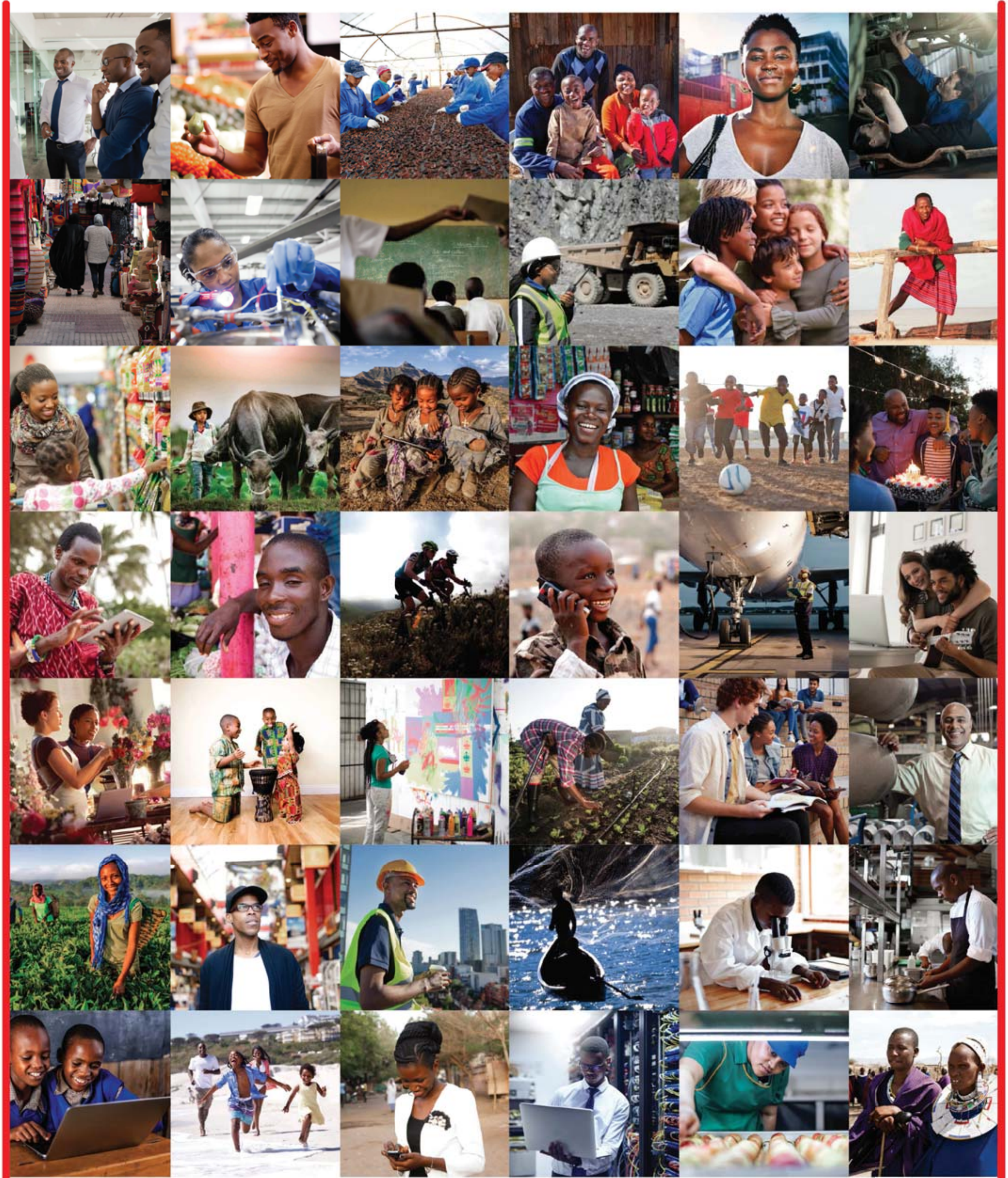
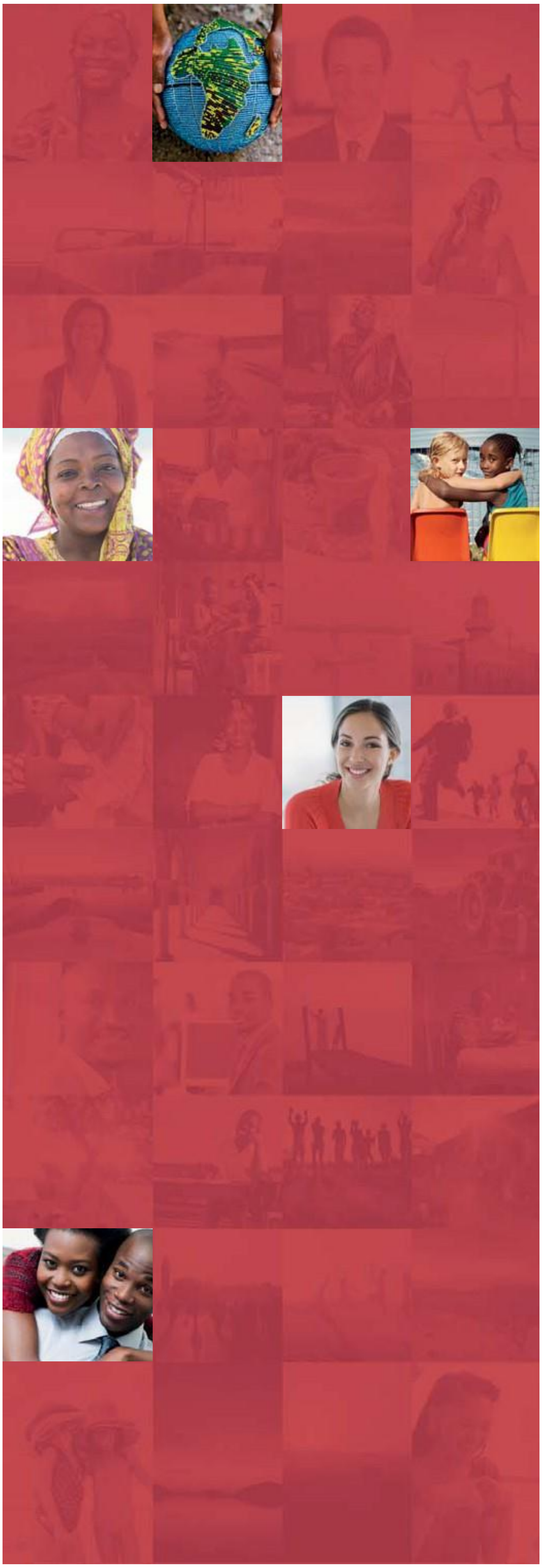


