Barclays Africa Group Limited

Audited summary consolidated financial results for the reporting period ended 31 December 2016

BARCLAYS

Contents

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Authorised financial services and registered credit provider (NCRCP7)
Registration number: 1986/003934/06
Incorporated in the Republic of South Africa
JSE share code: BGA
ISIN: ZAE00174124

These summary consolidated financial results (financial statements) were prepared by Barclays Africa Group Financial Control under the direction and supervision of Group Financial Director, J P Quinn CA(SA).

Profit and dividend announcement

Salient features

- Diluted headline earnings per share (HEPS) increased 5% to 1 769.4 cents.
- Dividends per share (DPS) at 1 030 cents.
- Headline earnings in South Africa grew by 2% to R12.2bn and Rest of Africa increased by 17% to R2.8bn.
- Return on Equity (RoE) declined to 16.6% from 17.0%.
- Pre-provision profit increased by 10% to R32.4bn.
- Revenue grew by 8% to R72.4bn, as net interest income increased by 9% and non-interest income rose 6%, while operating expenditure grew by 6% to R40.0bn.
- Credit impairments increased by 26% to R8.8bn resulting in a 1.08% credit loss ratio from 0.92%.
- Barclays Africa Group Limited's Common Equity Tier 1 (CET1) ratio increased to 12.1%, well above regulatory requirements and ahead of our board target range.

Overview of results

Barclays Africa Group Limited's headline earnings increased by 5% to R14 980m from R14 287m. Diluted HEPS also grew by 5% to 1 769.4 cents from 1 686.2 cents. The Group's RoE decreased to 16.6% from 17.0%, due to higher credit impairments, and its return on assets (RoA) declined to 1.34% from 1.37%. Barclays Africa Group Limited declared a 3% higher ordinary DPS of 1 030 cents. Its Net asset value (NAV) per share increased by 4% to 10 980 cents.

Pre-provision profit increased by 10% to R32.4bn, which drove earnings growth. Non-interest income grew by 6% and net interest income by 9%, as the Group's net interest margin (on average interest-bearing assets) improved to 4.92% from 4.81%. Loans and advances to customers grew by 2% to R720bn, while deposits due to customers decreased by 2% to R675bn. The Group's cost-to-income ratio improved to 55.2% from 56.0% as operating expenses rose 6%. The weaker average rand added 1% to the Group's revenue, costs, and headline earnings growth. Credit impairments grew by 26%, largely due to higher charges in Retail Banking and Corporate and Investment Bank (CIB) in South Africa and Retail and Business Banking (RBB) Rest of Africa. Non-performing loans (NPLs) rose to 3.94% from 3.47% of gross loans and advances, while portfolio provisions increased to 79 basis points (bps) of total gross performing loans from 65 bps.

RBB's headline earnings decreased by 3% to R9 313m, with 7% cost growth exceeding 6% higher revenues and credit impairments rising 21%. Retail Banking South Africa's headline earnings declined by 4% and RBB Rest of Africa by 3%, while Business Banking South Africa increased by 1%. Wealth, Investment Management and Insurance (WIMI)'s headline earnings decreased by 4% to R1 399m, despite 11% growth in South Africa continuing business lines, which was offset by Rest of Africa losses. CIB grew by 27% to R5 098m, driven by Corporate which increased by 44% while the Investment Bank rose 13%.

Revenue from the Rest of Africa grew by 16% and headline earnings rose 17% to R2 778m, to contribute 23% and 19% of the Group's revenue and headline earnings respectively.

Operating environment

The global economy finished 2016 on a stronger footing despite the heightened policy uncertainty in some developed economies. Global GDP growth for 2016 is projected to be 3.2%. Fears of a significant slowdown in China's economy diminished following new stimulus. Into year end the US dollar strengthened, commodity prices firmed up somewhat and global equity markets generally rallied.

South Africa's economic growth is expected to have slowed to 0.4% in 2016, in part due to the severe drought. Households faced a weak employment environment, higher inflation and tight credit conditions, while businesses reduced investment spending given a more volatile policy environment and weak domestic demand. South Africa's prime interest rate increased 0.75% to 10.5% during the year. Although on average through the year the rand was weaker than the Group's Rest of Africa currencies, it appreciated noticeably during the year and closed stronger than at the end of 2015. Consequently, it slightly enhanced the Group's income statement growth, but reduced its balance sheet growth.

Economic growth in the Group's presence markets in the rest of Africa slowed to the weakest level since 2002 as economies were impacted by tighter liquidity conditions, weak commodity prices impacted current account and fiscal receipts, and inflationary pressures impacted households.

Group performance

Statement of financial position

Total assets decreased by 4% to R1 101bn at 31 December 2016, predominantly due to loans and advances to banks and trading portfolio assets declining by 42% and 30% respectively. Excluding these, assets grew by 4%, with customer loans and advances increasing by 2%. Rand appreciation against the Group's rest of Africa (ROA) currencies reduced assets by 2%.

Loans and advances to customers

Loans and advances to customers grew by 2% to R720bn, or by 4% excluding rand appreciation. Retail Banking South Africa's loans were flat at R375bn, reflecting 4% growth in Vehicle and Asset Finance (VAF) and 7% higher Personal Loans, while Home Loans declined by 2% and Card by 4%. Business Banking South Africa's loans rose 9% to R69bn including solid growth in Agri loans and commercial property finance. RBB Rest of Africa's loans declined by 11% to R40bn, despite growing by 2% in constant currency (CCY). CIB's loans rose 7% to R229bn, given 13% growth in South Africa and 1% CCY growth in the rest of Africa.

Funding

Deposits due to customers declined by 2% to R675bn, which increased the loans to deposit and debt securities ratio to 88.4%. Deposits due to customers constituted 77.8% of total funding from 78.2%. Retail Banking South Africa grew deposits by 7% to R177bn, while Business Banking South Africa's deposits declined by 1% to R109bn, largely due to a sector-wide reduction in local and provincial government deposits. RBB Rest of Africa's deposits grew by 2% in CCY, but fell by 14% due to currency translation. CIB's total deposits by declined 7%, with Rest of Africa down 20% (or 7% in CCY) due to the strong rand and lower inflows. CIB's South Africa deposits decreased by 2%, after losing a large, low margin client. The Group's liquidity position remains strong, with liquid assets and other sources of liquidity growing by 20% to R239bn. Absa Bank's 3 month average liquidity coverage ratio for the fourth quarter of 2016 was 98%, well above the regulatory minimum hurdle of 70%. While net stable funding ratios only become effective on 1 January 2018, the Group is expected to comply with the 100% minimum. Lastly, long-term funding increased slightly to 21.4% of total funding.

Net asset value

The Group's NAV rose 4% to R93bn and its NAV per share grew by 4% to 10 980 cents. During the year it generated profits of R14.7bn, from which it paid R8.5bn in dividends. The foreign currency translation reserve reduced by R4.1bn to R2.4bn.

Capital to risk-weighted assets

Group risk-weighted assets (RWAs) increased marginally to R704bn at 31 December 2016, slightly ahead of its 4% lower asset growth, in part due to higher counterparty risk. The Group remains well capitalised, comfortably above minimum regulatory requirements. Its CET1 and Tier 1 capital adequacy ratios were 12.1% and 12.6% respectively (from 11.9% and 12.6%). The Group generated 2.1% of CET1 capital internally during the period. Its total capital adequacy ratio was 14.8%. Declaring a 3% higher DPS of 1 030 cents on a dividend cover of 1,7 times took cognisance of the challenging operating environment, the Group's strong capital position, internal capital generation, strategy and growth plans.

Statement of comprehensive income

Net interest income

Net interest income increased by 9% to R42 003m from R38 407m, with average interest-bearing assets growing by 7%. The Group's net interest margin improved to 4.92% from 4.81%.

Loan pricing and mix had a 3 bps impact, due to regulatory changes, higher interest suspended and lower margins in VAF, plus the mix impact of strong CIB loan growth. These outweighed improved Home Loans and Personal Loans margins. The deposit margin increased by 2bps, due to improved Retail Banking and Corporate pricing offsetting higher wholesale liquidity premiums and the negative mix impact of increased wholesale funding. Higher South African interest rates resulted in an endowment increase on deposits and equity of 10 bps. Despite releasing R268m to the income statement, the benefit from structural hedging declined by 11 bps.

Rest of Africa's net interest margin improved by 23 bps, which added 10 bps to our Group margin. However, the impact of lower rates, rand strength and regulatory changes were evident in the second half. Lastly, the basis benefit of a 75 bps increase in the South African prime rate in the first half and a substantial reduction in loans to banks added 3 bps to our margin, outweighing the cost of higher borrowed funds and liquid asset holdings.

Non-interest income

Non-interest income increased by 6% to R30 391m from R28 791m accounting for 42% of total revenue. South Africa increased by 5% to R24 969m, while Rest of Africa grew by 10% or (6% CCY) to R5 422m.Net fee and commission income rose 3% to R20 723m, with growth in credit cards and electronic banking of 20% and 3% respectively.

RBB's non-interest income grew by 5% to R19 134m, 63% of the Group's total. Retail Banking South Africa increased by 4% to R12 819m largely due to card growth offsetting flat customer numbers, sub-inflation fee increases and continued migration to bundled products and electronic channels. Card non-interest income grew by 11%, with 13% growth in merchant acquiring volumes. Business Banking's non-interest income rose 5% to R3 543m, largely due to 6% growth in electronic banking and cheque account income. RBB Rest of Africa's non-interest income grew by 6% to R2 772m from growth in active customers, rand depreciation and a strong increase in card acquiring and bancassurance.

