, 2,76250 cents per first preference share and 300,22000 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:

- 1 618 268 746 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.

# Normalised results

With effect from 2004, the group's IFRS results have been normalised to reflect the group's view of the economic and legal substance of the following arrangements (normalised results):

- Preference share funding provided by the group for the group's Tutuwa transaction is deducted from equity as a negative empowerment reserve and reduces the shares in issue in terms of IFRS.
- Group company shares held for the benefit of Liberty policyholders result in a reduction of the number of shares in issue and the exclusion of fair value adjustments and dividends on these shares. The IFRS requirement causes an accounting mismatch between, income from investments and changes in policyholders' liabilities.
- The group also enters into transactions on its own shares to facilitate client trading activities. As part of its normal trading operations, a group subsidiary offers to its clients trading positions over listed shares, including its own shares. To hedge the risk on these trades, the group buys (sells short) its own shares in the market. Although the share exposure on the group's own shares is deducted/(added) from/(to) equity and the related fair value movements are reversed in the income statement, the client trading position and fair value movements are not eliminated, resulting in an accounting mismatch.

A common element in these transactions relates to shares in issue which are deemed by IFRS to be treasury shares. Consequently, the net value of the shares is recognised in equity and the number of shares used for per-share calculation purposes is materially lower than the economic substance, resulting in inflated per-share ratios. The normalisation adjustments reinstate the shares as issued, recognise the related transaction in the statement of financial position as an asset or liability (as appropriate) and recognises the changes in the value of the related transaction (together with dividend income) in the income statement.

The normalised results reflect the basis on which management manages the group and is consistent with that reported in the group's segmental report, where the normalised adjustments have been made within Liberty, and central and other. The results of the other business units are unaffected.

The group's normalised statement of financial position and income statement has been presented hereafter.

The lock-in period for the group's Tutuwa transaction ended on 31 December 2014, allowing participants to trade in the group shares in the scheme. For further information, refer to the relevant note in this announcement.

The result of these normalised adjustments is shown in the table below.

## Normalised headline earnings

for the six months ended 30 June 2015

| | Weighted average number of shares '000 | Headline earnings Rm | Growth on 1H14 % |
|---|---|---|---|
| **Disclosed on an IFRS basis** | **1 596 273** | **10 373** | 26 |
| Tutuwa initiative | **9 788** | **14** | |
| Group shares held for the benefit of Liberty policyholders | **13 323** | **142** | |
| Share exposures held to facilitate client trading activities | **(660)** | | |
| **Normalised** | **1 618 724** | **10 529** | 27 |

# Normalised group statement of financial position

as at 30 June 2015

| | Change % | 1H15 Rm | 1H14 Rm | FY14 Rm |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and balances with central banks | 35 | **63 066** | 46 786 | 64 302 |
| Derivative assets | 7 | **58 931** | 55 282 | 61 633 |
| Trading assets | 28 | **83 067** | 64 802 | 72 121 |
| Pledged assets | >100 | **29 149** | 11 060 | 14 185 |
| Financial investments | 10 | **466 504** | 423 694 | 453 398 |
| Non-current assets held for sale[1] | (100) | **111** | 189 032 | 219 958 |
| Loans and advances | 18 | **1 045 643** | 887 865 | 929 544 |
| Investment property | 14 | **29 273** | 25 645 | 27 022 |
| Other assets | 29 | **35 139** | 27 254 | 22 904 |
| Interest in associates and joint ventures | >100 | **9 162** | 3 422 | 3 727 |
| Goodwill and other intangible assets | 15 | **22 644** | 19 719 | 21 175 |
| Property and equipment | 1 | **16 254** | 16 073 | 16 737 |
| **Total assets** | 5 | **1 858 943** | 1 770 634 | 1 906 706 |
| **Equity and liabilities** | | | | |
| **Equity** | 6 | **168 884** | 159 394 | 165 367 |
| Equity attributable to ordinary shareholders | 7 | **142 512** | 133 814 | 139 588 |
| Preference share capital and premium | | **5 503** | 5 503 | 5 503 |
| Non-controlling interest | 4 | **20 869** | 20 077 | 20 276 |
| **Liabilities** | 5 | **1 690 059** | 1 611 240 | 1 741 339 |
| Deposit and current accounts | 16 | **1 132 127** | 976 348 | 1 047 212 |
| Derivative liabilities | 10 | **66 749** | 60 950 | 72 281 |
| Trading liabilities | 44 | **62 675** | 43 487 | 43 761 |
| Other liabilities | 16 | **107 712** | 92 765 | 82 979 |
| Non-current liabilities held for sale[1] | (100) | | 137 016 | 182 069 |
| Policyholder liabilities | 6 | **295 353** | 278 898 | 287 516 |
| Subordinated debt | 17 | **25 443** | 21 776 | 25 521 |
| **Total equity and liabilities** | 5 | **1 858 943** | 1 770 634 | 1 906 706 |

[1] Global markets outside Africa (GMOA) and Banco Standard de Investimentos S.A (Brazil) total assets and liabilities are presented as held for sale in 2014 in accordance with IFRS. Both were disposed of during 1H15. In 2015, the group's associate interest in Ünlü Menkul Değerler A.Ş. was classified as a non-current asset held for sale.

# Normalised condensed group income statement

for the six months ended 30 June 2015

| | Change % | 1H15 Rm | 1H14 Rm | FY14 Rm |
|---|---|---|---|---|
| Net interest income | 8 | **23 453** | 21 666 | 45 256 |
| Non-interest revenue | 9 | **19 795** | 18 155 | 38 984 |
| **Total income** | 9 | **43 248** | 39 821 | 84 240 |
| Credit impairment charges | 2 | **5 032** | 4 952 | 9 009 |
| **Income after credit impairment charges** | 10 | **38 216** | 34 869 | 75 231 |
| Revenue sharing agreements with discontinued operation | 88 | **(5)** | (40) | (171) |
| **Income before operating expenses** | 10 | **38 211** | 34 829 | 75 060 |
| Operating expenses | 11 | **24 762** | 22 222 | 46 871 |
| Staff costs | 12 | **13 510** | 12 063 | 24 961 |
| Other operating expenses | 11 | **11 252** | 10 159 | 21 910 |
| **Net income before goodwill impairment** | 7 | **13 449** | 12 607 | 28 189 |
| Goodwill impairment | (100) | | 4 | 4 |
| **Net income before disposal and liquidation of subsidiaries and equity accounted earnings** | 7 | **13 449** | 12 603 | 28 185 |
| Gain on disposal and liquidation of subsidiaries | 100 | **261** | | 1 212 |
| Share of profit from associates and joint ventures | (51) | **189** | 383 | 665 |
| **Net income before taxation** | 7 | **13 899** | 12 986 | 30 062 |
| Taxation | 2 | **3 641** | 3 582 | 7 869 |
| **Profit for the period from continuing operations** | 9 | **10 258** | 9 404 | 22 193 |
| Profit/(loss) from discontinued operation[1] | >100 | **3 002** | (1 032) | (4 048) |
| **Profit for the period** | 58 | **13 260** | 8 372 | 18 145 |
| Attributable to non-controlling interests | (14) | **770** | 900 | 1 848 |
| Attributable to preference shareholders | 6 | **189** | 178 | 364 |
| **Attributable to ordinary shareholders – banking activities** | 69 | **12 301** | 7 294 | 15 933 |
| Headline adjustable items – banking activities | (>100) | **(2 856)** | (9) | (768) |
| **Headline earnings – banking activities** | 30 | **9 445** | 7 285 | 15 165 |
| **Headline earnings – Liberty** | 6 | **1 084** | 1 021 | 2 158 |
| **Standard Bank Group headline earnings** | 27 | **10 529** | 8 306 | 17 323 |

[1] Gains and losses relating to the group's GMOA business has been presented as a single amount relating to their after-tax gains/(losses).

# *Pro forma* financial information

The following *pro forma* financial information is the responsibility of the group's directors. Because of its nature, the *pro forma* financial information may not be a fair reflection of the group's results of operation. The *pro forma* financial information contained in this announcement has not been reviewed or reported on by the group's external auditors.

## Group's continuing operations results including 40% retained interest in the group's GMOA business

On 1 February 2015, the group completed the disposal of its controlling interest in its GMOA business and thereafter reports its retained 40% interest in ICBCS within the group's continuing operations' results. In the group's 2014 results, and for the current period up to the date of disposal, the group's GMOA business' net headline earnings/(loss) was included in the group's income statement as a discontinued operation.

Since the group retains a 40% interest in the discontinued operation following the date of disposal, and in order to illustrate the group's future continuing operation's base, the group has disclosed a *pro forma* continuing operations' result to include 40% of the discontinued operation's headline earnings result as follows:

| | Continuing operations | | |
|---|---|---|---|
| | Headline earnings as reported Rm | Adjustment[1] Rm | Headline earnings *pro forma* Rm |
| **1H15** | **10 358** | **68** | **10 426** |
| 1H14 | 9 338 | (413) | 8 925 |
| FY14 | 21 068 | (1 498) | 19 570 |

[1] 40% of the discontinued operations' headline earnings/(loss).