Absa Bank Limited

Summary consolidated financial results
For the reporting period ended 31 December 2017

ABSA



Contents

Absa Bank Limited

Summary consolidated financial results for the reporting period ended 31 December 2017.

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

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

Profit and dividend announcement

Overview of results

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

Commentary relating to the Bank's summary consolidated financial results is included in the Barclays Africa Group Limited results, as presented to shareholders on 1 March 2018.

Normalised financial results as a consequence of Barclays PLC separation

On 1 March 2016, Barclays PLC announced its intention to sell down its 62,3% interest in the Bank's holding company, Barclays Africa Group Limited (BAGL/Group). A comprehensive separation programme was initiated by Barclays PLC and the Group to determine possible interaction between the companies to ensure that the Group can operate as an independent and sustainable group without the involvement of Barclays PLC.

Barclays PLC currently holds 14.9% in the Group.

As part of its divestment Barclays PLC contributed £765m to the Bank, primarily in recognition of the investments required for the Bank to separate from Barclays PLC. Investments will be made primarily in rebranding, technology and separation-related projects and it is expected that it will neutralise the capital and cash flow impact of separation investments on the Bank over time.

The separation process will have an impact on the Bank's financial results for the next few years, most notably by increasing the capital base in the near-term and generating endowment revenue thereon, with increased costs over time as the separation investments are concluded. International Financial Reporting Standards (IFRS) require that the Barclays PLC contribution be recognised directly in equity, while the subsequent investment expenditure (including the depreciation or amortisation of capitalised assets), will be recognised in profit or loss. The aforementioned will result in a disconnect between underlying business performance and the IFRS financial results during the separation period. Normalised financial results will therefore be disclosed while the underlying business performance is materially different from the IFRS financial results.

The following presents the items which have been excluded from the normalized financial results:

- Barclays PLC contribution (including the endowment benefit)
- Hedging linked to separation activities
- Technology and brand separation projects
- Depreciation and amortization on the aforementioned projects
- Transitional service payments to Barclays PLC
- Employee cost and benefits linked to separation activities
- Separation project execution and support cost.

Basis of presentation

The Bank's audited 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 a s issued by the Financial Reporting Standards Council, the Johannesburg Stock Exchange (JSE) Listings Requirements and the requirements of the Companies Act of South Africa. The principal accounting policies applied are set out in the Bank's most recent audited annual consolidated financial statements.

The information disclosed in the SENS is derived from the information contained in the annual audited consolidated and separate financial statements (except items not indicated as audited) 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 disclosure of these summary consolidated financial statements complies with IAS 34 *Interim Financial Reporting* (IAS 34).

The preparation of financial information requires the use of estimates and assumptions about future conditions. Use of available information and application of judgement are inherent in the formation of estimates. The accounting policies that are deemed critical to the Bank's results and financial position, in terms of the materiality of the items to which the policies are applied, and which involve a high degr ee 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 and long-term insurance contracts, and offsetting of financial assets and liabilities.