WIMI's non-interest income decreased by 2% to R4 848m, as the Rest of Africa declined by 41% due to revised reserving requirements, lower investment returns and new business strain. However, net insurance premiums income grew by 10% on continuing lines and embedded value of new business grew 21%.

CIB's non-interest income increased by 13% to R6 679m, largely due to improved trading. Overall Markets revenue rose by 25% to R5 149m as rest of Africa grew by 26% and South Africa 25%, with Fixed Income and Credit up 51% and Foreign Exchange and Commodities increasing by 21%.

Impairment losses on loans and advances

Credit impairments increased by 26% to R8 751m from R6 920m, resulting in a 1.08% credit loss ratio from 0.92%. The Group changed its credit loss ratio disclosure to use gross customer loans and loans to banks, rather than customer loans. On the previous basis, its credit loss ratio increased to 1.23% from 1.05%. Group NPLs increased 11% to R31.1bn, or 3.9% of gross loans and advances from 3.5%. Total NPL coverage increased to 44.2%, due to increases across most portfolios. Balance sheet portfolio impairments increased by 19% to R6.0bn, or 79 bps of total performing loans from 65 bps. This includes an additional R0.3bn of macroeconomic overlays to R1.4bn.

RBB's credit impairments grew by 21% to R7.4bn, a 1.46% credit loss ratio from 1.24%. Retail Banking South Africa's charge increased by 14% to R5.4bn, as NPLs grew by 11% to R20.2bn. While Home Loans' charge grew by 34% to R922m, its credit loss ratio remains relatively low at 0.40% from 0.30%. VAF's credit loss ratio rose to 1.14% from 0.97%, as its NPL and performing loan coverage increased. Card credit impairments were flat at R2.4bn, a 5.41% credit loss ratio from 5.38%, despite reduced recoveries in Absa Card. Personal Loans credit impairments increased by 23%, resulting in a 5.68% credit loss ratio from 5.16%.

Business Banking South Africa's credit impairments grew by 7% to R581m, resulting in a 0.86% credit loss ratio from 0.85%. Its NPLs were flat at R3.3bn. RBB Rest of Africa's credit impairments rose by 73% to R1.3bn, increasing its credit loss ratio to 2.96% from 1.93%. However, its NPLs decreased by 12% to R3.1bn, while its performing loan cover increased to 2.14% from 1.12%. CIB's credit impairments increased by 77% to R1.4bn, largely due to a single name impairment expense in the first half. This resulted in a 0.53% credit loss ratio from 0.37%. CIB's unidentified impairments grew by 63% to R413m.

Operating expenses

Operating expenses grew by 6% to R39 956m from R37 661m. South Africa's 5% growth in operating expenses was below inflation, while Rest of Africa costs rose by 11%, or 8% in CCY. Staff costs grew 6% and accounted for 55% of total expenses. Salaries rose by 5% to R17.9bn due to higher wage increases for entry level employees, while bonuses and deferred cash and share-based payments also grew by 5% to R2.7bn.

Structural cost programs continued to produce efficiency gains that enable investment in strategic initiatives. Property consolidation contained the increase in property costs and operating leases to 5%, while a reduction in sponsorships decreased marketing costs by 9%. Professional fees fell by 8%, given less reliance on external service providers for development and testing activity. The Group continued to invest in technology, with total IT spend up by 17% to R7.4bn, accounting for 19% of costs. Amortisation of intangibles grew by 35%, but remains relatively low.

RBB and WIMI's operating expenses increased by 7% and 11% respectively. Retail Banking South Africa's operating expenses grew by 6%, reflecting increased staff costs and investment in digital channels, and Business Banking South Africa's also rose by 6%. RBB Rest of Africa's operating expenses increased by 11%, or 7% in CCY, reflecting inflationary pressures in some countries and investment in IT. CIB's costs grew by 2% without reducing investment in systems and technology.

Taxation

The Group's taxation expense increased by 1% to R5 835m, slightly less than the 2% growth in pre-tax profit due to the recognition of deferred tax assets and an increase in non-taxable income. This resulted in a 26.9% effective tax rate from 27.7%.

Segment performance

Retail Banking South Africa

Headline earnings declined by 4% to R6 406m, largely due to 14% higher credit impairments, since pre-provision profits grew by 1%. Transactional and Deposits earnings increased by 1% to R2 690m, given 12% higher net interest income on 7% deposit growth. Despite improved margins, Home Loans' earnings decreased by 8% to R1 602m due to 15% higher costs and a 34% increase in credit impairments (off a low base). Card earnings increased by 3% to R1 671m, given 11% non-interest income growth and flat credit impairments. VAF earnings declined by 25% to R800m, as margin pressure saw its revenue reduce and credit impairments rose by 23%. Personal Loans earnings grew by 10% to R384m, reflecting 16% higher net interest income. Losses in the 'Other' segment decreased by 1% to R741m, given lower costs. Retail Banking South Africa accounted for 41% of total earnings, excluding the Group centre.

Business Banking South Africa

Headline earnings grew by 1% to R2 138m, given 5% higher pre-provision profits. Loan growth improved to 9%, increasing its revenue growth to 6%, in line with the rise in costs, resulting in a flat 61% cost-to-income ratio. Deposits declined by 1%, largely due to the reduction in public sector funds industry-wide. Credit impairments grew by 7% although its credit loss ratio was largely unchanged at 0.86%. Business Banking South Africa generated 14% of overall earnings excluding the Group centre.

Retail and Business Banking Rest of Africa

Headline earnings declined by 3% or 15% in CCY to R769m, despite 23% higher pre-provision profits. Revenue grew by 15%, or 9% in CCY, with net interest income rising by 19% as its net interest margin improved to 9.06%. Costs grew by 11% or 7% in CCY, so cost-to-income ratio improved to 67.9%. However, credit impairments grew by 73% due to higher personal loan provisions and its coverage for performing loans almost doubling. Loans and deposits fell by 11% and 12% respectively, despite both growing by 2% in CCY. RBB Rest of Africa contributed 5% of total earnings excluding Head Office, Treasury and Other (the Group centre).

Corporate and Investment Bank

Headline earnings rose by 27% to R5 098m, as pre-provision profits increased by 34%. CIB earnings grew by 18% in South Africa and 43% in the rest of Africa, or 35% in CCY. CIB in the rest of Africa accounted for 44% of CIB's earnings from 29% in 2013. Revenue grew by 17%, with Rest of Africa increasing by 24% and South Africa 13%. Markets revenue rose by 25% to R5 149m, with rest of Africa up 26% and South Africa 25%, as fixed income and credit grew 51% and foreign exchange and commodities by 21%. Credit impairments rose by 77% due to a single name impairment in the first half and increased portfolio provisions. Costs increased by 2%, despite continuing to invest in systems and technology. Corporate earnings grew by 44% to R2 672m, as 18% revenue growth exceeded 6% higher costs and credit impairments declined by 8%. Investment Bank earnings rose 13% to R2 426m, despite 16% revenue growth and 2% lower costs, as credit impairments increased by 228%. CIB's loan growth slowed to 7%, in part due to the strong rand, although average balances were 23% higher. CIB's return on regulatory capital improved to 19.9% from 17.4%. It contributed 32% of total earnings excluding the group centre.

Wealth, Investment Management and Insurance

Headline earnings declined by 4% to R1 399m, with continuing business lines down by 1%. However, South African earnings from continuing business lines grew by 11% to R1 537m, with Life Insurance up 19%, due to 10% net premium income growth, 43% higher income from shareholder funds and recognising a R55m deferred tax asset (net impact). Short-term Insurance in South Africa grew by earnings by 17%, with a 4.3% underwriting margin and well contained costs, while reinsurance limited the rise in claims. Wealth and Investments' earnings grew by 5%, with assets under management increasing by 5% to R288bn on R13bn of net inflows. Rest of Africa lost R112m from a profit of R49m, given higher reserving, increased claims and substantially higher new business costs due to integrating First Assurance in Kenya and investing in our expansion strategy. WIMI's return on equity decreased slightly to 23.9% and it generated 9% of total earnings excluding the Group centre.

Prospects

In South Africa, we expect modest economic recovery and forecast GDP growth of 1.0% for 2017. Inflation should return to within the South African Reserve Bank's target band in the second quarter, resulting in flat interest rates. We expect 4.5% average GDP growth in our other presence countries in Africa. Note that the current rand strength would be a drag on rest of Africa's contribution this year, particularly in the first half of the year.

Against this backdrop, and barring any unforeseen regulatory and macro-economic developments, we continue to expect low to mid-single digit loan growth, with CIB growing faster than RBB and South Africa lagging the rest of Africa's growth in constant currency. Our net interest margin is expected to decline slightly this year. Slower revenue growth, in part due to regulatory changes, is likely to produce negative Jaws in the near term, despite continued cost containment. We expect the strong rand and regulatory pressures to dampen our growth in the first half. However, our credit loss ratio should improve in 2017, in part due to the large single name provision in the base, while last year's reduction in our retail early delinquencies in South Africa also bodes well. Our CET1 ratio is likely to remain above board targets and our RoE should be broadly similar to 2016's. While separating from Barclays PLC will impact our near-term returns, we still believe that our stated longer-term targets currently remain appropriate for our Group including an 18% RoE and low 50s cost to income ratio. Lastly, we continue to expect that our dividend cover is likely to increase slightly in the medium term.

The reader is referred to the SENS issued on 23 February 2016 for additional information.

Basis of presentation

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

The information disclosed in the SENS is derived from the information contained in the audited annual consolidated financial statements and does not contain full or complete disclosure details. Any investment decisions by shareholders should be based on consideration of the audited annual consolidated financial statements, which is available on request. The presentation and disclosures comply with International Accounting Standards IAS 34.