# Interim unaudited results in accordance with IFRS

## Financial statistics

for the six months ended 30 June 2015

| | Change % | **1H15 Unaudited** | 1H14 Unaudited | FY14 Audited |
|---|---|---|---|---|
| **Number of ordinary shares in issue ('000)** | | | | |
| End of period | 1 | **1 601 792** | 1 588 000 | 1 577 828 |
| Weighted average | 1 | **1 596 273** | 1 585 915 | 1 584 720 |
| Diluted weighted average | 0 | **1 623 184** | 1 621 109 | 1 617 008 |
| **Cents per ordinary share** | | | | |
| Headline earnings | 25 | **649,8** | 518,9 | 1 081,4 |
| Continuing operations | 9 | **639,1** | 584,0 | 1 317,7 |
| Discontinued operation | >100 | **10,7** | (65,1) | (236,3) |
| Diluted headline earnings | 26 | **639,1** | 507,7 | 1 059,8 |
| Continuing operations | 10 | **628,6** | 571,3 | 1 291,4 |
| Discontinued operation | >100 | **10,5** | (63,6) | (231,6) |
| Dividend | 17 | **303,0** | 259,0 | 598,0 |
| Net asset value | 6 | **8 832** | 8 333 | 8 682 |
| **Financial performance (%)** | | | | |
| ROE | | **15.1** | 12.7 | 13.0 |
| Net interest margin[1] | | **3.47** | 3.75 | 3.79 |
| Credit loss ratio[1] | | **0.99** | 1.13 | 1.00 |
| Cost-to-income ratio[1] | | **56.7** | 55.3 | 54.6 |
| **Capital adequacy ratios (%)** | | | | |
| **Basel III** | | | | |
| Tier I capital | | **13.7** | 12.7 | 12.9 |
| Total capital | | **16.1** | 15.2 | 15.5 |

[1] Continuing operations for banking activities only.

# Consolidated statement of financial position

as at 30 June 2015

| | Change % | 1H15 Unaudited Rm | 1H14 Unaudited Rm | FY14 Audited Rm |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and balances with central banks | 35 | **63 066** | 46 786 | 64 302 |
| Derivative assets | 7 | **58 931** | 55 282 | 61 633 |
| Trading assets | 28 | **83 650** | 65 458 | 72 040 |
| Pledged assets | >100 | **29 149** | 11 060 | 14 185 |
| Financial investments | 10 | **464 052** | 421 931 | 450 921 |
| Non-current assets held for sale[1] | (>100) | **111** | 189 032 | 219 958 |
| Loans and advances | 18 | **1 045 389** | 886 615 | 928 241 |
| Investment property | 14 | **29 273** | 25 645 | 27 022 |
| Other assets | 29 | **35 139** | 27 254 | 22 904 |
| Interest in associates and joint ventures | >100 | **9 162** | 3 422 | 3 727 |
| Goodwill | (4) | **3 612** | 3 767 | 3 752 |
| Other intangible assets | 19 | **19 032** | 15 952 | 17 423 |
| Property and equipment | 1 | **16 254** | 16 073 | 16 737 |
| **Total assets** | 5 | **1 856 820** | 1 768 277 | 1 902 845 |
| **Equity and liabilities** | | | | |
| **Equity** | 6 | **166 729** | 157 110 | 161 634 |
| Equity attributable to ordinary shareholders | 7 | **141 470** | 132 332 | 136 985 |
| Preference share capital and premium | – | **5 503** | 5 503 | 5 503 |
| Non-controlling interest | 2 | **19 756** | 19 275 | 19 146 |
| **Liabilities** | 5 | **1 690 091** | 1 611 167 | 1 741 211 |
| Deposit and current accounts | 16 | **1 132 127** | 976 348 | 1 047 212 |
| Derivative liabilities | 10 | **66 749** | 60 950 | 72 281 |
| Trading liabilities | 44 | **62 675** | 43 487 | 43 761 |
| Other liabilities | 16 | **107 744** | 92 692 | 82 851 |
| Non-current liabilities held for sale[1] | (100) | | 137 016 | 182 069 |
| Policyholder liabilities | 6 | **295 353** | 278 898 | 287 516 |
| Subordinated debt | 17 | **25 443** | 21 776 | 25 521 |
| **Total equity and liabilities** | 5 | **1 856 820** | 1 768 277 | 1 902 845 |

[1] GMOA's and Brazil's total assets and liabilities are presented as held for sale in 2014 in accordance with IFRS. Both were disposed of during the 1H15. In 2015, the group's associate interest in Ünlü Menkul Değerler A.Ş. was classified as a non-current asset held for sale.

# Condensed consolidated income statement

for the six months ended 30 June 2015

| | Change % | 1H15 Unaudited Rm | 1H14 Unaudited Rm | FY14 Audited Rm |
|---|---|---|---|---|
| **Continuing operations** | | | | |
| Income from banking activities | 9 | **43 245** | 39 838 | 84 214 |
| Net interest income | 8 | **23 449** | 21 615 | 45 152 |
| Non-interest revenue | 9 | **19 796** | 18 223 | 39 062 |
| Income from investment management and life insurance activities | (15) | **35 550** | 42 019 | 79 467 |
| **Total income** | (4) | **78 795** | 81 857 | 163 681 |
| Credit impairment charges | 2 | **5 032** | 4 952 | 9 009 |
| Benefits due to policyholders | (22) | **24 605** | 31 579 | 58 258 |
| **Income after credit impairment charges and policyholders benefits** | 8 | **49 158** | 45 326 | 96 414 |
| Revenue sharing agreements with discontinued operation | 88 | **(5)** | (40) | (171) |
| **Income after revenue sharing agreements with discontinued operation** | 9 | **49 153** | 45 286 | 96 243 |
| Operating expenses in banking activities | 11 | **24 762** | 22 222 | 46 871 |
| Staff costs | 12 | **13 510** | 12 063 | 24 961 |
| Other operating expenses | 11 | **11 252** | 10 159 | 21 910 |
| Operating expenses in investment management and life insurance activities | 5 | **7 592** | 7 216 | 14 546 |
| **Net income before goodwill impairment and gains on disposal and liquidation of subsidiaries** | 6 | **16 799** | 15 848 | 34 826 |
| Goodwill impairment | (100) | | 4 | 4 |
| Gains on disposal and liquidation of subsidiaries | 100 | **261** | | 1 212 |
| **Net income before share of profits from associates and joint ventures** | 8 | **17 060** | 15 844 | 36 034 |
| Share of profit from associates and joint ventures | (55) | **174** | 388 | 679 |
| **Net income before indirect taxation** | 6 | **17 234** | 16 232 | 36 713 |
| Indirect taxation | 16 | **1 195** | 1 026 | 2 439 |
| **Profit before direct taxation** | 5 | **16 039** | 15 206 | 34 274 |
| Direct taxation | (0) | **3 908** | 3 915 | 8 061 |
| **Profit for the period from continuing operations** | 7 | **12 131** | 11 291 | 26 213 |
| Profit/(loss) for the period from discontinued operation[1] | >100 | **3 002** | (1 032) | (4 048) |
| **Profit for the period** | 48 | **15 133** | 10 259 | 22 165 |
| Attributable to non-controlling interests | (7) | **1 714** | 1 845 | 3 904 |
| Attributable to preference shareholders | 9 | **190** | 175 | 356 |
| **Attributable to ordinary shareholders** | 61 | **13 229** | 8 239 | 17 905 |
| **Basic earnings per share (cents)** | | **828,7** | 519,5 | 1 129,9 |
| Continuing operations | | **640,7** | 584,6 | 1 385,3 |
| Discontinued operation | | **188,0** | (65,1) | (255,4) |
| **Diluted earnings per share (cents)** | | **815,0** | 508,2 | 1 107,3 |
| Continuing operations | | **630,1** | 571,9 | 1 357,6 |
| Discontinued operation | | **184,9** | (63,7) | (250,3) |

[1] Gains and losses relating to the group's GMOA business has been presented as a single amount relating to their after-tax gains and losses.