Accounting policies

The accounting policies applied in preparing the audited summary consolidated financial statements are the same as those in place for the reporting period ended 31 December 2017, except for the adoption of the own credit exemption of IFRS 9 *Financial Instruments* (IFRS 9), changes to the Bank's operating segments and business portfolios changes between operating segments. Refer to note 15.

Standards issued not yet effective

IFRS 9 – Financial instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement with effect from 1 January 2018. IFRS 9 includes revised requirements for the classification and measurement of financial assets and liabilities, the impairment of financial assets and hedge accounting. The Bank will not restate comparatives on initial application of IFRS 9 on 1 January 2018 but will provide detailed transitional disclosures in accordance with the amended requirements of IFRS 7 Financial Instruments: Disclosures. Any change in the carrying value of financial instruments upon initial application of IFRS 9 will be recognised in equity.

IFRS 9 introduces a revised impairment model which requires entities to recognise expected credit losses (ECL) based on unbiased forward-looking information. The measurement of expected loss will involve increased complexity and judgment including estimation of lifetime probabilities of default, loss given default, a range of unbiased future economic scenarios, estimation of expected lives, estimation of expos ures at default and assessing increases in credit risk.

The revised impairment model is expected to have a material financial impact on the existing impairment provisions previously recognised in terms of the requirements of IAS 39. It is estimated that the increase on IAS 39 impairment stock (including contractual interest suspended) will be in the region of 30%, on a pre-tax basis. Based on the current requirements of Basel III, the increase in the accounting impairment provisions is not expected to reduce the Bank's Common Equity Tier 1 (CET1) capital ratio by more than 35bps on 1 January 2018, before taking into account the impact of the regulatory transitional arrangement. The Bank has elected to utilize the transition period of three years for phasing in the regulatory capital impact of IFRS 9. IFRS 9 has been considered in the Bank's capital planning.

The reasons for the increase in impairment provisions are:

- The removal of the emergence period that was necessitated by the incurred loss model of IAS 39. All stage 1 assets will carry a 12 month expected credit loss provision. This differs from IAS 39 where unidentified impairments were typically measured with an emergence period of between three to twelve months.
- The provisioning for lifetime expected credit losses on stage 2 assets; where some of these assets would not have attracted a lifetime expected credit loss measurement per IAS 39.
- The inclusion of forecasted macroeconomic scenarios into the expectation of credit losses;
- The inclusion of expected credit losses on items that would not have been impaired under IAS 39, such as loan commitments and financial guarantees.

On initial adoption the new classification and measurement requirements under IFRS 9 will have no impact on the retained income of the Bank. The specific requirements of IFRS 9 relating to the presentation of gains and losses on financial liabilities designated at fair value were early adopted at the beginning of the current reporting period. The effects of changes in the credit risk of these liabilities' are therefore presented in other comprehensive income with the remaining effect presented in profit or loss. The Bank will continue to apply the rules under IAS 39 hedge accounting until the project on accounting for macro hedging is completed, if not earlier.

IFRS 15 – Revenue from contracts with customers

Implementation efforts performed to date indicate that the adoption of IFRS 15 is not expected to have a significant impact on the financial results of the Bank.

Auditors' report

Ernst & Young Inc. and KPMG Inc., the Bank's independent auditors, have audited the annual consolidated and separate financial statements of the Bank 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 2017, 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 (on pages 2-3 and 9-38), excluding items not indicated as audited. The audit report of the consolidated annual financial statements is available for inspection at the Bank's registered office.

These summary consolidated financial statements (on pages 2-3 and 9-38) for the year ended 31 December 2017 have been audited by Ernst and Young Inc. and KPMG Inc., who expressed an unmodified opinion thereon. A copy of the auditor's report on the summary consolidated financial statements and of the auditor's report on the annual consolidated financial statements are available for inspection at the company'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 events after the reporting date of 31 December 2017 and the date of authorisation of these consolidated financial statements (as defined per IAS 10 *Events after the Reporting Period*).

On behalf of the Board

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

Johannesburg
28 February 2018

Declaration of preference share dividend number 24

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

The Absa Bank preference shares have an effective coupon rate of 70% of Absa Bank's prevailing prime overdraft lending rate (prime rate). Absa Bank's current prime rate is 10,25%.

Notice is hereby given that preference dividend number 24, equal to 70% of the average prime rate for 1 September 2017 to 28 February 2018, per Absa Bank preference share has been declared for the period 1 September 2017 to 28 February 2018. The dividend is payable on Monday, 16 April 2018, to shareholders of the Absa Bank preference shares recorded in the Register of Members of the Company at the close of business on Friday, 13 April 2018.

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

Based on the current prime rate, the preference dividend payable for the period 1 September 2017 to 28 February 2018 would indicatively be 3 558,01 cents per Absa Bank preference share.

The dividend will be subject to dividends withholding tax at a rate of 20%. 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 twenty per cent (20%).
- The gross local dividend amount is 3 558,01 cents per preference share for shareholders exempt from the dividend tax.
- The net local dividend for shareholders subject to withholding tax at a rate of 20% amounts to 2 846,408 cents per preference share.
- Absa Bank currently has 4 944 839 preference shares in issue.
- Absa Bank's income tax reference number is 9575117719.