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

Accounting policies

The accounting policies applied in preparing the summary consolidated financial statements are the same as those in place for the reporting period ended 31 December 2015 except for Business portfolio changes between operating segments. Refer to note 15.

Auditors' report

PricewaterhouseCoopers Inc. and Ernst & Young Inc., Barclays Africa Group Limited's independent auditors, have audited the consolidated annual financial statements of Barclays Africa Group Limited from which management prepared the summary consolidated financial results. The auditors have expressed an unqualified audit opinion on the consolidated annual financial statements. The summary consolidated financial results comprise the summary consolidated statement of financial position at 31 December 2016, summary consolidated statement of comprehensive income, summary consolidated statement of changes in equity and summary consolidated statement of cash flows for the reporting period then ended and selected explanatory notes, excluding items not indicated as audited. The audit report of the consolidated annual financial statements is available for inspection at Barclays Africa Group Limited's registered office.

These summary consolidated financial results for the year ended 31 December 2016 have been audited by PricewaterhouseCoopers Inc. and Ernst and Young Inc., who expressed an unmodified opinion thereon. A copy of the auditors' report on the summary consolidated financial statements and of the auditors' report on the annual financial statements are available for inspection at the Group's registered office, together with the financial statements identified in the respective auditor's reports.

Events after the reporting period

The directors are not aware of any other events occurring between the reporting date of 31 December 2016 and the date of authorisation of these summary consolidated financial results as defined in IAS 10 – Events after the Reporting Period (IAS 10).

On behalf of the Board

W E Lucas-Bull	M Ramos
Group Chairman	Chief Executive Officer

Johannesburg

22 February 2017

Declaration of final ordinary dividend number 61

Shareholders are advised that an ordinary dividend of 570 cents per ordinary share was approved on 22 February 2017 and was declared today, 23 February 2017, for the period ended 31 December 2016.

The ordinary dividend is payable to shareholders recorded in the register of members of the Company at the close of business on 7 April 2017. The directors of Barclays Africa Group Limited confirm that the Group will satisfy the solvency and liquidity test immediately after completion of the dividend distribution.

The dividend will be subject to local dividend withholding tax at a rate of 15%. In accordance with paragraphs 11.17(a) (i) to (ix) and 11.17(c) of the JSE Listings Requirements, the following additional information is disclosed:

The dividend has been declared out of income reserves.

The local dividend tax rate is fifteen per cent (15%).

The gross local dividend amount is 570 cents per ordinary share for shareholders exempt from the dividend tax.

The net local dividend amount is 484,50 cents per ordinary share for shareholders liable to pay for the dividend tax. This number may be revised downwards having regard to the announcement by the Minister of Finance on dividend withholding tax on 22 February 2017.

Barclays Africa Group Limited currently has 847 750 679 ordinary shares in issue (includes 1 075 595 treasury shares).

Barclays Africa Group Limited's income tax reference number is 9150116714.

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

- Last day to trade cum dividend — Tuesday, 4 April 2017
- Shares commence trading ex-dividend — Wednesday, 5 April 2017
- Record date — Friday, 7 April 2017
- Payment date — Monday, 10 April 2017

Share certificates may not be dematerialised or rematerialised between Wednesday, 5 April 2017 and Friday, 7 April 2017, both dates inclusive. On Monday, 10 April 2017, the dividend will be electronically transferred to the bank accounts of certificated shareholders. The accounts of those shareholders who have dematerialised their shares (which are held at their participant or broker) will also be credited on Monday, 10 April 2017.

On behalf of the Board

N R Drutman

Group Company Secretary

Johannesburg

23 February 2017

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

Summary consolidated salient features

	2016	2015
Statement of comprehensive income (Rm)		
Income	72 394	67 198
Operating expenses	39 956	37 661
Profit attributable to ordinary equity holders	14 708	14 331
Headline earnings[1]	14 980	14 287
Statement of financial position		
Loans and advances to customers (Rm)	720 309	703 359
Total assets (Rm)	1 101 023	1 144 604
Deposits due to customers (Rm)	674 865	688 419
Loans to deposits and debt securities ratio (%)	88.4	86.1
Financial performance (%)		
RoE[2]	16.6	17.0
RoA[2]	1.34	1.37
Return on risk-weighted assets (RoRWA)[2]	2.14	2.18
Non-performing loans (NPL) ratio on gross loans and advances[3]	3.94	3.47
Operating performance (%)		
Net interest margin on average interest bearing assets[2]	4.92	4.81
Credit loss ratio on gross loans and advances to customers and banks[2]	1.08	0.92
Credit loss ratio on net loans and advances to customers[2]	1.23	1.05
Non-interest income as percentage of total income	42.0	42.8
Cost-to-income ratio	55.2	56.0
JAWS	1.64	1.39
Effective tax rate	26.9	27.7
Share statistics (million)		
Number of ordinary shares in issue	847.8	847.8
Number of ordinary shares in issue (excluding treasury shares)	846.7	845.7
Weighted average number of ordinary shares in issue	846.5	846.8
Diluted weighted average number of ordinary shares in issue	846.6	847.3
Share statistics (cents)		
Headline earnings per ordinary share	1 769.6	1 687.2
Diluted headline earnings per ordinary share	1 769.4	1 686.2
Basic earnings per ordinary share	1 737.5	1 692.4
Diluted basic earnings per ordinary share	1 737.3	1 691.4
Dividend per ordinary share relating to income for the reporting period	1 030	1 000
Dividend cover (times)	1.7	1.7
NAV per ordinary share	10 980	10 558
Tangible NAV per ordinary share	10 501	10 112
Capital adequacy (%)		
Barclays Africa Group Limited[2]	14.8	14.5
Absa Bank Limited[2]	15.1	13.8
Common Equity Tier 1 (%)		
Barclays Africa Group Limited[2]	12.1	11.9
Absa Bank Limited[2]	11.6	10.5

[1]After allowing for **R321m** (31 December 2015: R321m) profit attributable to preference equity holders.
[2]These ratios are unaudited.
[3]The calculation of the NPL ratio has been changed to also include loans and advances to banks. Based on the previous methodology the NPL ratio would have been **4,20%** (2015: 3,88%)

Summary consolidated statement of financial position

	Note	2016 Rm	2015 Rm
Assets			
Cash, cash balances and balances with central banks		50 006	45 904
Investment securities		114 315	100 965
Loans and advances to banks		49 789	85 951
Trading portfolio assets		96 236	137 163
Hedging portfolio assets		1 745	2 232
Other assets		25 542	25 846
Current tax assets		894	833
Non-current assets held for sale	1	823	1 700
Loans and advances to customers	2	720 309	703 359
Reinsurance assets		985	581
Investments linked to investment contracts		18 816	19 517
Investments in associates and joint ventures		1 065	1 000
Investment property		478	1 264
Property and equipment		14 643	13 252
Goodwill and intangible assets		4 049	3 772
Deferred tax assets		1 328	1 265
Total assets		1 101 023	1 144 604
Liabilities			
Deposits from banks		53 192	62 980
Trading portfolio liabilities		47 429	90 407
Hedging portfolio liabilities		2 064	4 531
Other liabilities		27 696	24 982
Provisions		3 005	3 236
Current tax liabilities		244	242
Non-current liabilities held for sale	1	9	233
Deposits due to customers		674 865	688 419
Debt securities in issue		139 714	128 683
Liabilities under investment contracts		29 198	24 209
Policyholder liabilities under insurance contracts		4 469	4 340
Borrowed funds	3	15 673	13 151
Deferred tax liabilities		1 185	544
Total liabilities		998 743	1 045 957
Equity			
Capital and reserves			
Attributable to ordinary equity holders:			
Share capital		1 693	1 691
Share premium		4 467	4 250
Retained earnings		81 604	75 785
Other reserves		5 293	7 566
		93 057	89 292
Non-controlling interest - ordinary shares		4 579	4 711
Non-controlling interest - preference shares		4 644	4 644
Total equity		102 280	98 647
Total liabilities and equity		1 101 023	1 144 604

Summary consolidated statement of comprehensive income

	Note	2016 Rm	2015 Rm
Net interest income		42 003	38 407
Interest and similar income		85 114	73 603
Interest expense and similar charges		(43 111)	(35 196)
Non-interest income		30 391	28 791
Net fee and commission income		20 723	20 155
Fee and commission income		23 972	23 152
Fee and commission expense		(3 249)	(2 997)
Net insurance premium income		6 986	6 303
Net claims and benefits incurred on insurance contracts		(3 691)	(3 145)
Changes in investment and insurance contract liabilities		(493)	(214)
Gains and losses from banking and trading activities		5 691	3 933
Gains and losses from investment activities		51	786
Other operating income		1 124	973
Total income		72 394	67 198
Impairment losses on loans and advances		(8 751)	(6 920)
Operating income before operating expenditure		63 643	60 278
Operating expenditure		(39 956)	(37 661)
Other expenses		(2 120)	(1 443)
Other impairments	4	(690)	(84)
Indirect taxation		(1 430)	(1 359)
Share of post-tax results of associates and joint ventures		115	129
Operating profit before income tax		21 682	21 303
Taxation expense		(5 835)	(5 899)
Profit for the reporting period		15 847	15 404
Profit attributable to:			
Ordinary equity holders		14 708	14 331
Non-controlling interest - ordinary shares		788	752
Non-controlling interest - preference shares		351	321
		15 847	15 404
Earnings per share:			
Basic earnings per share (cents)		1 737.5	1 692.4
Diluted earnings per share (cents)		1 737.3	1 691.4