# Headline earnings

for the six months ended 30 June 2015

| | Change % | **1H15 Unaudited Rm** | 1H14 Unaudited Rm | FY14 Audited Rm |
|---|---|---|---|---|
| **Profit for the period from continuing operations** | 10 | **10 227** | 9 271 | 21 953 |
| **Headline adjustable items deducted** | | **(15)** | (20) | (1 017) |
| Goodwill impairment – IAS 36 | | | 4 | 4 |
| Loss on sale of property and equipment – IAS 16 | | **3** | 6 | 16 |
| Realised foreign currency translation loss/(profit) on foreign operations – IAS 21 | | **41** | | (1 203) |
| Profit on the disposal and liquidation of subsidiaries – IFRS 10 | | **(189)** | | (9) |
| Impairment of intangible assets – IAS 36 | | | | 257 |
| Realised losses/(gains) on available-for-sale assets – IAS 39 | | **17** | (30) | (29) |
| Impairment/(reversal of impairment and disposal profit) on associate – IAS 28/IAS 36 | | **113** | | (53) |
| Taxation on headline earnings adjustable items | | **(6)** | (4) | (81) |
| Non-controlling interests' share of headline earnings adjustable items | | **(4)** | 15 | 27 |
| **Standard Bank Group headline earnings from continuing operations** | 10 | **10 202** | 9 262 | 20 882 |
| **Profit for the period from discontinued operation** | (>100) | **3 002** | (1 032) | (4 048) |
| **Headline adjustable items (deducted)/added** | | **(2 831)** | | 346 |
| Impairment of intangible assets – IAS 38 | | | | 193 |
| Loss on disposal of subsidiary – IFRS 10 | | **1 303** | | |
| Realised foreign currency translation profit on foreign operation – IAS 21 | | **(4 054)** | | |
| Profit on net investment hedge on disposal of subsidiary – IAS 39 | | **(68)** | | |
| Realised (gains)/losses on available-for-sale assets – IAS 39 | | **(12)** | | 153 |
| Taxation on headline earnings adjustable items | | | | (43) |
| **Standard Bank Group headline earnings from discontinued operation** | (>100) | **171** | (1 032) | (3 745) |
| **Standard Bank Group headline earnings** | 26 | **10 373** | 8 230 | 17 137 |

# Condensed consolidated statement of other comprehensive income

for the six months ended 30 June 2015

| | 1H15 | | | 1H14 | FY14 |
|---|---|---|---|---|---|
| | **Ordinary share-holders' equity Unaudited Rm** | **Non-controlling interests and preference shareholders Unaudited Rm** | **Total equity Unaudited Rm** | Total equity Unaudited Rm | Total equity Audited Rm |
| **Profit for the period** | **13 229** | **1 904** | **15 133** | 10 259 | 22 165 |
| **Other comprehensive income (OCI) after tax for the period** | **(4 588)** | **(240)** | **(4 828)** | (888) | (888) |
| ***Items that may be reclassified subsequently to profit or loss:*** | | | | | |
| Exchange rate differences on translating equity investment in foreign operations | **(4 001)** | **(302)** | **(4 303)** | (765) | (5) |
| Foreign currency hedge of net investments | **(166)** | | **(166)** | 112 | (147) |
| Cash flow hedges | **(435)** | **(13)** | **(448)** | (64) | (379) |
| Available-for-sale financial assets | **60** | **69** | **129** | 7 | (226) |
| ***Items that may not be reclassified to profit or loss:*** | | | | | |
| Defined benefit fund adjustments | **(52)** | **6** | **(46)** | (182) | (99) |
| Revaluation and other gains/(losses) | **6** | | **6** | 4 | (32) |
| **Total comprehensive income for the period** | **8 641** | **1 664** | **10 305** | 9 371 | 21 277 |
| Attributable to non-controlling interests | | **1 474** | **1 474** | 1 804 | 2 689 |
| Attributable to equity holders of the parent | **8 641** | **190** | **8 831** | 7 567 | 18 588 |
| Attributable to preference shareholders | | **190** | **190** | 175 | 356 |
| **Attributable to ordinary shareholders** | **8 641** | | **8 641** | 7 392 | 18 232 |

# Consolidated statement of changes in equity

for the six months ended 30 June 2015

| | Ordinary share capital and premium Rm | Empower-ment reserve Rm | Treasury shares Rm | Foreign currency translation reserve Rm | Foreign currency hedge of net investment reserve Rm | Cash flow hedging reserve Rm |
|---|---|---|---|---|---|---|
| **Balance at 1 January 2014 (audited)** | 18 126 | (1 846) | (285) | 6 274 | (268) | 804 |
| Increase in statutory credit risk reserve | | | | | | |
| Transactions with non-controlling shareholders | | (2) | (1) | | | |
| Equity-settled share-based payment transactions | | | | | | |
| Deferred tax on share-based payment transactions | | | | | | |
| Transfer of vested equity options | | | | | | |
| Decrease in treasury shares | | | 605 | | | |
| Net purchase of share capital and share premium and capitalisation of reserves | (58) | | | | | |
| Unincorporated property partnerships capital reductions and distributions | | | | | | |
| Total comprehensive income for the period | | | | (753) | 112 | (42) |
| Net dividends paid | | (47) | | | | |
| **Balance at 30 June 2014 (unaudited)** | 18 068 | (1 895) | 319 | 5 521 | (156) | 762 |
| **Balance at 1 July 2014 (unaudited)** | 18 068 | (1 895) | 319 | 5 521 | (156) | 762 |
| Increase in statutory credit risk reserve | | | | | | |
| Transactions with non-controlling shareholders | | 2 | | | | |
| Equity-settled share-based payment transactions | | | | | | |
| Deferred tax on share-based payment transactions | | | | | | |
| Transfer of vested equity options | | | | | | |
| Increase in treasury shares | | | (955) | | | |
| Net purchase of share capital and share premium and capitalisation of reserves | (1) | | | | | |
| Unincorporated property partnerships capital reductions and distributions | | | | | | |
| Total comprehensive income for the period | | | | 1 838 | (259) | (295) |
| Net dividends paid | | (41) | | | | |
| **Balance at 31 December 2014 (audited)** | 18 067 | (1 934) | (636) | 7 359 | (415) | 467 |
| **Balance at 1 January 2015 (audited)** | **18 067** | **(1 934)** | **(636)** | **7 359** | **(415)** | **467** |
| Increase in statutory credit risk reserve | | | | | | |
| Transactions with non-controlling shareholders | | | **(3)** | | | |
| Equity-settled share-based payment transactions | | | | | | |
| Deferred tax on share-based payment transactions | | | | | | |
| Transfer of vested equity options | | | | | | |
| Increase in treasury shares | | | **(109)** | | | |
| Net purchase of share capital and share premium and capitalisation of reserves | **(91)** | | | | | |
| Redemption of preference shares | | **1 307** | | | | |
| Unincorporated property partnerships capital reductions and distributions | | | | | | |
| Total comprehensive income for the period | | | | **(4 001)** | **(166)** | **(435)** |
| Net dividends paid | | **169** | | | | |
| **Balance at 30 June 2015 (unaudited)** | **17 976** | **(458)** | **(748)** | **3 358** | **(581)** | **32** |

| Statutory credit risk reserve Rm | Available-for-sale revaluation reserve Rm | Share-based payment reserve Rm | Other reserves Rm | Retained earnings Rm | Ordinary shareholders' equity Rm | Preference share capital and premium Rm | Non-controlling interest Rm | Total equity Rm |
|---|---|---|---|---|---|---|---|---|
| 1 295 | 196 | 1 233 | 245 | 103 162 | 128 936 | 5 503 | 18 209 | 152 648 |
| 378 | | | | (378) | | | | |
| | | | | (71) | (74) | | (72) | (146) |
| | | 380 | | (54) | 326 | | 24 | 350 |
| | | | | 183 | 183 | | | 183 |
| | | (373) | | 373 | | | | |
| | | | | (137) | 468 | | 4 | 472 |
| | | | | (41) | (99) | | | (99) |
| | | | | | | | (63) | (63) |
| | 9 | | 4 | 8 062 | 7 392 | 175 | 1 804 | 9 371 |
| | | | | (4 753) | (4 800) | (175) | (631) | (5 606) |
| 1 673 | 205 | 1 240 | 249 | 106 346 | 132 332 | 5 503 | 19 275 | 157 110 |
| 1 673 | 205 | 1 240 | 249 | 106 346 | 132 332 | 5 503 | 19 275 | 157 110 |
| 432 | | | | (432) | | | | |
| | | | | (344) | (342) | | 46 | (296) |
| | | 200 | | (305) | (105) | | 24 | (81) |
| | | | | (33) | (33) | | | (33) |
| | | (268) | | 268 | | | | |
| | | | | (105) | (1 060) | | (308) | (1 368) |
| | | | | (499) | (500) | | | (500) |
| | | | | | | | (16) | (16) |
| | (143) | | (15) | 9 714 | 10 840 | 181 | 885 | 11 906 |
| | | | | (4 106) | (4 147) | (181) | (760) | (5 088) |
| 2 105 | 62 | 1 172 | 234 | 110 504 | 136 985 | 5 503 | 19 146 | 161 634 |
| **2 105** | **62** | **1 172** | **234** | **110 504** | **136 985** | **5 503** | **19 146** | **161 634** |
| **487** | | | | **(487)** | | | | |
| | | | | **(149)** | **(152)** | | **(192)** | **(344)** |
| | | **132** | | **(43)** | **89** | | **26** | **115** |
| | | | | **134** | **134** | | | **134** |
| | | **(249)** | | **249** | | | | |
| | | | | **483** | **374** | | **(107)** | **267** |
| | | | | **(371)** | **(462)** | | | **(462)** |
| | | | | | **1 307** | | | **1 307** |
| | | | | | | | **(97)** | **(97)** |
| | **60** | | **6** | **13 177** | **8 641** | **190** | **1 474** | **10 305** |
| | | | | **(5 615)** | **(5 446)** | **(190)** | **(494)** | **(6 130)** |
| **2 592** | **122** | **1 055** | **240** | **117 882** | **141 470** | **5 503** | **19 756** | **166 729** |