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

Last day to trade cum dividend	Tuesday, 10 April 2018
Shares commence trading ex dividend	Wednesday, 11 April 2018
Record date	Friday, 13 April 2018
Payment date	Monday, 16 April 2018

Share certificates may not be dematerialised or rematerialised between Wednesday, 11 April 2018 and Friday, 13 April 2018, both dates inclusive.

On Monday, 16 April 2018, 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, 16 April 2018.

On behalf of the board

N R Drutman
Company Secretary

Johannesburg
28 February 2018

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

Summary consolidated IFRS salient features

	2017	2016
Statement of comprehensive income (Rm)		
Revenue	50 094	48 801
Operating expenses	31 608	27 525
Profit attributable to ordinary equity holders	8 067	9 568
Headline earnings[1]	8 548	9 778
Statement of financial position		
Loans and advances to customers (Rm)	660 492	630 646
Total assets (Rm)	988 358	918 311
Deposits due to customers (Rm)	583 825	564 812
Loans-to-deposits and debt securities ratio (%)	91.5	89.5
Financial performance (%)		
Return on average equity	11.8	16.3
Return on average assets	0.91	1.06
Return on average risk-weighted assets	1.64	1.96
Non-performing loans (NPLs) ratio on gross loans and advances	3.6	3.0
Operating performance (%)		
Net interest margin on average interest bearing assets[2]	3.91	4.02
Credit loss ratio on gross loans and advances to customers and banks	0.73	0.93
Credit loss ratio on net loans and advances to customers	0.8	1.04
Non-interest income as % of total revenue	41.3	41.0
Cost-to-income ratio	63.1	56.4
Jaws	(12.2)	1.62
Effective tax rate, excluding indirect taxation	27.9	25.9
Share statistics (million)		
Number of ordinary shares in issue	448.3	420.1
Weighted average number of ordinary shares in issue	440.7	417.7
Diluted weighted average number of ordinary shares in issue	440.7	417.7
Share statistics (cents)		
Headline earnings per ordinary share	1 939.4	2 340.9
Diluted headline earnings per ordinary share	1 939.4	2 340.9
Basic earnings per ordinary share	1 830.3	2 290.6
Diluted basic earnings per ordinary share	1 830.3	2 290.6
Dividend per ordinary share relating to income for the reporting period	2 372.7	1 169.4
Dividend cover (time)	0.8	2.0
Net asset value per ordinary share	17 998	15 386
Tangible net asset value per ordinary share	17 136	14 829
Capital adequacy (%)		
Absa Bank Limited	16.9	15.1
Common Equity Tier 1 (%)		
Absa Bank Limited	13.4	11.6

Notes

[1] After allowing for R362m (31 December 2016: R351m) profit attributable to preference equity holders.

[2] The Bank changed its definition of 'Interest-bearing assets and liabilities' to only include assets and liabilities that generate 'Net Interest income'. This resulted in certain inter-group assets and liabilities being excluded from 'Interest-bearing assets and liabilities' as these generate 'non-interest income'. Consequently, interest-bearing assets and liabilities have been restated for 31 December 2016.

Summary consolidated normalised salient features

	2017	2016
Statement of comprehensive income (Rm)		
Revenue	49 689	48 801
Operating expenses	29 708	27 525
Profit attributable to ordinary equity holders	9 550	9 568
Headline earnings	9 793	9 778
Statement of financial position		
Total assets (Rm)	987 548	918 311
Financial performance (%)		
Return on average equity	14.8	16.3
Return on average assets	1.05	1.06
Return on risk-weighted assets	1.88	1.96
Operating performance (%)		
Non-interest income as percentage of total revenue	41.5	41.0
Cost-to-income ratio	59.8	56.4
Jaws	(6.11)	1.62
Effective tax rate, excluding indirect taxation	27.0	25.9
Share statistics (million)		
Number of ordinary shares in issue	448.3	420.1
Weighted average number of ordinary shares in issue	440.8	417.7
Diluted weighted average number of ordinary shares in issue	440.8	417.7
Share statistics (cents)		
Headline earnings per ordinary share	2 221.9	2 340.9
Diluted headline earnings per ordinary share	2 221.9	2 340.9
Basic earnings per ordinary share	2 166.5	2 290.6
Diluted basic earnings per ordinary share	2 166.5	2 290.6
NAV per ordinary share	15 599	15 386
Tangible NAV per ordinary share	14 913	14 829
Capital adequacy (%)		
Absa Bank Limited	15.0	15.1
Common Equity Tier 1 (%)		
Absa Bank Limited	11.6	11.6