	2016 Rm	2015 Rm
Profit for the reporting period	15 847	15 404
Other comprehensive income		
Items that will not be reclassified to profit or loss	(220)	(118)
Movement in retirement benefit fund assets and liabilities	(220)	(118)
(Decrease) in retirement benefit surplus	(120)	(42)
Increase in retirement benefit deficit	(141)	(72)
Deferred tax	41	(4)
Items that are or may be subsequently reclassified to profit or loss	(2 942)	888
Movement in foreign currency translation reserve	(4 529)	3 428
Differences in translation of foreign operations	(4 209)	3 695
Gains released to profit or loss	(320)	(267)
Movement in cash flow hedging reserve	1 726	(2 223)
Fair value gains /(losses) arising during the reporting period	2 721	(2 029)
Amount removed from other comprehensive income and recognised in profit or loss	(321)	(1 058)
Deferred tax	(674)	864
Movement in available-for-sale reserve	(139)	(317)
Fair value losses during the reporting period	(197)	(690)
Release to profit or loss	(3)	210
Deferred tax	61	163
Total comprehensive income for the reporting period	12 685	16 174
Total comprehensive income attributable to:		
Ordinary equity holders	11 931	14 649
Non-controlling interest - ordinary shares	403	1 204
Non-controlling interest - preference shares	351	321
	12 685	16 174

Summary consolidated statement of changes in equity

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit risk reserve Rm	Available-for-sale reserve Rm
Balance at the beginning of the reporting period	845 725	1 691	4 250	75 785	7 566	727	560
Total comprehensive income	-	-	-	14 496	(2 565)	-	(183)
Profit for the period	-	-	-	14 708	-	-	-
Other comprehensive income	-	-	-	(212)	(2 565)	-	(183)
Dividends paid	-	-	-	(8 536)	-	-	-
Purchase of Group shares in respect of equity-settled share-based payment arrangements	-	-	(409)	(12)	-	-	-
Elimination of the movement in treasury shares held by Group entities	950	2	151	-	-	-	-
Movement in share-based payment reserve	-	-	409	-	163	-	-
Transfer from share-based payment reserve	-	-	409	-	(409)	-	-
Value of employee services	-	-	-	-	495	-	-
Conversion from cash-settled schemes	-	-	-	-	37	-	-
Deferred tax	-	-	-	-	40	-	-
Movement in general credit risk reserve	-	-	-	(30)	30	30	-
Movement in foreign insurance subsidiary regulatory reserve	-	-	-	16	(16)	-	-
Share of post-tax results of associates and joint ventures	-	-	-	(115)	115	-	-
Acquisition of a subsidiary[1,2]	-	-	66	-	-	-	-
Balance at the end of the reporting period	846 675	1 693	4 467	81 604	5 293	757	377

[1]The excess of the purchase price over the Group's share of net assets of Barclays Africa Limited, acquired on 31 July 2013, was accounted for as a deduction against share premium. The sale and purchase agreement between the Group and Barclays Bank Plc allowed for the purchase price to be adjusted for certain items and in June 2016 an agreement was reached on the final purchase price adjustment. As a result Barclays Bank Plc paid R66m to the Group, which was recognised in equity, in line with the accounting of the original transaction.
[2]During the current reporting period the Group acquired a 75% controlling stake in Absa Instant Life (Pty) Ltd which resulted in a R25m increase in non-controlling interest.

2016

Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Foreign insurance subsidiary regulatory reserve Rm	Share-based payment reserve Rm	Associates' and joint ventures' reserve Rm	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest - ordinary shares Rm	Non-controlling interest - preference shares Rm	Total equity Rm
(1 870)	6 461	22	729	937	89 292	4 711	4 644	98 647
1 726	(4 108)	-	-	-	11 931	403	351	12 685
-	-	-	-	-	14 708	788	351	15 847
1 726	(4 108)	-	-	-	(2 777)	(385)	-	(3 162)
-	-	-	-	-	(8 536)	(562)	(351)	(9 449)
-	-	-	-	-	(421)	-	-	(421)
-	-	-	-	-	153			153
-	-	-	163	-	572	2	-	574
-	-	-	(409)	-	-	-	-	-
-	-	-	495	-	495	2	-	497
-	-	-	37	-	37	-	-	37
-	-	-	40	-	40	-	-	40
-	-	-	-	-	-	-	-	-
-	-	(16)	-	-	-	-	-	-
-	-	-	-	115	-	-	-	-
-	-	-	-	-	66	25	-	91
(144)	2 353	6	892	1 052	93 057	4 579	4 644	102 280

	Number of ordinary shares '000	Share capital Rm	Share premium Rm	Retained earnings Rm	Total other reserves Rm	General credit risk reserve Rm	Available-for-sale reserve Rm
Balance at the beginning of the reporting period	846 870	1 694	4 548	70 237	6 211	597	912
Total comprehensive income	-	-	-	14 228	421	-	(352)
Profit for the period	-	-	-	14 331	-	-	-
Other comprehensive income	-	-	-	(103)	421	-	(352)
Dividends paid	-	-	-	(8 248)	-	-	-
Purchase of Group shares in respect of equity-settled share-based payment arrangements	-	-	(12)	3	-	-	-
Elimination of the movement in treasury shares held by Group entities[1]	(1 145)	(3)	(289)	-	-	-	-
Movement in share-based payment reserve	-	-	3	-	673	-	-
Transfer from share-based payment reserve	-	-	3	-	(3)	-	-
Value of employee services	-	-	-	-	283	-	-
Conversion from cash-settled to equity-settled schemes	-	-	-	-	430	-	-
Deferred tax	-	-	-	-	(37)	-	-
Movement in general credit risk reserve	-	-	-	(130)	130	130	-
Movement in foreign insurance subsidiary regulatory reserve	-	-	-	(2)	2	-	-
Share of post-tax results of associates and joint ventures	-	-	-	(129)	129	-	-
Acquisition of a subsidiary[(2)]	-	-	-	-	-	-	-
Disposal of interest in a subsidiary[(3)]	-	-	-	(174)	-	-	-
Balance at the end of the reporting period	845 725	1 691	4 250	75 785	7 566	727	560

[1]The movement is largely due to the elimination of treasury shares in the share incentive trust. These shares were acquired by the trust as part of the conversion of the cash-settled share-based payment schemes to the equity-settled share-based payment schemes.
[2]The Group acquired a 63% shareholding in First Assurance Holdings Limited.
[3]The Group disposed of part of its interest in National Bank of Commerce (NBC), reducing its interest from 66% to 55%.

2015

Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Foreign insurance subsidiary regulatory reserve Rm	Share-based payment reserve Rm	Associates' and joint ventures' reserve Rm	Capital and reserves attributable to ordinary equity holders Rm	Non-controlling interest - ordinary shares Rm	Non-controlling interest - preference shares Rm	Total equity Rm
353	3 465	20	56	808	82 690	3 611	4 644	90 945
(2 223)	2 996	-	-	-	14 649	1 204	321	16 174
-	-	-	-	-	14 331	752	321	15 404
(2 223)	2 996	-	-	-	318	452	-	770
-	-	-	-	-	(8 248)	(495)	(321)	(9 064)
-	-	-	-	-	(9)	-	-	(9)
-	-	-	-	-	(292)	-	-	(292)
-	-	-	673	-	676	4	-	680
-	-	-	(3)	-	-	-	-	-
-	-	-	283	-	283	4	-	287
-	-	-	430	-	430	-	-	430
-	-	-	(37)	-	(37)	-	-	(37)
-	-	-	-	-	-	-	-	-
-	-	2	-	-	-	-	-	-
-	-	-	-	129	-	-	-	-
-	-	-	-	-	-	209	-	209
-	-	-	-	-	(174)	178	-	4
(1 870)	6 461	22	729	937	89 292	4 711	4 644	98 647

Summary consolidated statement of cash flows

	Note	2016 Rm	2015 Rm
Net cash generated from operating activities		6 962	16 357
Net cash utilised in investing activities		(4 201)	(4 547)
Net cash utilised in financing activities		(7 509)	(7 316)
Net (decrease)/increase in cash and cash equivalents		(4 748)	4 494
Cash and cash equivalents at the beginning of the reporting period	1	21 366	16 626
Effect of foreign exchange rate movements on cash and cash equivalents		1 116	246
Cash and cash equivalents at the end of the reporting period	2	17 734	21 366

Notes to the summary consolidated statement of cash flows

	2016 Rm	2015 Rm
1. Cash and cash equivalents at the beginning of the reporting period		
Cash, cash balances and balances with central banks	12 899	12 903
Loans and advances to banks	8 467	3 723
	21 366	16 626
2. Cash and cash equivalents at the end of the reporting period		
Cash, cash balances and balances with central banks	13 141	12 899
Loans and advances to banks	4 593	8 467
	17 734	21 366

Summary notes to the consolidated financial results

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

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

- RBB transferred investment properties with a total carrying value of R456m and a subsidiary with total assets of R367m and total liabilities of R9m to non-current assets and non-current liabilities held for sale. The Commercial Property Finance (CPF) Equity division disposed of an investment security and investment property with a carrying value of R15m and R64m respectively.
- Head Office disposed of property and equipment with a carrying value of R94m.
- WIMI transferred a consolidated structured entity with total assets of R245m and total liabilities of R233m out of non-current assets and non-current liabilities held for sale. This was done following a reassessment by management of the time expected to be taken to effect disposal.
- CIB transferred investment securities with a carrying value of R1 136m out of non-current assets held for sale. This was done following a change in management intention with regards to disposal.

The following movements in non-current assets and non-current liabilities held for sale were effected during the previous financial reporting period:

- CIB transferred investment securities with a carrying value of R 1 282m to non-current assets held for sale.
- Disposals of non-current assets held for sale occurred in RBB (including CPF) and Head Office.