# Condensed consolidated statement of cash flows

for the six months ended 30 June 2015

| | 1H15 Unaudited Rm | 1H14 Unaudited Rm | FY14 Audited Rm |
|---|---|---|---|
| **Net cash flows from operating activities** | **15 841** | (863) | 29 654 |
| Direct taxation paid | **(4 109)** | (3 723) | (8 070) |
| Other operating cash flows | **19 950** | 2 860 | 37 724 |
| **Net cash flows used in investing activities** | **(28 435)** | (4 693) | (8 298) |
| Capital expenditure | **(3 798)** | (3 218) | (8 426) |
| Other investing cash flows[1] | **(24 637)** | (1 475) | 128 |
| **Net cash flows used in financing activities** | **(5 956)** | (8 691) | (10 262) |
| Proceeds from the issue of share capital and share buy-backs | **(462)** | (99) | (599) |
| Repayment of empowerment reserve | **1 307** | | |
| Net subordinated debt cash flows | **(217)** | (1 906) | 1 960 |
| Other financing cash flows | **(6 584)** | (6 686) | (11 623) |
| **Effect of exchange rate changes on cash and cash equivalents** | **737** | 573 | 2 376 |
| **Net (decrease)/increase in cash and cash equivalents** | **(17 813)** | (13 674) | 13 470 |
| Cash and cash equivalents at beginning of the period | **80 879** | 67 409 | 67 409 |
| **Cash and cash equivalents at the end of the period** | **63 066** | 53 735 | 80 879 |
| ***Comprising:*** | | | |
| Cash and balances with central banks | **63 066** | 46 786 | 64 302 |
| Cash and balances with central banks held for sale | | 6 949 | 16 577 |
| **Cash and cash equivalents at the end of the period** | **63 066** | 53 735 | 80 879 |

[1] The material net change in other investing cash flows for the period relates to the higher utilisation of asset repurchase agreements and scrip lending transactions within the group's insurance operations; cash outflow of R5,1 billion from the disposal of Standard Bank Plc, being the net of Standard Bank Plc's cash and cash equivalents that are no longer part of the group less the cash disposal proceeds received by 30 June 2015; and the receipt of proceeds on disposal of Brazil of R581 million.

# Notes

## Condensed segment report

for the six months ended 30 June 2015

| | Change % | 1H15 Unaudited Rm | 1H14 Unaudited[1] Rm | FY14 Audited[1] Rm |
|---|---|---|---|---|
| **Revenue contribution by business unit** | | | | |
| Personal & Business Banking | 10 | **28 783** | 26 101 | 55 398 |
| Corporate & Investment Banking | 9 | **15 125** | 13 838 | 29 343 |
| Central and other | (>100) | **(660)** | (118) | (501) |
| **Banking activities** | 9 | **43 248** | 39 821 | 84 240 |
| Liberty | (15) | **35 832** | 42 163 | 79 744 |
| **Standard Bank Group – normalised** | (4) | **79 080** | 81 984 | 163 984 |
| Adjustments for IFRS | (>100) | **(285)** | (127) | (303) |
| **Standard Bank Group – IFRS** | (4) | **78 795** | 81 857 | 163 681 |
| **Profit or loss attributable to ordinary shareholders** | | | | |
| Personal & Business Banking | 16 | **4 801** | 4 156 | 9 666 |
| Corporate & Investment Banking | 49 | **4 205** | 2 827 | 4 875 |
| Central and other | >100 | **3 295** | 311 | 1 392 |
| **Banking activities** | 69 | **12 301** | 7 294 | 15 933 |
| Liberty | 6 | **1 084** | 1 021 | 2 158 |
| **Standard Bank Group – normalised** | 61 | **13 385** | 8 315 | 18 091 |
| Adjustments for IFRS | (>100) | **(156)** | (76) | (186) |
| **Standard Bank Group – IFRS** | 61 | **13 229** | 8 239 | 17 905 |
| **Total assets by business unit** | | | | |
| Personal & Business Banking | 6 | **641 314** | 603 132 | 621 299 |
| Corporate & Investment Banking | 1 | **860 403** | 853 503 | 954 063 |
| Central and other | 28 | **(30 424)** | (42 392) | (25 101) |
| **Banking activities** | 4 | **1 471 293** | 1 414 243 | 1 550 261 |
| Liberty | 9 | **387 650** | 356 391 | 356 445 |
| **Standard Bank Group – normalised** | 5 | **1 858 943** | 1 770 634 | 1 906 706 |
| Adjustments for IFRS | 10 | **(2 123)** | (2 357) | (3 861) |
| **Standard Bank Group – IFRS** | 5 | **1 856 820** | 1 768 277 | 1 902 845 |
| **Total liabilities by business unit** | | | | |
| Personal & Business Banking | 6 | **577 616** | 546 354 | 562 906 |
| Corporate & Investment Banking | (0) | **800 847** | 802 829 | 900 059 |
| Central and other | 28 | **(51 126)** | (71 427) | (53 683) |
| **Banking activities** | 4 | **1 327 337** | 1 277 756 | 1 409 282 |
| Liberty | 9 | **362 722** | 333 484 | 332 057 |
| **Standard Bank Group – normalised** | 5 | **1 690 059** | 1 611 240 | 1 741 339 |
| Adjustments for IFRS | >100 | **32** | (73) | (128) |
| **Standard Bank Group – IFRS** | 5 | **1 690 091** | 1 611 167 | 1 741 211 |

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

# Notes continued

## Contingent liabilities and capital commitments

as at 30 June 2015

| | 1H15 Unaudited Rm | FY14 Audited Rm |
|---|---|---|
| Letters of credit and bankers' acceptances | **10 479** | 16 162 |
| Guarantees | **52 241** | 53 365 |
| **Contingent liabilities** | **62 720** | 69 527 |
| Contracted capital expenditure | **3 137** | 4 216 |
| Capital expenditure authorised but not yet contracted | **8 620** | 10 867 |
| **Capital commitments** | **11 757** | 15 083 |

## Legal proceedings

In the ordinary course of business, the group is involved in litigation, lawsuits and other proceedings. While recognising the inherent difficulty of predicting the outcome of defended legal proceedings, management believes, based upon current knowledge and after consulting with legal counsel, that the legal proceedings currently pending against it should not have a material adverse effect on the group's consolidated financial position. The directors are satisfied, based on present information and the assessed probability of claims eventuating, that the group has adequate insurance programmes and provisions in place to meet such claims.

## 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 2/2013 *Headline Earnings*, issued by 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.

| | 1H15 Unaudited Rm | FY14 Audited Rm |
|---|---|---|
| Cost | **88** | 94 |
| Carrying value | **573** | 625 |
| Fair value | **573** | 589 |
| Attributable income before impairment | | 64 |

## Equity securities

During the period, the group allotted 2 188 716 shares (FY14: 4 879 268 shares) in terms of the group's share incentive schemes and repurchased 2 281 819 shares (FY14: 4 361 547 shares). The total equity securities held as treasury shares at the end of the period was 10 153 184 shares (FY14: 12 807 677 shares).

## Subordinated debt

During the period the group issued R2,8 billion (FY14: R4,4 billion) and redeemed R3,1 billion (FY14: R2,4 billion) subordinated debt instruments.

The terms of the SBK 21, SBK 22 and SBK 23 bonds, which were issued in 2015, include a regulatory requirement for tier II capital instruments which provides for the write-off in whole or, if permitted by the relevant regulator (SARB) , in part on the earlier of a decision that a write-off, without which the issuer would become non-viable, is necessary; or a decision to make a public sector injection of capital, or equivalent support, without which the issuer would have become non-viable, as determined and notified by the relevant regulator (SARB).

## Black economic empowerment (BEE) transactions

In 2004, the group entered into a series of transactions whereby investments were made in cumulative redeemable preference shares issued by BEE entities. The group's banking operations' BEE initiative is referred to as Tutuwa and Liberty's is referred to as Lexshell.

A key feature of these BEE initiatives is that all participants were subject to a ten-year lock-in restriction, during which time they were not permitted to access the underlying equity value in their shares. This lock-in period expired on 31 December 2014.

To the extent that the Tutuwa participants accessed their underlying equity value and to the extent that those equity shares are financed by the group, a proportionate amount of the group's negative empowerment reserve is released through the payment of the underlying debt owing on the preference shares by the participant. From January 2015 to June 2015, a total number of 36,4 million Standard Bank Group shares were released from the Tutuwa empowerment structure, with approximately 59% of those shares being financed by the group. This has resulted in a release of R1,1 billion from the group's empowerment reserve.

As a result of participants accessing value in Liberty's Lexshell initiative, a release of R254 million from the group's empowerment reserve was recognised.