Summary consolidated normalised reconciliation

Reconciliation of normalised to IFRS results

	Unadjusted IFRS Bank Performance	Adjustments for Barclays separation	Normalised Bank performance
Statement of comprehensive income (Rm)			
Net interest income	29 413	325	29 088
Non-interest income	20 681	80	20 601
Total income	50 094	405	49 689
Impairment losses on loans and advances	(5 113)	-	(5 113)
Operating expenses	(31 608)	(1 901)	(29 707)
Other expenses	(1 788)	(394)	(1 394)
Share of post tax results of associates and joint ventures	170	-	170
Operating profit before income tax	11 755	(1 890)	13 645
Tax expenses	(3 278)	408	(3 687)
Profit for the reporting period	8 477	(1 482)	9 959
Profit attributable to:			
Ordinary equity holders	8 067	(1 482)	9 549
Preference equity holders	362	-	362
Additional Tier 1 Capital	48	-	48
	8 477	(1 482)	9 959
Headline earnings	8 548	(1 245)	9 793
Operating performance (%)			
Net interest margin on average interest-bearing assets	3.91	n/a	3.90
Credit loss ratio on gross loans and advances to customers and banks	0.73	n/a	0.74
Non-interest income as % of income	41.3	n/a	41.5
Income growth	2.6	n/a	1.8
Operating expenses growth	14.8	n/a	7.9
Cost-to-income ratio	63.1	n/a	59.8
Effective tax rate	27.9	n/a	27.0
Statement of financial position (Rm)			
Loans and advances to customers	660 492	-	660 492
Loans and advances to banks	43 217	-	43 217
Investment securities	76 524	-	76 524
Other assets	208 125	(912)	207 213
Total assets	988 358	(912)	987 446
Deposits due to customers	583 825	-	583 825
Debt securities in issue	137 942	-	137 942
Other liabilities[1]	181 262	9 840	191 102
Total liabilities	903 029	9 840	912 869
Equity	85 329	(10 752)	74 577
Total equity and liabilities	988 358	(912)	987 446
Key performance ratios (%)			
Return on average assets	0.91	n/a	1.05
Return on average equity	14.3	n/a	14.8
Capital adequacy	16.9	n/a	15.0
Common Equity Tier 1	13.4	n/a	11.6
Share statistics (cents)			
Diluted headline earnings per ordinary share	1 939.4	n/a	2 221.9

Note

[1] 'Other liabilities' of R9 840m, included in Adjustments for Barclays separation, represents the contribution of R12.1bn that was received from Barclays PLC, net of amounts already spent on separation activities. The cash received is held centrally by Treasury and is presented as an intersegmental asset in 'Other liabilities'.

Barclays separation financial results

'Net interest income' includes the endowment benefit received on the Barclays PLC investment, while foreign exchange hedging gains linked to the separation activities have been disclosed as 'non-interest income'. 'Operating expenses' includes R1.9bn professional fees, information technology costs, marketing, transitional service costs and salary costs incurred during the reporting period. 'Other expenses' reflects the impairment of an intangible asset that was utilised during the current year.

Summary consolidated statement of financial position

as at 31 December

	Note	2017 Rm	2016 Rm
Assets			
Cash, cash balances and balances with central banks		28 792	28 252
Investment securities		76 524	84 174
Loans and advances to banks	2	43 217	39 296
Trading portfolio assets		104 781	74 389
Hedging portfolio assets		2 667	1 734
Other assets		15 513	16 645
Current tax assets		57	616
Non-current assets held for sale	1	1 119	367
Loans and advances to customers	2	660 492	630 646
Loans to Group Companies		36 530	25 794
Investments in associates and joint ventures		1 235	1 065
Investment properties		-	222
Property and equipment		13 519	12 726
Goodwill and intangible assets		3 861	2 339
Deferred tax assets		51	46
Total assets		988 358	918 311
Liabilities			
Deposits from banks		74 110	60 148
Trading portfolio liabilities		59 834	42 503
Hedging portfolio liabilities		1 117	2 054
Other liabilities		27 824	21 150
Provisions		2 073	2 060
Current tax liabilities		55	4
Non-current liabilities held for sale		-	9
Deposits due to customers		583 825	564 812
Debt securities in issue		137 942	139 573
Borrowed funds	3	15 866	15 679
Deferred tax liabilities		383	1 020
Total liabilities		903 029	849 012
Equity			
Capital and reserves			
Attributable to ordinary equity holders:			
Ordinary share capital		304	304
Ordinary share premium		36 879	24 964
Preference share capital		1	1
Preference share premium		4 643	4 643
Additional Tier 1 Capital		1 500	-
Retained earnings		37 855	36 099
Other reserves		4 145	3 262
		85 327	69 273
Non-controlling interest - ordinary shares		2	26
Total equity		85 329	69 299
Total equity and liabilities		988 358	918 311