2. Loans and advances to customers

	2016 Rm	2015 Rm
Corporate overdrafts and specialised finance loans	**8 285**	8 784
Credit cards	**41 000**	42 257
Foreign currency loans	**29 478**	22 964
Instalment credit agreements	**76 219**	74 845
Gross advances	**94 488**	91 931
Unearned finance charges	**(18 269)**	(17 086)
Loans to associates and joint ventures	**20 183**	17 079
Micro loans	**4 636**	3 941
Mortgages	**270 876**	273 078
Other advances	**25 636**	31 204
Overdrafts	**39 920**	37 007
Overnight finance	**15 574**	15 249
Personal and term loans	**86 206**	88 262
Preference shares	**17 443**	16 127
Reverse repurchase agreements (Carries)	**16 116**	20 310
Wholesale overdrafts	**88 453**	69 352
Gross loans and advances to customers	**740 025**	720 459
Impairments losses on loans and advances	**(19 716)**	(17 100)
	720 309	703 359

	2016						
	Performing loans			Non-performing loans			
Loans and advances to customers	Exposure Rm	Impairment Rm	Coverage ratio %	Exposure Rm	Impairment Rm	Coverage ratio %	Net total exposure Rm
RBB	474 866	4 936	1.04	26 591	11 923	44.84	484 598
Retail Banking South Africa	366 861	3 290	0.90	20 166	8 655	42.92	375 082
Credit cards	34 802	728	2.09	5 423	3 883	71.60	35 614
Instalment credit agreements	73 530	735	1.00	2 085	925	44.36	73 955
Loans to associates and joint ventures	18 933	-	-	-	-	-	18 933
Mortgages	216 955	1 213	0.56	10 029	2 109	21.03	223 662
Other loans and advances	510	-	-	-	-	-	510
Overdrafts	3 923	54	1.38	220	142	64.55	3 947
Personal and term loans	18 208	560	3.08	2 409	1 596	66.25	18 461
Business Banking South Africa	68 147	794	1.17	3 287	1 161	35.32	69 479
Mortgages (including CPF)	34 547	179	0.52	1 566	535	34.16	35 399
Overdrafts	18 284	366	2.00	929	421	45.32	18 426
Term loans	15 316	249	1.63	792	205	25.88	15 654
RBB Rest of Africa	39 858	852	2.14	3 138	2 107	67.14	40 037
CIB	227 824	1 017	0.45	4 390	1 765	40.21	229 432
WIMI	5 615	14	0.25	116	57	49.14	5 660
Head Office, Treasury and other operations	623	4	0.64	-	-	-	619
Loans and advances to customers	708 928	5 971	0.84	31 097	13 745	44.20	720 309
Loans and advances to customers and banks	758 717	5 971	0.79	31 097	13 745	44.20	770 098

	2015						
	Performing loans			Non-Performing loans			
Loans and advances to customers	Exposure Rm	Impairment Rm	Coverage ratio %	Exposure Rm	Impairment Rm	Coverage ratio %	Net total exposure Rm
RBB	473 956	4 184	0.88	25 077	11 094	44.24	483 755
Retail Banking South Africa	367 475	3 024	0.82	18 198	7 652	42.05	374 997
Credit Cards	36 390	724	1.99	5 014	3 532	70.44	37 148
Instalment credit agreements	72 426	548	0.76	1 602	621	38.76	72 859
Loans to associates and joint ventures	16 176	-	-	-	-	-	16 176
Mortgages	222 315	1 243	0.56	9 341	2 064	22.10	228 349
Other loans and advances	367	-	-	-	-	-	367
Overdrafts	2 781	34	1.22	172	99	57.56	2 820
Personal and term loans	17 020	475	2.79	2 069	1 336	64.57	17 278
Business Banking South Africa	62 052	661	1.07	3 306	1 152	34.85	63 545
Mortgages (including CPF)	30 016	190	0.63	1 620	586	36.17	30 860
Overdrafts	17 289	270	1.56	960	370	38.54	17 609
Term loans	14 747	201	1.36	726	196	27.00	15 076
RBB Rest of Africa	44 429	499	1.12	3 573	2 290	64.09	45 213
CIB	212 508	766	0.36	2 834	951	33.56	213 625
WIMI	5 346	32	0.60	69	33	47.83	5 350
Head Office, Treasury and other operations	669	40	5.98	-	-	-	629
Loans and advances to customers	692 479	5 022	0.73	27 980	12 078	43.17	703 359
Loans and advances to customers and banks	778 430	5 022	0.65	27 980	12 078	43.17	789 310

3. Borrowed funds

During the reporting period the significant movements in borrowed funds were as follows: **R2 381m** (2015: R4 870m) of subordinated notes were issued and **R178m** (2015: R2 455m) were redeemed.

4. Other impairments

	2016 Rm	2015 Rm
(Reversal)/impairment raised on financial instruments	(4)	10
Investments in associates and joint ventures	42	-
Other	652	74
Goodwill	34	1
Intangible assets [1]	618	72
Property and equipment	-	1
	690	84

[1] During the current year, two of the Group's intangible assets were impaired. An acquired customer list was fully impaired following an adjustment to the interest rate outlook for the related business. The second impairment relates to the costs previously spent by the Group on the Virtual Bank initiative. In calculating the impairment to be recognised, the Group determined the value in use based on a discounted cash flow methodology.

5. Headline earnings

	2016		2015	
	Gross Rm	Net[1] Rm	Gross Rm	Net1 Rm
Headline earnings are determined as follows:				
Profit attributable to ordinary equity holders of the Group		14 708		14 331
Total headline earnings adjustment:		272		(44)
IFRS 3 – Goodwill impairment	34	34	1	1
IFRS 5 – Gains on disposal of non-currents assets held for sale	(31)	(25)	(1)	(1)
IAS 16 – Profit on disposal of property and equipment	(29)	(21)	(13)	(10)
IAS 21 – Recycled foreign currency translation reserve	(320)	(297)	(267)	(267)
IAS 28 – Impairment of investments in associates and joint ventures	42	34	-	-
IAS 36 – Impairment of property and equipment	-	-	1	1
IAS 36 – Impairment of intangible assets	618	610	72	51
IAS 38 – Gain on disposal of intangible assets	-	-	(7)	(5)
IAS 39 – Release of available-for-sale reserves	(3)	(2)	210	152
IAS 40 – Change in fair value of investment properties	(70)	(61)	47	34
Headline earnings/diluted headline earnings		14 980		14 287
Headline earnings per share (cents)		1 769.6		1 687.2
Diluted headline earnings per share (cents)		1 769.4		1 686.2

[1] The net amount is reflected after taxation and non-controlling interest.

6. Dividends per share

	2016 Rm	2015 Rm
Dividends declared to ordinary equity holders		
Interim dividend (29 July 2016: 460 cents) (29 July 2015: 450 cents)	3 900	3 815
Final dividend (23 February 2017: 570 cents)(1 March 2016: 550 cents)	4 832	4 663
	8 732	8 478
Dividends declared to ordinary equity holders (net of treasury shares)[1]		
Interim dividend (29 July 2016: 460 cents) (29 July 2015: 450 cents)	3 888	3 807
Final dividend (23 February 2017: 570 cents)(1 March 2016: 550 cents)	4 820	4 651
	8 708	8 458
Dividends declared to non-controlling preference equity holders		
Interim dividend (29 July 2016: 3 696,57534 cents)(29 July 2015: 3 282,8082 cents)	183	162
Final dividend (23 February 2017: 3 644,79452 cents)(1 March 2016: 3 395,47945 cents)	180	168
	363	330
Dividends paid to ordinary equity holders (net of treasury shares)[1]		
Final dividend net of treasury shares (1 March 2016: 550 cents)(3 March 2015: 525 cents)	4 648	4 442
Interim dividend net of treasury shares (29 July 2016: 460 cents) (29 July 2015: 450 cents)	3 888	3 806
	8 536	8 248
Dividends paid to non-controlling preference equity holders		
Final dividend (1 March 2016: 3 395,47945 cents)(3 March 2015: 3 210,8904 cents)	168	159
Interim dividend (29 July 2016: 3 696,57534 cents)(29 July 2015: 3 282,8082 cents)	183	162
	351	321

[1] The dividends paid on treasury shares are calculated on payment date.

7. Acquisitions and disposals of businesses and other similar transactions

7.1 Acquisitions of businesses during the current reporting period

In order to continue building and shaping the Group's predictive underwriting products, expertise and technology, the Group acquired a 75% controlling stake in Absa Instant Life Proprietary Limited, previously known as Instant Life Proprietary Limited. The acquisition of the investment had an effective acquisition date of 31 March 2016 and is a business combination within the scope of IFRS 3. The acquisition date fair value of the consideration transferred amounted to R100m.

The non-controlling interest below was measured at their proportionate share of the acquiree's identifiable net assets. Goodwill of R20m has been recognised and includes, but is not limited to, the insurer's workforce and the increased market share gained.

The transaction is currently being evaluated in terms of the Purchase Price Allocation (PPA). The initial accounting considerations include the valuation of intangible assets (identified in terms of IFRS3 – i.e. Value of business acquired and software system) and share-based payments.

From the date of acquisition, Absa Instant Life contributed revenue of R9m to the total income earned by the Group. If the combination had taken place at the beginning of the year, an additional R5m would have been generated by the Group, thereby resulting in a total income of R14m. From the date of acquisition, Absa Instant Life contributed losses after tax of R12m to total profits earned by the Group. If the combination taken place at the beginning of the year, losses after tax of an additional R3m would have been incurred by the Group, thereby resulting in a total loss after tax of R15m.