In terms of IFRS, shares held within the Tutuwa structure which were financed by the group, were accounted for as treasury shares. The release of shares out of the Tutuwa structure resulted in an increase of 18 million shares in the weighted average number of shares, as these are no longer deemed to be treasury shares.

## Aluminium reverse repurchase agreement

The group's net exposure in respect of the aluminium in repurchase agreements in Chinese ports as at 31 December 2014 was recorded at USD20 million. In light of new circumstances arising in January 2015, a further downward valuation adjustment of USD20 million was recognised as at 31 January 2015. At this date, while insurance claims had been made in respect of certain of the aluminium exposures, the outcome of these claims was not yet sufficiently certain to satisfy IFRS' "virtually certain" recognition criteria.

In June 2015, as announced by the group on SENS on 28 July 2015, a settlement agreement was concluded with the majority of the group's third-party insurers in respect of certain of the losses suffered as a consequence of the fraud in Qingdao port, and an amount of approximately USD65 million in cash was received by ICBCS with respect to this settlement. Pursuant to the amendments to the disposal agreement with ICBC in relation to ICBCS announced on 10 December 2014, the group enjoys the full economic benefit of this recovery.

Efforts continue through a number of avenues to recover amounts owing from the remaining third party insurer and other counterparties, and to access metal stocks held by the authorities in China.

# Notes continued

## Related party transactions

### Tutuwa related parties

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

As reported by the group on SENS on 16 February 2015, key management personnel sold 335 113 of the group's ordinary shares out of the Tutuwa structure in order to settle employees' tax, associated funding and transaction costs arising from the expiry of the lock-in period.

### Tutuwa shares movement since lock-in period ended

| | 1H15 | |
|---|---|---|
| | Issued number of shares 000's | Weighted number of shares 000's |
| Shares financed by Standard Bank Group – 1 January 2015 | **27 726** | **27 726** |
| *Less*: sale of shares by participants | **(21 403)** | **(17 938)** |
| **Shares financed by Standard Bank Group – 30 June 2015** | **6 323** | **9 788** |

### Post-employment benefit plans

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

| | 1H15 Unaudited Rm | FY14 Audited Rm |
|---|---|---|
| Value of assets under management | **9 860** | 9 077 |
| Investments held in bonds and money market instruments | **795** | 655 |
| Value of ordinary group shares held | **308** | 330 |

### Transactions with an associate

As noted, on 1 February 2015 the group disposed of its controlling interest in Standard Bank Plc to ICBC. With effect from that date Standard Bank Plc was renamed to ICBC Standard Bank Plc (ICBCS) and became a supported subsidiary of ICBC. The group's retained 40% interest in ICBCS was, with effect from the disposal date, classified as an interest in an associate and equity accounted thereafter. During the period ended 30 June 2015 the group both maintained and entered into new lending, deposit, derivative and other trading related transactions with ICBCS on market related terms as follows:

| | 1H15 Unaudited Rm |
|---|---|
| **Net loans and advances/deposits** | |
| Net loans and advances/deposits outstanding at the end of the period | **30 652** |
| **Net derivative liabilities** | |
| Net derivative liabilities at the end of the period | **(1 818)** |
| **Trading liabilities** | |
| Trading liabilities outstanding at end of the period | **(2 337)** |

## Transactions with a shareholder

The following transactions took place between the group and ICBC, a 20.1% shareholder of Standard Bank Group Limited:

| | 1H15 Unaudited Rm | 1H14 Unaudited Rm |
|---|---|---|
| **Revenue** | | |
| Trading revenue | **42** | 54 |
| Fees and commission income | **2** | 1 |
| Net interest income | **29** | 39 |
| **Total revenue earned** | **73** | 94 |

| | 1H15 Unaudited Rm | FY14 Audited Rm |
|---|---|---|
| **Net loans and advances/deposits** | | |
| Net loans and advances outstanding at beginning of the period | **1 462** | |
| Net loans and advances (deposits repaid)/incurred during the period | **(239)** | 1 462 |
| **Net loans and advances outstanding at the end of the period** | **1 223** | 1 462 |
| Net loans and advances to ICBC includes fixed terms loans with a maturity of less than 12 months from the reporting date. These facilities were entered into at market related terms and conditions. | | |
| **Trading assets** | | |
| Trading assets outstanding at beginning of the period | **20** | |
| Net trading positions (closed)/opened during the period | **(14)** | 20 |
| **Trading assets outstanding at the end of the period** | **6** | 20 |
| During the period, the group entered into commodity leasing transactions with ICBC at market related terms and conditions. | | |
| **Other receivables** | | |
| Deferred consideration – proceeds on sale of Standard Bank Plc | **1 177** | |
| As at 30 June 2015 the group had a receivable owing from ICBC of USD97,1 million relating to the disposal of the group's 60% controlling interest in Standard Bank Plc. | | |
| **Letters of credit** | | |
| The group has off-balance sheet letters of credit exposure issued to ICBC as at 30 June 2015 of R175 million. The group received R2 million (1H14: R1 million) in fee and commission income relating to these transactions. | **175** | 646 |

# Notes continued

## Disposal of subsidiaries

### Brazil

In April 2015, the group completed the disposal of Banco Standard de Investimentos S.A., the group's Brazilian licensed banking subsidiary, to Grupo Financiero Inbursa SAB, a listed Mexican banking group. The final disposal proceeds amounted to R581 million. The net gain on the disposal, together with the recognition of a foreign currency translation loss, has been included in the group's income statement as part of its continuing operation's results.

### Standard Bank Plc

The group disposed of 60% of Standard Bank Plc to the ICBC on 1 February 2015. The final cash proceeds on this 60% disposal, which was based on a discount to the 31 January 2015 net asset value (this net asset value was impacted by the valuation of certain aluminium claims as previously discussed), amounted to USD675 million. The final tranche of payment in this respect was made, in terms of the transaction agreements, in early July 2015. Standard Bank Plc's financial results, together with the net gain on disposal, have been reported as part of the group's discontinued operation's results up to the date of completion of the transaction.

The group retained a 40% interest in Standard Bank Plc (subsequently renamed ICBC Standard Bank Plc), with this interest being recognised as investment in an associate from 1 February 2015. The associate was recognised at a value of USD450 million on this date. This value was determined to be the fair value based on the terms of the disposal transaction. The results from the group's remaining 40% interest in ICBCS have been included, with effect from 1 February 2015, in the group's continuing operation's results.

## Change in group directorate

The following changes in directorate took place during the six months ended 30 June 2015:

| | | |
|---|---|---|
| **Appointments** | | |
| T Gcabashe | as chairman | 28 May 2015 |
| **Resignation and retirements** | | |
| F du Plessis | as director | 28 May 2015 |
| F Phaswana | as chairman | 28 May 2015 |
| Lord Smith of Kelvin, KT | as director | 28 May 2015 |

## 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 | Total Rm |
|---|---|---|---|
| **Unrecognised net profit as at 1 January 2014 (audited)** | 244 | 16 | 260 |
| Additional net profit on new transactions | 144 | | 144 |
| Recognised in profit or loss during the year | (85) | | (85) |
| **Unrecognised net profit as at 1 January 2015 (audited)** | **303** | **16** | **319** |
| Additional net profit on new transactions | **51** | **283** | **334** |
| Recognised in profit or loss during the period | **7** | **(11)** | **(4)** |
| **Unrecognised net profit as at 30 June 2015 (unaudited)** | **361** | **288** | **649** |

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

IFRS requires financial assets and financial liabilities 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.

The following table sets out the impact of offset, as well as 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.

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 subject to offset[1] Rm | Gross amount of recognised financial liabilities offset in the statement of financial position[2] Rm | Net amounts subject to offset Rm | Financial collateral and cash collateral received[4, 5] Rm | Net amount Rm |
|---|---|---|---|---|---|
| **30 June 2015 (unaudited)** | | | | | |
| **Assets** | | | | | |
| Derivative assets | **33 786** | | **33 786** | **(31 862)** | **1 924** |
| Trading assets | **13 380** | | **13 380** | **(12 079)** | **1 301** |
| Loans and advances[6] | **137 042** | **(31 473)** | **105 569** | **(100 408)** | **5 161** |
| | **184 208** | **(31 473)** | **152 735** | **(144 349)** | **8 386** |