Summary consolidated statement of comprehensive income

For the reporting period ended 31 December

	Note	2017 Rm	2016 Rm
Net interest income		29 413	28 809
Interest and similar income		71 438	69 894
Interest expense and similar charges		(42 025)	(41 085)
Non-interest income		20 681	19 992
Net fee and commission income		17 279	16 168
Fee and commission income		18 608	17 628
Fee and commission expense		(1 329)	(1 460)
Gains and losses from banking and trading activities		2 860	2 969
Gains and losses from investment activities		3	2
Other operating income		539	853
Total Income		50 094	48 801
Impairment losses on loans and advances		(5 113)	(6 408)
Operating income before operating expenditure		44 981	42 393
Operating expenditure		(31 608)	(27 525)
Other expenses		(1 788)	(1 575)
Other impairments	4	(512)	(577)
Indirect taxation		(1 276)	(998)
Share of post-tax results of associates and joint ventures		170	118
Operating profit before income tax		11 755	13 411
Taxation expense		(3 278)	(3 477)
Profit for the reporting period		8 477	9 934
Profit attributable to:			
Ordinary equity holders		8 067	9 568
Non-controlling interest		-	15
Preference equity holders		362	351
Additional Tier 1 Capital		48	-
		8 477	9 934
Earnings per share:			
Basic earnings per share (cents per share)		1 830.3	2 290.6
Diluted earnings per share (cents per share)		1 830.3	2 290.6

	Note	2017	2016 Rm
Profit for the reporting period		8 477	9 934
Other comprehensive income			
Items that will not be reclassified to profit or loss		(154)	(12)
Fair value losses arising from changes in own credit risk on liabilities designated at fair value through profit or loss		(147)	-
Movement in retirement benefit fund assets and liabilities		(7)	(12)
Decrease in retirement benefit surplus		(10)	(17)
Deferred tax		3	5
Items that are or may be subsequently reclassified to profit or loss		677	928
Movement in foreign currency translation reserve		55	(453)
Differences in translation of foreign operations		3	(133)
Release to profit or loss		52	(320)
Movement in cash flow hedging reserve		794	1 726
Fair value gains		1 465	2 714
Amount removed from other comprehensive income and recognised in profit or loss		(365)	(314)
Deferred tax		(306)	(674)
Movement in available-for-sale reserve		(172)	(345)
Fair value losses		(307)	(475)
Release to profit or loss		67	(3)
Deferred tax		68	133
Total comprehensive income for the reporting period		9 000	10 850
Total comprehensive income attributable to:			
Ordinary equity holders		8 590	10 484
Non-controlling interest		-	15
Preference equity holders		362	351
Additional Tier 1 Capital		48	-
		9 000	10 850

Summary consolidated statement of changes in equity

	Number of ordinary shares[1] '000	Share capital Rm	Share premium Rm	Preference share capital Rm	Preference share premium Rm	Additional Tier 1 Capital[5] Rm
Balance at the beginning of the reporting period	431 318	304	24 964	1	4 643	-
Total comprehensive income for the reporting period	-	-	-	-	-	-
Profit for the reporting period	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-
Dividends paid during the reporting period	-	-	-	-	-	-
Distributions paid during the reporting period	-	-	-	-	-	-
Shares issued	16 983	-	3 500	-	-	-
Issuance of Additional Tier 1 Capital	-	-	-	-	-	1 500
Purchase of Barclays Africa Group Limited shares in respect of equity-settled share-based payment arrangements	-	-	-	-	-	-
Transfer of vesting options	-	-	-	-	-	-
Movement in share-based payment reserve	-	-	-	-	-	-
Transfer from share-based payment reserve	-	-	-	-	-	-
Value of employee services	-	-	-	-	-	-
Conversion from cash-settled schemes	-	-	-	-	-	-
Deferred tax	-	-	-	-	-	-
Share of post-tax results of associates and joint ventures	-	-	-	-	-	-
Disposal of interest in subsidiary[2]	-	-	-	-	-	-
Barclays separation[3]	-	-	8 415	-	-	-
Shareholder contribution - fair value of investment[4]	-	-	-	-	-	-
Balance at the end of the reporting period	448 301	304	36 879	1	4 643	1 500

Notes
All movements are reflected net of taxation.
[1] This includes ordinary shares and 'A' ordinary shares.
[2] The Group disposed of its controlling stake in a non-core subsidiary which was classified as held for sale.
[3] As part of the Barclays PLC disinvestment, the Bank issued 10 Ordinary Shares to Barclays Bank PLC for R8,4bn and received an additional R3,7bn as a cash contribution. The resultant cash received meets the definition of a transaction with a shareholder.
[4] CLS Group Holding AG shares were transferred to Barclays PLC for no consideration in 2005. During the current reporting period these shares were transferred back to the Bank for a nominal consideration of one British Pound Sterling (GBP). The shares have been recognised at a fair value of R48m. The related credit has been recognised in equity as a shareholder contribution.
[5] The Additional Tier 1 notes represent perpetual subordinated instruments redeemable in full at the option of Absa Bank Limited (the issuer) on 12 September 2022 subject to regulatory approval. Interest is paid at the discretion of the issuer and is non-cumulative. In addition, if certain conditions are reached, the regulator may prohibit the issuer from making interest payments. Accordingly, the instruments are classified as equity instruments.