7.1.1 Acquisitions of businesses during the current reporting period

	Instant Life	Group
	2016	
	Fair value recognised on acquisition	
	Rm	Rm
Consideration at date of acquisition:		
Cash	100	100
Total consideration	100	100
Recognised amounts of identifiable assets acquired and liabilities assumed		
Loans and advances to banks	6	6
Other assets	14	14
Intangible assets	125	125
Other liabilities	(5)	(5)
Deferred tax liabilities	(32)	(32)
Provisions	(1)	(1)
Total identifiable net assets	107	107
Total NCI	(27)	(27)
Goodwill	20	20
Total	100	100

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

	2016 Rm	2015 Rm
Summary of net cash outflow due to acquisitions	100	384

7.1.2 Disposals of businesses during the current reporting period

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

7.2.1 Acquisitions of businesses during the previous reporting period

The Group acquired 63% of the issued ordinary share capital of First Assurance Company Limited (FACL), an East African insurer, with operations in both Kenya and Tanzania. The acquisition of the investment in FACL had an effective acquisition date of 30 October 2015, and is a business combination within the scope of IFRS 3.

The non-controlling interest below was measured at their proportionate share of the acquiree's identifiable net assets. Goodwill of R164m has been recognised mainly attributable to intangible assets that do not qualify for recognition on the basis that they are not separable. The Purchase Price Allocation (PPA) for the transaction has been finalised with no differences to the provisional amounts published in the previous reporting period being noted. From the date of acquisition, FACL contributed R26m to the total income of the Group in 2015. Had the acquisition taken place at the beginning of 2015, the total income for the Group would have increased by R152m for 2015 year end reporting. From the date of acquisition, FACL contributed R9m to profit after tax of the Group in 2015. Had the acquisition taken place at the beginning of 2015, profit after tax for the Group would have increased by R37m for 2015 year end reporting.

The Group also purchased additional shares in a non-core joint venture which resulted in an increase in the Group's effective shareholding from 50% to 67% and a business combination in terms of IFRS 3. The acquisition occurred on 18 November 2015. A bargain purchase gain of R4m was recognised in the statement of comprehensive income.

	First Assurance Holdings	Other	Group
		2015	
		Fair value recognised on acquisition	
	Rm	Rm	Rm
Consideration at date of acquisition:			
Cash	370	14	384
Total consideration	370	14	384
Recognised amounts of identifiable assets acquired and liabilities assumed			
Property, plant and equipment	28	-	28
Investment securities	145	-	145
Loans and advances to banks	196	-	196
Other assets	440	5	445
Investment properties	170	292	462
Current tax assets	2	-	2
Other liabilities	(65)	(1)	(66)
Insurance liabilities	(586)	-	(586)
Deferred tax liabilities	(3)	(4)	(7)
Loans from Subsidiaries	-	(176)	(176)
Loans from Absa Group Companies	-	(90)	(90)
Total identifiable net assets	327	26	353
Total NCI	(121)	(8)	(129)
Goodwill/(Bargain purchase)	164	(4)	160
Total	370	14	384

7.2.2 Disposals of businesses during the previous reporting period

National Bank of Commerce Limited (NBC) was recapitalised through a rights issue to all its shareholders during 2013. As the Government of Tanzania (GoT) was unable to subscribe to their rights at the time, an option was granted to GoT providing it with the right to purchase its pro rata portion of the shares from the Group within a period of two years after the rights issue. The GoT exercised their option during the previous reporting period which resulted in a decrease of the Group's shareholding from 66% to 55%.

8. Related parties

Barclays Bank PLC sold 12,2% of its Barclays Africa Group Limited shareholding for R13,1bn on 5 May 2016 through a book build to money managers, leaving the Barclays Bank PLC shareholding at 50,1%.

9. Financial guarantee contracts

	2016	2015
	Rm	Rm
Financial guarantee contracts	10	24

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

10. Commitments

	2016 Rm	2015 Rm
Authorised capital expenditure		
Contracted but not provided for[1]	521	901
The Group has capital commitments in respect of computer equipment and property development. Management is confident that future net revenues and funding will be sufficient to cover these commitments.		
Operating lease payments due		
No later than one year	1 309	758
Later than one year and no later than five years	2 946	1 742
Later than five years	1 228	956
	5 483	3 456
The operating lease commitments comprise a number of separate operating leases in relation to property and equipment, none of which is individually significant to the Group.		
Leases are negotiated for an average term of three to five years and rentals are renegotiated annually.		
Sponsorship payments due		
No later than one year	84	147
Later than one year and no later than five years	20	177
	104	324
The Group has sponsorship commitments in respect of sports, arts and culture sponsorships.		
Other commitments		
No later than one year	-	991

The South Africa Reserve Bank (SARB) announced in August 2014 that Africa Bank Limited (a subsidiary of Africa Bank Investments Limited) would be placed under curatorship. A consortium of six South African banks (including Barclays Africa Group Limited) and the Public Investment Corporation (PIC) had underwritten R5bn respectively. In the current financial reporting period, African Bank Holdings Limited (that is, the holding company of "Good Bank ", African Bank Limited) was successfully capitalised, with BAGL subsidiary for a portion of the issued ordinary shares. The investment is recognised within Investment Securities, and the remaining commitment which was underwritten by Barclays Africa Group Limited, but guaranteed by the SARB, has been extinguished during the current reporting period.

11. Contingencies

	2016 Rm	2015 Rm
Guarantees	38 441	37 901
Irrevocable debt facilities	135 935	152 984
Irrevocable equity facilities	141	364
Letters of credit[1]	8 481	8 207
Other	135	5 325
	183 133	204 781

[1] The presentation of commitments for 2015 has been revised following the reallocation of an amount of R740m from Commitments to Letters of Credit (within Contingencies) so as to more appropriately reflect the substance of the item.

Guarantees include performance guarantee contracts and payment guarantee contracts.

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

Legal proceedings

The Group has been party to proceedings against it during the reporting period, and as at the reporting date the following material cases are disclosed:

- Pinnacle Point Holdings Proprietary Limited (PPG): New Port Finance Company and the trustees of the Winifred Trust (the plaintiffs) allege a local bank conducted itself unlawfully, and that Absa Bank Limited (the Bank) was privy to such conduct. They have instituted proceedings against the Bank for damages for an amount of R1 387m. Although Pinnacle Point Holding's claim has been withdrawn, the second to fifth plaintiff's claims remain and will proceed to trial.
- Ayanda Collective Investment Scheme (the Scheme): Absa Capital Investor Services was the trustee of Ayanda Collective Investment Scheme, in which Corporate Money Managers (CMM) managed a portfolio of assets within the Scheme. The joint curators of the CMM group of companies and the Altron Pension Fund (an investor in the fund) allege that the defendants caused damages to them arising from their alleged failure to meet their obligations in the trust deed together with their statutory obligations set out in the Collective Investment Scheme Act, in respect of which they seek payment of R1 157m.

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

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

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

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

Regulatory matters

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

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

Absa Bank Limited, a subsidiary of Barclays Africa Group Limited, has identified potentially fraudulent activity by certain of its customers using import advance payments for imports in 2014 and 2015 to effect foreign exchange transfers from South Africa to beneficiary accounts located in East Asia, UK, Europe and the US. As a result, the Group has been conducting a review of relevant activity, processes, systems and controls. The Group is keeping relevant authorities informed as to the status of this matter and is providing information to these authorities as part of its on-going cooperation. It is not currently possible to estimate the financial impact of the actions described on the Group, if any.

In February 2017 the South African Competition Commission (SACC) referred Absa Bank Limited, among other banks, to the Competition Tribunal to be prosecuted for breaches of South African competition law related to Foreign Exchange trading of South African Rand. The SACC found from its investigation that, between 2007 - 2013, the respondents had engaged in various forms of collusive behaviour. Absa Bank Limited and its parent Barclays PLC brought the conduct to the attention of the SACC under its leniency programme and have cooperated with, and will continue to cooperate with, the SACC in relation to this matter. The SACC is therefore not seeking an order from the Tribunal to impose any administrative fine on Absa Bank Limited.

Income taxes

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

12. Segment reporting

	2016 Rm	2015[1] Rm
12.1 Headline earnings contribution by segment		
RBB	9 313	9 605
CIB	5 098	3 999
WIMI	1 399	1 452
Head Office, Treasury and other operations	(830)	(769)
	14 980	14 287
12.2 Total income by segment		
RBB	52 217	49 160
CIB	16 054	13 741
WIMI	5 223	5 235
Head Office, Treasury and other operations	(1 100)	(938)
	72 394	67 198
12.3 Total internal income by segment		
RBB	(8 719)	(7 613)
CIB	(3 231)	(844)
WIMI	(378)	(426)
Head Office, Treasury and other operations	12 328	8 883
	-	-
12.4 Total assets by segment		
RBB	808 892	812 175
CIB	552 614	574 715
WIMI	51 202	43 898
Head Office, Treasury and other operations	(311 685)	(286 184)
	1 101 023	1 144 604
12.5 Total liabilities by segment		
RBB	798 258	795 837
CIB	545 668	566 089
WIMI	45 746	38 386
Head Office, Treasury and other operations	(390 929)	(354 355)
	998 743	1 045 957

[1]Operational changes, management changes and associated changes to the way in which the (CODM) views the performance of each business segment, have resulted in the reallocation of earnings, assets and liabilities between operating segments. Refer to Note 15.