# Notes continued

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

| | Gross amount of recognised financial liabilities subject to offset[1] Rm | Gross amount of recognised financial assets offset in the statement of financial position[2] Rm | Net amounts subject to offset Rm | Financial collateral and cash collateral pledged[3, 4] Rm | Net amount Rm |
|---|---|---|---|---|---|
| **30 June 2015 (unaudited)** | | | | | |
| **Liabilities** | | | | | |
| Derivative liabilities | **40 629** | | **40 629** | **(34 051)** | **6 578** |
| Trading liabilities | **7 148** | | **7 148** | **(7 148)** | |
| Deposit and current accounts[6] | **42 596** | **(31 473)** | **11 123** | **(6 085)** | **5 038** |
| | **90 373** | **(31 473)** | **58 900** | **(47 284)** | **11 616** |

| | Gross amount of recognised financial assets subject to offset[1] Rm | Gross amount of recognised financial liabilities offset in the statement of financial position[2] Rm | Net amounts subject to offset Rm | Financial collateral and cash collateral received[4, 5] Rm | Net amount Rm |
|---|---|---|---|---|---|
| **31 December 2014 (audited)** | | | | | |
| **Assets** | | | | | |
| Derivative assets | 170 304 | (40 676) | 129 628 | (109 362) | 20 266 |
| Trading assets | 8 990 | | 8 990 | (7 566) | 1 424 |
| Loans and advances[6] | 141 118 | (39 082) | 102 036 | (24 266) | 77 770 |
| | 320 412 | (79 758) | 240 654 | (141 194) | 99 460 |

| | Gross amount of recognised financial liabilities subject to offset[1] Rm | Gross amount of recognised financial assets offset in the statement of financial position[2] Rm | Net amounts subject to offset Rm | Financial collateral and cash collateral pledged[3, 4] Rm | Net amount Rm |
|---|---|---|---|---|---|
| **31 December 2014 (audited)** | | | | | |
| **Liabilities** | | | | | |
| Derivative liabilities | 184 537 | (40 676) | 143 861 | (116 334) | 27 527 |
| Trading liabilities | 6 479 | | 6 479 | (6 477) | 2 |
| Deposit and current accounts[6] | 56 462 | (39 082) | 17 380 | (6 644) | 10 736 |
| | 247 478 | (79 758) | 167 720 | (129 455) | 38 265 |

[1] Gross amounts are disclosed for recognised assets and liabilities that are either offset in the statement of financial position or subject to a master netting arrangement or a similar agreement, irrespective of whether the IFRS offsetting criteria is met.
[2] The amounts that qualify for offset in accordance with the IFRS criteria.
[3] In most instances, the counterparty may not sell or repledge collateral pledged by the group.
[4] Recognised financial instruments that do not qualify for offset in terms of the criteria per IFRS, but that are subject to an enforceable master netting arrangement or similar agreement, including financial collateral (whether recognised or unrecognised).
[5] In most cases, the group is allowed to sell/repledge collateral received.
[6] 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. 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.

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 current accounts | Customer agreement and Banks Act | In the event of liquidation or bankruptcy, offset shall be enforceable subject to Banks Act requirements being met. |

# Notes | 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, for such assets and liabilities. 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 adjustment to reflect the terms of the actual instrument being valued and current market conditions. Changes in these assumptions 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. In making appropriate valuation adjustments, the group applies methodologies that consider factors such as bid-offer spreads, liquidity, counterparty and own credit risk.

**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, and 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 that follows 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.

## Significant unobservable inputs

The fair value of level 3 assets and liabilities is determined using valuation techniques which include reference to recent arm's length transactions, discounted cash flow analyses, pricing models and other valuation techniques commonly used by market participants. However, such techniques typically have unobservable inputs that are subject to management judgement. Although the group believes that its estimates of fair values are appropriate, changing one or more of these assumptions to reasonably possible alternative values could impact the fair value of the financial instruments. These inputs 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. 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
- quantifying and reporting the sensitivity to each risk driver
- raising day one profit or loss provisions in accordance with IFRS and
- limiting exposure to such risk drivers and analysing this exposure on a regular basis.

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. Non-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 the reporting period in particular circumstances.

# Notes | Fair value disclosures continued

## Accounting classifications and fair values of financial assets and liabilities

The unaudited table below categorises the group's assets and liabilities as at 30 June 2015 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.

| | Held-for-trading[1] Rm | Designated at fair value Rm | Held-to-maturity Rm |
|---|---|---|---|
| **Assets** | | | |
| Cash and balances with central banks | | | |
| Derivative assets | **58 931** | | |
| Trading assets | **83 650** | | |
| Pledged assets | **5 662** | **20 926** | **375** |
| Non-current asset held for sale | | | |
| Financial investments | | **366 885** | **52 758** |
| Loans and advances to banks | | **641** | |
| Loans and advances to customers | | **266** | |
| Interest in associates and joint ventures | | | |
| Investment property | | | |
| Other financial assets[4] | | | |
| Other non-financial assets | | | |
| | **148 243** | **388 718** | **53 133** |
| **Liabilities** | | | |
| Derivative liabilities | **66 749** | | |
| Trading liabilities | **62 675** | | |
| Deposits from banks | | **125** | |
| Deposits from customers | | **8 208** | |
| Policyholder liabilities | | **85 753** | |
| Subordinated debt | | | |
| Other financial liabilities[4] | | **56 255** | |
| Other non-financial liabilities | | | |
| | **129 424** | **150 341** | |

[1] Includes derivative assets or liabilities designated as hedging instruments in hedge relationships.
[2] Includes financial assets and financial liabilities for which the carrying value has been adjusted for changes in fair value to designated hedged risks.
[3] Carrying value has been used where it closely approximates fair value, excluding non-financial assets and liabilities.
[4] The fair value of other financial assets/liabilities approximates carrying value due to their short-term nature.

| Loans and receivables[2] Rm | Available-for-sale Rm | Other amortised cost[2] Rm | Other assets/ liabilities Rm | Total carrying amount Rm | Fair value[3] Rm |
|---|---|---|---|---|---|
| 63 066 | | | | 63 066 | 63 066 |
| | | | | 58 931 | 58 931 |
| | | | | 83 650 | 83 650 |
| 197 | 1 989 | | | 29 149 | 29 149 |
| | | | 111 | 111 | |
| 13 319 | 31 090 | | | 464 052 | 465 888 |
| 175 283 | | | | 175 924 | 175 765 |
| 869 199 | | | | 869 465 | 869 175 |
| | | | 9 162 | 9 162 | |
| | | | 29 273 | 29 273 | |
| 9 028 | | | | 9 028 | |
| | | | 65 009 | 65 009 | |
| 1 130 092 | 33 079 | | 103 555 | 1 856 820 | |
| | | | | 66 749 | 66 749 |
| | | | | 62 675 | 62 675 |
| | | 136 772 | | 136 897 | 136 136 |
| | | 987 022 | | 995 230 | 999 765 |
| | | | 209 600 | 295 353 | 85 753 |
| | | 25 443 | | 25 443 | 22 898 |
| | | 42 568 | | 98 823 | |
| | | | 8 921 | 8 921 | |
| | | 1 191 805 | 218 521 | 1 690 091 | |

# Notes | Fair value disclosures continued

## Accounting classifications and fair values of financial assets and liabilities (audited) continued

as at 31 December 2014

| | Held-for-trading[1] Rm | Designated at fair value Rm | Held-to-maturity Rm |
|---|---|---|---|
| **Assets** | | | |
| Cash and balances with central banks | | | |
| Derivative assets | 61 633 | | |
| Trading assets | 72 040 | | |
| Pledged assets | 5 084 | 6 990 | |
| Non-current assets held for sale | 150 587 | 671 | |
| Financial investments | 133 | 376 894 | 16 786 |
| Loans and advances to banks | | 363 | |
| Loans and advances to customers | | 83 | |
| Interest in associates and joint ventures | | | |
| Investment property | | | |
| Other financial assets[4] | | | |
| Other non-financial assets | | | |
| | 289 477 | 385 001 | 16 786 |
| **Liabilities** | | | |
| Derivative liabilities | 72 281 | | |
| Trading liabilities | 43 761 | | |
| Deposits from banks | | 21 | |
| Deposits from customers | | 21 808 | |
| Policyholder liabilities | | 81 983 | |
| Subordinated debt | | | |
| Non-current liabilities held for sale | 104 507 | | |
| Other financial liabilities[4] | | 36 335 | |
| Other non-financial liabilities | | | |
| | 220 549 | 140 147 | |

[1] Includes derivative assets or liabilities designated as hedging instruments in hedge relationships.
[2] Includes financial assets and financial liabilities for which the carrying value has been adjusted for changes in fair value to designated hedged risks.
[3] Carrying value has been used where it closely approximates fair value, excluding non-financial assets and liabilities.
[4] The fair value of other financial assets/liabilities approximates carrying value due to their short-term nature.

| Loans and receivables[2] Rm | Available-for-sale Rm | Other amortised cost[2] Rm | Other assets/ liabilities Rm | Total carrying amount Rm | Fair value[3] Rm |
|---|---|---|---|---|---|
| 64 302 | | | | 64 302 | 64 302 |
| | | | | 61 633 | 61 633 |
| | | | | 72 040 | 72 040 |
| 206 | 1 905 | | | 14 185 | 14 191 |
| 66 396 | 30 | 1 216 | 1 058 | 219 958 | 213 096 |
| 16 644 | 40 464 | | | 450 921 | 448 411 |
| 115 857 | | | | 116 220 | 122 389 |
| 811 938 | | | | 812 021 | 810 484 |
| | | | 3 727 | 3 727 | |
| | | | 27 022 | 27 022 | |
| 10 513 | | | | 10 513 | |
| | | | 50 303 | 50 303 | |
| 1 085 856 | 42 399 | 1 216 | 82 110 | 1 902 845 | |
| | | | | 72 281 | 72 281 |
| | | | | 43 761 | 43 761 |
| | | 97 585 | | 97 606 | 104 675 |
| | | 927 798 | | 949 606 | 965 097 |
| | | | 205 533 | 287 516 | 81 983 |
| | | 25 521 | | 25 521 | 23 095 |
| | | 76 146 | 1 416 | 182 069 | 172 356 |
| | | 28 561 | | 64 896 | |
| | | | 17 955 | 17 955 | |
| | | 1 155 611 | 224 904 | 1 741 211 | |