Bank
2017

Retained earnings Rm	Total other reserves Rm	Available-for-sale reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Capital reserve Rm	Share-based payment reserve Rm	Associates' and joint ventures' reserve Rm	Total equity attributable to equity holders Rm	Non-controlling interest-ordinary shares Rm	Total equity Rm
36 099	3 262	259	(145)	(54)	1 422	713	1 067	69 273	26	69 299
8 323	677	(172)	794	55	-	-	-	9 000	-	9 000
8 477	-	-	-	-	-	-	-	8 477	-	8 477
(154)	677	(172)	794	55	-	-	-	523	-	523
(9 962)	-	-	-	-	-	-	-	(9 962)	-	(9 962)
(48)	-	-	-	-	-	-	-	(48)	-	(48)
-	-	-	-	-	-	-	-	3 500	-	3 500
-	-	-	-	-	-	-	-	1 500	-	1 500
(125)	-	-	-	-	-	-	-	(125)	-	(125)
-	-	-	-	-	-	-	-	-	-	-
-	36	-	-	-	-	36	-	36	-	36
-	(586)	-	-	-	-	(586)	-	(586)	-	(586)
-	590	-	-	-	-	590	-	590	-	590
-	-	-	-	-	-	-	-	-	-	-
-	32	-	-	-	-	32	-	32	-	32
(170)	170	-	-	-	-	-	170	-	-	-
-	-	-	-	-	-	-	-	-	(24)	(24)
3 690	-	-	-	-	-	-	-	12 105	-	12 105
48	-	-	-	-	-	-	-	48	-	48
37 855	4 145	87	649	1	1 422	749	1 237	85 327	2	85 329

	Number of ordinary shares[1] '000	Share capital Rm	Share premium Rm	Preference share capital Rm	Preference share premium Rm	Additional Tier 1 Capital Rm
Balance at the beginning of the reporting period	412 798	304	21 455	1	4 643	-
Total comprehensive income for the reporting period	-	-	-	-	-	-
Profit for the period for the reporting period	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-
Dividends paid during the reporting period	-	-	-	-	-	-
Distributions paid during the reporting period	-	-	-	-	-	-
Shares issued	18 520	-	3 500	-	-	-
Issuance of Additional Tier 1 Capital	-	-	-	-	-	-
Purchase of Barclays Africa Group Limited shares in respect of equity-settled share-based payment arrangements	-	-	-	-	-	-
Transfer of vesting options	-	-	9	-	-	-
Movement in share-based payment reserve	-	-	-	-	-	-
Transfer from share-based payment reserve	-	-	-	-	-	-
Value of employee services	-	-	-	-	-	-
Conversion from cash-settled to equity-settled Schemes	-	-	-	-	-	-
Deferred tax	-	-	-	-	-	-
Share of post-tax results of associates and joint ventures	-	-	-	-	-	-
Balance at the end of the reporting period	431 318	304	24 964	1	4 643	-

Notes
All movements are reflected net of taxation.
[1] This includes ordinary shares and 'A' ordinary shares.

2016

Retained earnings Rm	Total other reserves Rm	Available-for-sale reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Capital reserve Rm	Share based payment reserve Rm	Associates' and Joint ventures' reserve Rm	Total attributable to ordinary equity holders Rm	Non-controlling interest-ordinary shares Rm	Total equity Rm
32 033	2 050	604	(1 871)	399	1 422	547	949	60 486	11	60 497
9 907	928	(345)	1 726	(453)	-	-	-	10 835	15	10 850
9 919	-	-	-	-	-	-	-	9 919	15	9 934
(12)	928	(345)	1 726	(453)	-	-	-	916	-	916
(5 851)	-	-	-	-	-	-	-	(5 851)	-	(5 851)
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	3 500	-	3 500
-	-	-	-	-	-	-	-	-	-	-
(198)	-	-	-	-	-	-	-	(198)	-	(198)
326	-	-	-	-	-	-	-	335	-	335
-	166	-	-	-	-	166	-	166	-	166
-	(315)	-	-	-	-	(315)	-	(315)	-	(315)
-	411	-	-	-	-	411	-	411	-	411
-	30	-	-	-	-	30	-	30	-	30
-	40	-	-	-	-	40	-	40	-	40
(118)	118	-	-	-	-	-	118	-	-	-
36 099	3 262	259	(145)	(54)	1 422	713	1 067	69 273	26	69 299