13. Assets and liabilities not held at fair value

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

	2016		2015	
	Carrying value Rm	Fair value Rm	Carrying value Rm	Fair value Rm
Financial assets				
Balances with other central banks	13 395	13 395	12 141	12 141
Balances with the SARB	18 552	18 552	17 459	17 459
Coins and bank notes	13 141	13 141	12 898	12 898
Money market assets	38	38	34	34
Cash, cash balances and balances with central banks	45 126	45 126	42 532	42 532
Loans and advances to banks	29 932	29 827	61 623	61 632
Other assets	22 120	22 188	22 875	22 875
Retail Banking South Africa	375 082	374 973	374 996	373 967
Credit cards	35 614	35 614	37 148	37 148
Instalment credit agreements	73 955	73 650	72 859	71 798
Loans to associates and joint ventures	18 933	18 933	16 175	16 175
Mortgages	223 662	223 674	228 349	228 359
Other loans and advances	510	510	367	367
Overdrafts	3 947	3 947	2 820	2 820
Personal and term loans	18 461	18 645	17 278	17 300
Business Banking South Africa	69 375	69 387	63 412	63 440
Mortgages (including CPF)	35 295	35 307	30 730	30 742
Overdrafts[1]	18 426	18 426	17 604	17 620
Term loans[1]	15 654	15 654	15 078	15 078
RBB Rest of Africa	40 037	40 027	45 212	45 212
CIB	205 464	205 464	184 342	184 344
WIMI	5 660	5 660	5 350	5 350
Head Office, Treasury and other operations	615	615	625	625
Loans and advances to customers – net of impairment losses	696 233	696 126	673 937	672 938
Total assets	793 411	793 267	800 967	799 977
Financial liabilities				
Deposits from banks	44 107	44 107	50 962	50 962
Other liabilities	23 600	23 584	21 398	21 278
Call deposits	62 426	62 426	72 172	72 172
Cheque account deposits	200 367	200 367	200 614	200 614
Credit card deposits	1 906	1 906	2 002	2 002
Fixed deposits	153 295	153 358	157 661	157 774
Foreign currency deposits	24 825	24 825	27 865	27 865
Notice deposits	59 358	59 371	48 954	48 963
Other deposits	3 189	3 189	13 791	13 791
Saving and transmission deposits	152 378	152 378	147 561	147 561
Deposits due to customers	657 744	657 820	670 620	670 742
Debt securities in issue	134 197	134 197	122 436	119 859
Borrowed funds	15 673	15 893	13 151	13 520
Total liabilities	875 321	875 601	878 567	876 361

[1]Some overdrafts were reallocated to term loans to align to the way the products are utilised by the customers. The restatement effected resulted in a decrease of R821m (2015: R555m) in "Overdrafts" with corresponding increase in "Term loans".

14. Assets and liabilities held at fair value

14.1 Fair value measurement and valuation processes

Financial assets and financial liabilities

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

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

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

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

Investment properties

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

Where possible the fair value of the Group's investment properties is determined through valuations performed by external independent valuators.

When the Group's internal valuations are different to that of the external independent valuers, detailed procedures are performed to substantiate the differences, whereby the IVC verifies the procedures performed by the front office and considers the appropriateness of any differences to external independent valuations.

14.2 Fair value measurements

Valuation inputs

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

Quoted market prices – Level 1

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

Valuation technique using observable inputs – Level 2

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

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

Valuation technique using significant unobservable inputs – Level 3

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

Judgemental inputs on valuation of principal instruments

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

Debt securities and treasury and other eligible bills

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

Equity instruments

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

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

Derivatives

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

Loans and advances

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

Deposits, debt securities in issue and borrowed funds

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

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

14.3 Fair value adjustments

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

Bid-offer valuation adjustments

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

Uncollateralised derivative adjustments

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

Model valuation adjustments

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

14.4 Fair value hierarchy

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

	2016				2015			
	Level 1 Rm	**Level 2 Rm**	**Level 3 Rm**	**Total Rm**	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Financial Assets								
Cash, cash balances and balances with central banks	2 388	2 492	-	4 880	2 114	1 258	-	3 372
Investment Securities	60 051	50 906	3 358	114 315	64 458	32 541	3 966	100 965
Loans and advances to banks	-	19 286	571	19 857	-	22 219	2 109	24 328
Trading and hedging portfolio assets	33 572	61 419	1 505	96 496	37 037	98 935	1 418	137 390
Debt instruments	15 689	6 740	1 324	23 753	18 891	9 430	897	29 218
Derivative assets	-	46 717	181	46 898	51	79 938	521	80 510
Commodity derivatives	-	797	-	797	-	212	-	212
Credit derivatives	-	70	114	184	-	889	23	912
Equity derivatives	-	1 540	67	1 607	6	2 134	43	2 183
Foreign exchange derivatives	-	15 221	-	15 221	45	27 696	3	27 744
Interest rate derivatives	-	29 089	-	29 089	-	49 007	452	49 459
Equity instruments	17 883	-	-	17 883	17 321	-	-	17 321
Money market assets	-	7 962	-	7 962	774	9 567	-	10 341
Other assets	-	4	5	9	-	1	25	26
Loans and advances to customers	-	19 186	4 890	24 076	3	21 908	7 511	29 422
Investments linked to investment contracts	16 335	2 481	-	18 816	16 885	2 632	-	19 517
Total financial assets	112 346	155 774	10 329	278 449	120 497	179 494	15 029	315 020
Financial liabilities								
Deposits from banks	-	9 085	-	9 085	-	12 011	7	12 018
Trading and hedging portfolio liabilities	6 508	42 677	308	49 493	3 712	91 009	217	94 938
Derivative liabilities	-	42 677	308	42 985	-	91 009	217	91 226
Commodity derivatives	-	875	-	875	-	429	-	429
Credit derivatives	-	137	101	238	-	879	14	893
Equity derivatives	-	1 306	60	1 366	-	3 768	58	3 826
Foreign exchange derivatives	-	14 173	-	14 173	-	28 576	-	28 576
Interest rate derivatives	-	26 186	147	26 333	-	57 357	145	57 502
Short positions	6 508	-	-	6 508	3 712	-	-	3 712
Other liabilities	-	4	41	45	-	7	5	12
Deposits due to customers	154	15 828	1 139	17 121	111	15 131	2 557	17 799
Debt securities in issue	261	4 652	604	5 517	202	5 421	624	6 247
Liabilities under investment contracts	-	29 055	-	29 055	-	24 209	-	24 209
Total financial liabilities	6 923	101 301	2 092	110 316	4 025	147 788	3 410	155 223
Non-financial assets								
Commodity	1 485	-	-	1 485	2 005	-	-	2 005
Investment Properties	-	-	478	478	-	-	1 264	1 264
Non-recurring fair value measurements								
Non-current assets held for sale[1]	-	-	823	823	-	-	1 700	1 700
Non-current liabilities held for sale[1]	-	-	9	9	-	-	233	233

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

14.5 Measurement of assets and liabilities categorised at Level 2

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

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

14.6 Reconciliation of level 3 assets and liabilities

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

2016	Trading and hedging portfolio assets Rm	Other assets Rm	Loans and advances to customers Rm	Loans and advances to banks Rm	Investment securities Rm	Investment properties Rm	Investments linked to Investment contracts Rm	Total assets at fair value Rm
Opening balance at the beginning of the reporting period	1 418	25	7 511	2 109	3 966	1 264	-	**16 293**
Net interest income	-	-	297	-	56	-	-	**353**
Other income	-	-	-	-	-	17	-	**17**
Gains and losses from banking and trading activities	112	-	-	(140)	(1 079)	-	-	**(1 107)**
Gains and losses from investment activities	-	-	-	-	106	-	-	**106**
Purchases	1 308	(3)	-	70	543	28	-	**1 946**
Sales	(1 333)	(17)	(1 956)	(1 468)	(233)	(83)	-	**(5 090)**
Movement in other comprehensive income	-	-	-	-	(80)	-	-	**(80)**
Issues	-	-	-	-	-	-	-	**-**
Settlements	-	-	-	-	-	-	-	**-**
Transferred to/(from) assets/liabilities	-	-	-	-	1 136	(748)	-	**388**
Movement in/(out) of Level 3	-	-	(962)	-	(1 057)	-	-	**(2 019)**
Closing balance at the end of the reporting period	1 505	5	4 890	571	3 358	478	-	10 807

2015	Trading and hedging portfolio assets Rm	Other assets Rm	Loans and advances to customers Rm	Loans and advances to banks Rm	Investment securities Rm	Investment properties Rm	Investments linked to Investment contracts Rm	Total assets at fair value Rm
Opening balance at the beginning of the reporting period	1 162	17	4 731	-	6 467	727	1	13 105
Net interest income	-	-	488	-	85	-	-	573
Other income	-	-	-	-	-	-	-	-
Gains and losses from banking and trading activities	323	-	-	-	-	-	-	323
Gains and losses from investment activities	-	-	-	(18)	50	60	-	92
Purchases	16	8	5 108	2 127	47	478	-	7 784
Sales	(83)	-	(2 816)	-	(2 718)	(1)	(1)	(5 619)
Movement in other comprehensive income	-	-	-	-	35	-	-	35
Issues	-	-	-	-	-	-	-	-
Settlements	-	-	-	-	-	-	-	-
Transferred to/(from) assets/liabilities	-	-	-	-	-	-	-	-
Movement in/(out) of Level 3	-	-	-	-	-	-	-	-
Closing balance at the end of the reporting period	1 418	25	7 511	2 109	3 966	1 264	-	16 293

14.6.1 Significant transfers between levels

During the 2016 and 2015 reporting periods, transfers between levels occurred because of changes in the observability of valuation inputs, in some instances owing to changes in the level of market activity. Transfers have been reflected as if they had taken place at the beginning of the year.