# Notes | Fair value disclosures continued

## Financial assets and liabilities measured at fair value (unaudited)

as at 30 June 2015

| | Level 1 Rm | Level 2 Rm | Level 3 Rm | Total Rm |
|---|---|---|---|---|
| **Financial assets** | | | | |
| ***Measured on a recurring basis*** | | | | |
| Derivative assets | 118 | 58 254 | 559 | 58 931 |
| Trading assets | 33 325 | 41 239 | 9 086 | 83 650 |
| Pledged assets | 18 795 | 9 782 | | 28 577 |
| Financial investments | 208 267 | 181 896 | 7 812 | 397 975 |
| Loans and advances to banks | 641 | | | 641 |
| Loans and advances to customers | | 266 | | 266 |
| | 261 146 | 291 437 | 17 457 | 570 040 |
| ***Comprising:*** | | | | |
| Held-for-trading | | | | 148 243 |
| Designated at fair value | | | | 388 718 |
| Available-for-sale | | | | 33 079 |
| | | | | 570 040 |
| **Financial liabilities** | | | | |
| ***Measured on a recurring basis*** | | | | |
| Derivative liabilities | 132 | 59 564 | 7 053 | 66 749 |
| Trading liabilities | 37 372 | 23 718 | 1 585 | 62 675 |
| Deposits from banks | | 125 | | 125 |
| Deposits from customers | | 8 208 | | 8 208 |
| Policyholder liabilities | | 85 753 | | 85 753 |
| Other financial liabilities | | 56 255 | | 56 255 |
| | 37 504 | 233 623 | 8 638 | 279 765 |
| ***Comprising:*** | | | | |
| Held-for-trading | | | | 129 424 |
| Designated at fair value | | | | 150 341 |
| | | | | 279 765 |

## Financial assets and liabilities measured at fair value (audited)

as at 31 December 2014

| | Level 1 Rm | Level 2 Rm | Level 3 Rm | Total Rm |
|---|---|---|---|---|
| **Financial assets** | | | | |
| ***Measured on a recurring basis*** | | | | |
| Derivative assets | 242 | 60 638 | 753 | 61 633 |
| Trading assets | 25 671 | 41 722 | 4 647 | 72 040 |
| Pledged assets | 9 482 | 4 497 | | 13 979 |
| Financial investments | 203 332 | 208 352 | 5 807 | 417 491 |
| Loans and advances to banks | 363 | | | 363 |
| Loans and advances to customers | 11 | 72 | | 83 |
| ***Measured on a non-recurring basis*** | | | | |
| Non-current assets held for sale[1] | 38 426 | 109 288 | 3 574 | 151 288 |
| | 277 527 | 424 569 | 14 781 | 716 877 |
| Comprising: | | | | |
| Held-for-trading | | | | 289 477 |
| Designated at fair value | | | | 385 001 |
| Available-for-sale | | | | 42 399 |
| | | | | 716 877 |
| **Financial liabilities** | | | | |
| ***Measured on a recurring basis*** | | | | |
| Derivative liabilities | 17 | 66 306 | 5 958 | 72 281 |
| Trading liabilities | 20 889 | 20 950 | 1 922 | 43 761 |
| Deposits from banks | | 21 | | 21 |
| Deposits from customers | | 21 808 | | 21 808 |
| Policyholder liabilities | | 81 983 | | 81 983 |
| Other financial liabilities | | 36 335 | | 36 335 |
| ***Measured on a non-recurring basis*** | | | | |
| Non-current liabilities held for sale[1] | 11 869 | 86 156 | 6 482 | 104 507 |
| | 32 775 | 313 559 | 14 362 | 360 696 |
| ***Comprising:*** | | | | |
| Held-for-trading | | | | 220 549 |
| Designated at fair value | | | | 140 147 |
| | | | | 360 696 |

[1] While the disposal group has been classified as held for sale and has been measured to its fair value less costs to sell the disposal group's fair value measured assets and liabilities have been categorised within the fair value hierarchy in the table above.

# Notes | Fair value disclosures continued

## Level 2 and 3 – valuation techniques and inputs

### 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 sophisticated modelling techniques applicable to the instrument. Inputs used in the valuation process include spot prices of the underlying, dividend yields, risk-free rates, risk premiums, timing of settlement, storage/services costs, credit risks, volatilities, prepayment risk/surrender risk and recovery rates/loss given default.

### Trading assets and liabilities, pledged assets and financial investments

Trading assets and liabilities comprise instruments which are part of the group's underlying trading activities. These instruments include sovereign and corporate debt, commodities, collateral, collateralised lending agreements and equity securities.

Pledged assets comprise instruments that may be sold or repledged by the group in the absence of default by the group. Pledged assets include sovereign and corporate debt, equity, commodities pledged in terms of repurchase agreements and commodities that have been leased to third parties.

Financial investments are non-trading financial assets and comprise of sovereign and corporate debt, listed and unlisted equity instruments, investments in debentures issued by the SARB, investments in mutual fund investments and unit-linked investments.

Where there are no recent transactions, 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 for the financial investment is determined by adjusting the proxy fair value for differences between the proxy instrument and the financial investment. 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

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 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.

### Deposits from banks and customers and other financial liabilities

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 may be 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 above. Where the financial liabilities designated at fair value through profit or loss under the fair

value option are credit-linked deposits or are collateralised, such as securities loaned and securities pledged under repurchase agreements, the credit enhancement is incorporated into the fair valuation of the liability.

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.

### Policyholder liabilities

Policyholder liabilities comprise unit-linked policies and annuity certains. The fair value for these items is derived as follows:

- **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. Therefore, the fair value of investment contract liabilities is 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 and incorporate parameter inputs for interest rate risk, liquidity and credit risk as appropriate.

## Level 2 financial assets and financial liabilities

The following table sets out the group's principal valuation techniques, which are consistent with that applied in the previous financial year, used in determining the fair value of its financial assets and financial liabilities that are classified within level 2 of the fair value hierarchy.

| | Valuation basis/technique | Main inputs and assumptions |
|---|---|---|
| Derivative instruments | Discounted cash flow model<br>Black-Scholes model<br>Combination technique models | Discount rate*, spot price of the underlying volatility and correlation factors, dividend yield, earnings yield and valuation multiples, bond and interbank swap interest rate curves, forward equity and currency rates |
| Trading assets | Discounted cash flow model | Discount rate* and spot price of underlying |
| Pledged assets | Discounted cash flow model | Discount rate* and spot price of underlying |
| Financial investments | Discounted cash flow, combination technique and adjusted quoted exit price models | Discount rate*, spot price of underlying, notice period, dividend yield, earnings yield and valuation multiples |
| Loans and advances to banks and customers | Discounted cash flow model | Discount rate* |
| Trading liabilities | Discounted cash flow model | Discount rate* and spot price of underlying |
| Deposits from bank and customers | Discounted cash flow model | Discount rate* |
| Policyholder liabilities | Discounted cash flow model and unit-linked underlying asset value method | Bond and interbank swap interest rate curves, own credit/liquidity |
| Other financial liabilities | Quoted put (exit) price provided by the fund manager | N/A |

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

# Notes | Fair value disclosures continued

## Level 3 financial assets and financial liabilities

The following table provides a reconciliation of the opening to closing balance for all 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 | Pledged assets Rm |
| **Balance at 1 January 2014 (audited)** | 2 090 | 2 110 | 8 |
| Total gains/(losses) included in profit or loss | 186 | (126) | |
| Interest income | | | |
| Trading revenue | 186 | (126) | |
| Other revenue | | | |
| Investment gains | | | |
| Total gains/(losses) included in OCI | | | |
| Originations and purchases | 553 | 3 875 | |
| Sales and settlements | (1 889) | (665) | (8) |
| Transfers into level 3[2] | | | |
| Transfers out of level 3[3] | (190) | | |
| Reclassifications[4] | | (546) | |
| Exchange movements | 3 | (1) | |
| **Balance at 1 January 2015 (audited)** | **753** | **4 647** | |
| Total (losses)/gains included in profit or loss | **(64)** | **192** | |
| Interest income | | | |
| Trading revenue | **(64)** | **192** | |
| Other revenue | | | |
| Investment gains | | | |
| Total losses included in OCI | | | |
| Originations and purchases | | **4 468** | |
| Sales and settlements | **(363)** | **(222)** | |
| Transfers into level 3[2] | **228** | | |
| Disposal of non-current assets held for sale | | | |
| Exchange movements | **5** | **1** | |
| **Balance at 30 June 2015 (unaudited)** | **559** | **9 086** | |

[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 to level 3.
[3] The valuation inputs of certain level 3 financial assets became observable. The fair value of these financial assets was transferred into level 2.
[4] During 2014, assets with a carrying value of R546 million were, in accordance with IFRS, reclassified from held-for-trading to loans and receivables.

| | | | Measured on a non-recurring basis | |
|---|---|---|---|---|
| | Loans and advances to customers Rm | Financial investments Rm | Non-current assets held for sale[1] Rm | Total Rm |
| | 43 | 4 181 | 5 613 | 14 045 |
| | 3 | 717 | 142 | 922 |
| | | 143 | | 143 |
| | 3 | | 142 | 205 |
| | | 136 | | 136 |
| | | 438 | | 438 |
| | | 2 | (1) | 1 |
| | | 1 620 | 770 | 6 818 |
| | (46) | (1 601) | (2 565) | (6 774) |
| | | 791 | 349 | 1 140 |
| | | (84) | (1 068) | (1 342) |
| | | | | (546) |
| | | 181 | 334 | 517 |
| | | **5 807** | **3 574** | **14 781** |
| | | **482** | **(510)** | **100** |
| | | **24** | | **24** |
| | | | **(510)** | **(382)** |
| | | **87** | | **87** |
| | | **371** | | **371** |
| | | | **(1)** | **(1)** |
| | | **564** | | **5 032** |
| | | **(164)** | **(3)** | **(752)** |
| | | **1 118** | | **1 346** |
| | | | **(3 143)** | **(3 143)** |
| | | **5** | **83** | **94** |
| | | **7 812** | | **17 457** |

# Notes | Fair value disclosures continued

## Level 3 financial assets and financial liabilities (continued)

The table below 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 | | | Measured on a non-recurring basis | |
|---|---|---|---|---|---|
| | Derivative assets Rm | Trading assets Rm | Financial investments Rm | Non-current assets held for sale Rm | Total Rm |
| **30 June 2015 (unaudited)** | | | | | |
| Trading revenue | **(70)** | **172** | | | **102** |
| Other revenue | | | **87** | | **87** |
| Investment gains | | | **299** | | **299** |
| | **(70)** | **172** | **386** | | **488** |
| **31 December 2014 (audited)** | | | | | |
| Trading revenue | 37 | (102) | | (205) | (270) |
| Other revenue | | | 103 | | 103 |
| Investment losses | | | (80) | | (80) |
| | 37 | (102) | 23 | (205) | (247) |

## 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 recurring basis | | Measured on a non-recurring basis | |
|---|---|---|---|---|
| | Derivative liabilities Rm | Trading liabilities Rm | Non-current assets held for sale[1] Rm | Total Rm |
| **Balance at 1 January 2014 (audited)** | 7 875 | 432 | 6 928 | 15 235 |
| Total losses included in profit or loss – trading revenue | 699 | 179 | 841 | 1 719 |
| Originations and purchases | 764 | 1 309 | | 2 073 |
| Sales and settlements | (2 444) | | (1 603) | (4 047) |
| Transfers into level 3[2] | 306 | | 54 | 360 |
| Transfers out of level 3[3] | (1 242) | | (573) | (1 815) |
| Exchange movements | | 2 | 835 | 837 |
| **Balance at 1 January 2015 (audited)** | **5 958** | **1 922** | **6 482** | **14 362** |
| Total losses included in profit or loss – trading revenue | **521** | **28** | **232** | **781** |
| Originations and purchases | **58** | **39** | | **97** |
| Sales and settlements | **(131)** | **(384)** | | **(515)** |
| Transfers into level 3[2] | **502** | | | **502** |
| Disposal of non-current liabilities held for sale | | | **(6 905)** | **(6 905)** |
| Exchange movements | **145** | **(20)** | **191** | **316** |
| **Balance at 30 June 2015 (unaudited)** | **7 053** | **1 585** | | **8 638** |

[1] Relates to financial liabilities within the disposal group that have been classified as level 3.

[2] During the period, the valuation inputs of certain financial liabilities became unobservable. The fair value of these liabilities was transferred into level 3.

[3] During 2014, the valuation inputs of certain financial assets became observable. The fair value of these financial liabilities was transferred into level 2.

# Notes | Fair value disclosures continued

## Level 3 financial assets and financial liabilities continued

The following table provides disclosure of the unrealised 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 | | Measured on a non-recurring basis | |
|---|---|---|---|---|
| | Derivative liabilities Rm | Trading liabilities Rm | Non-current assets held for sale Rm | Total Rm |
| **30 June 2015 (unaudited)** | | | | |
| Trading revenue | **535** | **28** | | **563** |
| **31 December 2014 (audited)** | | | | |
| Trading revenue | 692 | 179 | 414 | 1 285 |

## 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 valuation techniques and main assumptions used in the determination of the fair value of the level 3 assets and liabilities measured at fair value on a recurring basis. The table further indicates the effect that a significant change in one or more of the inputs to a reasonably possible alternative assumption would have on profit or loss and OCI (where applicable) 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 that follows 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.

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

| | Valuation basis/ technique | Main inputs/ assumptions | Variance in fair value measurement | Effect on profit or loss | |
|---|---|---|---|---|---|
| | | | | Favourable Rm | (Unfavourable) Rm |
| **30 June 2015** | | | | | |
| Derivative instruments | Discounted cash flow, Black-Scholes and combination technique models | Discount rate[1], spot price of the underlying volatility and correlation factors, dividend yield, earnings yield and valuation multiples | **(1%) – 1%** | **423** | **(425)** |
| Trading assets | Discounted cash flow model | Discount rate[1] and spot price of the underlying | **(1%) – 1%** | **262** | **(262)** |
| Financial investments | Discounted cash flow, combination technique and adjusted quoted exit price models | Discount rate[1], spot price of the underlying, dividend yield, earnings yield and valuation multiples | **(1%) – 1%** | **475** | **(529)** |
| Trading liabilities | Discounted cash flow model | Discount rate[1] and spot price of the underlying | **(1%) – 1%** | **116** | **(116)** |
| | | | | **1 276** | **(1 332)** |

[1] Discount rates, where applicable, include risk free rate, risk premiums, liquidity spreads, credit risk (own and counterparty as appropriate), timing of settlement, service costs, prepayment and surrender risk assumptions.

# Notes continued

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

| | Valuation basis/ technique | Main inputs/ assumptions | Variance in fair value measurement | Effect on profit or loss | |
|---|---|---|---|---|---|
| | | | | Favourable Rm | (Unfavourable) Rm |
| **31 December 2014[1]** | | | | | |
| Derivative instruments | Discounted cash flow, Black-Scholes and combination technique models | Discount rate[2], spot price of the underlying volatility and correlation factors, dividend yield, earnings yield and valuation multiples | (1%) – 1% | 512 | (512) |
| Trading assets | Discounted cash flow model | Discount rate[2] and spot price of the underlying | (1%) – 1% | 418 | (418) |
| Financial investments | Discounted cash flow, combination technique and adjusted quoted exit price models | Discount rate[2],spot price of the underlying, dividend yield, earnings yield and valuation multiples | (1%) – 1% | 287 | (275) |
| Trading liabilities | Discounted cash flow model | Discount rate[2] and spot price of the underlying | (1%) – 1% | 310 | (310) |
| | | | | 1 527 | (1 515) |

[1] Level 3 non-current assets and liabilities are included in the asset classes, inputs and changes in assumption in the table above.
[2] Discount rates, where applicable, include risk free rate, risk premiums, liquidity spreads, credit risk (own and counterparty as appropriate), timing of settlement, service costs, prepayment and surrender risk assumptions.

# Accounting policies

## 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 condensed 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, as set out below.

## Adoption of new and amended standards 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 amendment effective for the current period:

- IAS 19 *Employee benefits: Amendment to employee contributions for defined benefit plans* (IAS 19).

Early adoption of revised standards:

- Amendment to IAS 16 *Property, Plant and Equipment* (IAS 16) and IAS 41 *Agriculture* (IAS 41).
- Annual improvements 2012 – 2014: amendment to IFRS 7 *Financial Instruments: Disclosures*
- Annual improvements 2010 – 2012 cycle and 2011 – 2013 cycle.

The abovementioned amendments to IFRS, adopted on 1 January 2015, 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.

# Administrative and contact details

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Incorporated in the Republic of South Africa
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## Directors

TS Gcabashe (chairman) Shu Gu** (deputy chairman), RMW Dunne#, BJ Kruger* (chief executive), Adv KD Moroka, AC Parker, ANA Peterside CON##, SP Ridley*, MJD Ruck, PD Sullivan°, BS Tshabalala, SK Tshabalala* (chief executive), Wenbin Wang**, EM Woods

*Executive director **Chinese #British
° Australian ## Nigerian

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## Share transfer secretaries in Namibia

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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
NSX share code: SNB 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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**www.standardbank.com**

www.standardbank.com

Pictured from left to right are our head offices in Standard Bank Mauritius, Standard Bank Namibia and our branch in Luanda, Angola.