2016

	Deposits from banks Rm	Trading and hedging portfolio liabilities Rm	Other liabilities Rm	Deposits due to customers Rm	Debt securities in issue Rm	Liabilities under investment contracts Rm	Total liabilities at fair value Rm
Opening balance at the beginning of the reporting period	7	217	5	2 557	624	-	3 410
Net interest income	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-
Gains and losses from banking and trading activities	-	91	-	-	-	-	91
Gains and losses from investment activities	-	-	-	139	(9)	-	130
Purchases	-	-	-	-	-	-	-
Sales	-	-	-	-	-	-	-
Movement in other comprehensive income	-	-	-	-	-	-	-
Issues	-	-	36	1 953	-	-	1 989
Settlements	(7)	-	-	(3 510)	(11)	-	(3 528)
Transferred to/(from) assets/liabilities	-	-	-	-	-	-	-
Movement in/(out) of Level 3	-	-	-	-	-	-	-
Closing balance at the end of the reporting period	-	308	41	1 139	604	-	2 092

2015

	Deposits from banks Rm	Trading and hedging portfolio liabilities Rm	Other liabilities Rm	Deposits due to customers Rm	Debt securities in issue Rm	Liabilities under investment contracts Rm	Total liabilities at fair value Rm
Opening balance at the beginning of the reporting period	-	320	28	5 530	42	3 022	8 942
Net interest income	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-
Gains and losses from banking and trading activities	-	(21)	-	-	-	-	(21)
Gains and losses from investment activities	-	-	(23)	132	172	(479)	(198)
Purchases	-	-	-	-	-	-	-
Sales	-	-	-	-	-	-	-
Movement in other comprehensive income	-	-	-	-	-	-	-
Issues	7	1	-	3 112	410	-	3 530
Settlements	-	(83)	-	(3 265)	-	-	(3 348)
Transferred to/(from) assets/liabilities	-	-	-	-	-	-	-
Movement in/(out) of Level 3	-	-	-	(2 952)	-	(2 543)	(5 495)
Closing balance at the end of the reporting period	7	217	5	2 557	624	-	3 410

14.7 Unrealised gains and losses on level 3 assets and liabilities

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

2016

	Trading and hedging portfolio assets Rm	Other assets Rm	Loans and advances to customers Rm	Investment securities Rm	Investment properties Rm	Investments linked to investment contracts Rm	Non-current assets held for sale Rm	Total assets at fair value Rm
Gains and losses from banking and trading activities	3	-	35	29	-	-	-	67

2015

	Trading and hedging portfolio assets Rm	Other assets Rm	Loans and advances to customers Rm	Investment securities Rm	Investment properties Rm	Investments linked to investment contracts Rm	Non-current assets held for sale Rm	Total assets at fair value Rm
Gains and losses from banking and trading activities	96	-	(28)	48	-	-	-	116

2016

	Trading and hedging portfolio liabilities Rm	Other liabilities Rm	Deposits due to customers Rm	Liabilities under investment contracts Rm	Total liabilities at fair value Rm
Gains and losses from banking and trading activities	86	-	-	-	86

2015

	Trading and hedging portfolio liabilities Rm	Other liabilities Rm	Deposits due to customers Rm	Liabilities under investment contracts Rm	Total liabilities at fair value Rm
Gains and losses from banking and trading activities	79	-	-	-	79

14.8 Sensitivity analysis of valuations using unobservable inputs

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

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

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

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

		2016	
		Potential effect recorded in profit and loss	**Potential effect recorded directly in equity**
	Significant	**Favourable/(Unfavourable) Rm**	**Favourable/(Unfavourable) Rm**
Deposits due to customers	**BAGL/Absa funding spread**	**-/-**	**-/-**
Investment securities and investments linked to investment contracts	**Risk adjustment yield curves, future earnings and marketability discount**	**34/36**	**94/100**
Loans and advances to customers	**Credit spreads**	**72/71**	**-/-**
Other assets	**Credit spreads**	**-/-**	**-/-**
Trading and hedging portfolio assets	**Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads**	**175/175**	**-/-**
Trading and hedging portfolio liabilities	**Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads**	**20/20**	**-/-**
Other liabilities	**Volatility, credit spreads**	**-/-**	**-/-**
		301/302	**94/100**

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

14.9 Measurement of assets and liabilities at Level 3

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

Category of asset/liability	Valuation techniques applied	Significant unobsevable inputs	2016 Range of estimates utilised for the unobservable inputs	2015
Loans and advances to customers	Discounted cash flow and/or dividend yield models	Credit spreads	0,5% to 5%	0,96% to 3,99%
Investment securities and investments linked to investment contracts	Discounted cash flow models, third-party valuations, earnings multiples and/or income capitalisation valuations	Risk adjusted yield curves, future earnings, marketability discounts and/or comparator multiples	Discount rate of 13%, comparator multiples between 5 and 10,5	Discount rates between 8% and 11,5%, comparator multiples between 5 and 10,5
Trading and hedging portfolio assets and liabilities				
Debt instruments	Discounted cash flow models	Credit spreads	1,2% to 11,2%	0,9% to 3,5%
Derivative assets				
Credit derivatives	Discounted cash flow and/ or credit default swap (hazard rate) models	Credit spreads, recovery rates and/or quanto ratio	0% to 40%	0% to 23,64%
Equity derivatives	Discounted cash flow, option pricing and/or futures pricing models	Volatility and/or dividend streams (greater than 3 years)	17,82% to 67,71%	17,82% to 67,71%
Foreign exchange derivatives	Discounted cash flow and/ or option pricing models	African basis curves (greater than 1 year)	(16,6)% to 13,1%	(10,00)% to 10,50%
Interest rate derivatives	Discounted cash flow and/ or option pricing models	Real yield curves (greater than 1 year), repurchase agreement curves (greater than 1 year), funding spreads	0,31% to 3,38%	0,58% to 4,24%
Deposits due to customers	Discounted cash flow models	Barclays Africa Group Limited's funding spreads (greater than 5 years)	(0,27)% to 2,13%	1,52% to 2,15%
Debt securities in issue	Discounted cash flow models	Funding curves (greater than 5 years)	(0,27)% to 2,13%	(0,20%) to 3,35%
Investment Properties	Discounted cash flow models	Estimates of periods in which rental units will be disposed of Annual selling price escalations Annual rental escalations Expense ratios Vacancy rates Income capitalisation rates Risk adjusted discount rates	1 to 10 years 1% to 7% 1% to 7% 25% to 50% 1% to 7% 10% to 11% 14%	1 to 7 years 0% to 6% 0% to 10% 26% to 51% 1% to 18% 8% to 12% 13% to 14%

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

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

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

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

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

	2016 Rm	2015 Rm
Opening balance at the beginning of the reporting period	**(105)**	(52)
New transactions	**(64)**	(91)
Amounts recognised in profit or loss during the reporting period	**30**	38
Closing balance at the end of the reporting period	**(139)**	(105)

14.11 Third party credit enhancements

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

15. Reporting changes overview

The following business portfolio changes have impacted the financial results for the comparative period ended 31 December 2015. None of the restatements have impacted the overall financial position or net earnings of the Group.

- Statutory liquid assets allocations in loan portfolios that were moved from WIMI to Retail and RBB in previous reporting periods were reassessed and resulted in a restatement of Interest and similar charges of R6m between WIMI and RBB.
- The Group refined its transfer pricing and allocation of endowment methodologies, resulting in a restatement of Net interest income of R53m from CIB to RBB (R31m) and WIMI (R22m).
- The Group reassessed its cost allocation methodology, resulting in the restatements of operating expenses of R328m from CIB (R38m) and Head Office, Treasury and other operations (R290m) to RBB.
- Interest rates on internal cash balances were aligned to market-related rates, resulting in a restatement of Net interest income of R41m from CIB to Head Office, Treasury and other operations.
- Certain shared services operations that were previously conducted by RBB were transferred to Head office, Treasury and other operations, resulting in a restatement of net interest expense of R7m and operating expenses of R311m.
- Africa Corporate Development (previously reported in CIB Private Equity) was moved from CIB to Head Office, Treasury and other operations to better align the management thereof. This resulted in a restatement of operating expenses of R4m between these segments.
- Cheque income and the associated costs were moved from CIB to RBB to better align the ownership of the product and the management thereof. This resulted in a restatement between CIB and RBB of Fee and commission income of R36m as well as Operating expenses of R21m.
- Integrated Processing Solutions was moved from RBB to Head office, Treasury and other operations to better align the ownership of the investment and the management thereof and resulted in a restatement of Investments in associates and joint ventures of R32m between these segments.
- The Rest of Africa treasury function (previously reported in RBB and CIB) was moved to Head Office, Treasury and other operations resulting in a restatement of Net interest income of R53m between RBB, CIB and Head Office, Treasury and other operations.

Our contact details

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Significant banking subsidiaries

Information on the entity and the products and services provided (including banking, insurance and investments) can be found at:

Absa Bank Limited	absa.co.za
Barclays Bank of Botswana Limited	barclays.co.bw
Barclays Bank of Ghana Limited	gh.barclays.com/
Barclays Bank of Kenya Limited	barclays.co.ke
Barclays Bank Mauritius Limited	barclays.mu
Barclays Bank Mozambique SA	barclays.co.mz/eng
Barclays Bank Seychelles Limited	barclays.sc
Barclays Bank Tanzania Limited	barclays.co.tz
Barclays Bank of Uganda Limited	barclays.co.ug
Barclays Bank Zambia Plc	zm.barclays.com/
National Bank of Commerce Limited	nbctz.com

Representative offices

Absa Namibia Pty Limited
Absa Capital Representative Office Nigeria Limited

[1]KPMG Inc. will be replacing PricewaterhouseCoopers Inc. as auditors for the reporting period starting 1 January 2017.