Summary consolidated statement of cash flows

	Note	2017 Rm	2016 Rm
Net cash (utilised in)/generated from operating activites		(4 478)	2 300
Net cash utilised in investing activities		(3 906)	(4 090)
Net cash generated from /(utilised in) financing activities		7 008	(168)
Net cash generated from Barclays separation		12 106	-
Net cash utilised in other financing activities		(5 098)	(168)
Net decrease in cash and cash equivalents		(1 376)	(1 958)
Cash and cash equivalents at the beginning of the reporting period	1	12 416	14 374
Cash and cash equivalents at the end of the reporting period	2	11 040	12 416

Notes to the summary consolidated statement of cash flows

1. Cash and cash equivalents at the beginning of the reporting period

	2017 Rm	2016 Rm
Cash, cash balances and balances with central banks [(1)]	9 662	8 607
Loans and advances to banks [(2)]	2 754	5 767
	12 416	14 374

2. Cash and cash equivalents at the end of the reporting period

	2017 Rm	2016 Rm
Cash, cash balances and balances with central banks [(1)]	9 684	9 662
Loans and advances to banks [(2)]	1 356	2 754
	11 040	12 416

Notes
[(1)] Includes coins and bank notes.
[(2)] Includes call advances, which are used as working capital for the Bank.

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:

- Retail Banking South Africa transferred loans and advances to customers of R1 118m and property and equipment of R1 m to non-current assets held for sale. The Commercial Property Finance (CPF) Equity division in Business Banking South Africa disposed of a subsidiary with assets of R373m and liabilities of R26m out of non-current assets and non-current liabilities held for sale respectively.
- Corporate and Investment Banking South Africa (CIB SA) transferred investment securities with a carrying value of R547m to non-current assets held for sale. Prior to its disposal at a carrying value of R467m, a negative fair value adjustment of R80m was applied to the investment securities.

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

- The CPF Equity division in Business Banking South Africa transferred a subsidiary with total assets of R367m and total liabilities of R9m to non-current assets and non-current liabilities held for sale. It further disposed of an investment security with a carrying value of R15m.
- Head Office, Treasury and other operations in South Africa disposed of property and equipment with a carrying value of R94m.

2. Loans and advances

	31 December 2017						
	Performing loans			Non-performing loans			
	Exposure Rm	Impairment Rm	Coverage ratio %	Exposure Rm	Impairment Rm	Coverage ratio %	Net total exposure Rm
South Africa Banking	644 242	3 915	0.61	23 694	9 510	40.14	654 511
RBB South Africa	425 859	3 356	0.79	21 675	8 678	40.04	435 500
Retail Banking South Africa	363 074	2 583	0.71	18 340	7 582	41.34	371 249
Credit cards	26 849	578	2.15	3 622	2 626	72.50	27 267
Instalment credit agreements	76 498	703	0.92	2 360	1 112	47.12	77 043
Loans to associates and joint ventures	23 037	-	-	-	-	-	23 037
Mortgages	213 508	1 124	0.53	10 241	2 056	20.08	220 569
Other loans and advances	726	-	-	-	-	-	726
Overdrafts	5 349	51	0.95	384	236	61.46	5 446
Personal and term loans	17 107	127	0.74	1 733	1 552	89.56	17 161
Business Banking South Africa	62 785	773	1.23	3 335	1 096	32.86	64 251
Mortgages (including CPF)	27 010	140	0.52	1 477	519	35.14	27 828
Overdrafts	19 865	393	1.98	1 082	375	34.66	20 179
Term loans	15 910	240	1.51	776	202	26.03	16 244
CIB South Africa	218 383	559	0.26	2 019	832	41.21	219 011
Wealth	4 930	14	0.28	262	174	66.41	5 004
Head office, Treasury and other operations In South Africa	987	10	1.01	-	-	-	977
Loans and advances to customers	650 159	3 939	0.61	23 956	9 684	40.42	660 492
Loans and advances to banks	43 217	-	-	-	-	-	43 217
	693 376	3 939	0.57	23 956	9 684	40.42	703 709

	31 December 2016[1]						
	Performing loans			Non-performing loans			
	Exposure Rm	Impairment Rm	Coverage %	Exposure Rm	Impairment Rm	Coverage %	Net total Rm
South Africa Banking	614 881	4 531	0.74	23 590	9 604	40.71	624 336
RBB South Africa	413 325	3 887	0.94	21 325	8 420	39.48	422 343
Retail Banking South Africa	355 064	3 114	0.88	18 037	7 258	40.24	362 729
Credit cards	27 374	596	2.18	4 001	2 919	72.96	27 860
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	214 610	1 219	0.57	9 920	2 097	21.14	221 214
Other loans and advances	492	-	-	-	-	-	492
Overdrafts	3 923	45	1.15	220	142	64.55	3 956
Personal and term loans	16 202	519	3.20	1 811	1 175	64.88	16 319
Business Banking South Africa	58 261	773	1.33	3 288	1 162	35.34	59 614
Mortgages (including CPF)	24 661	158	0.64	1 567	536	34.21	25 534
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
CIB South Africa	201 556	644	0.32	2 265	1 184	52.27	201 993
Wealth	5 615	14	0.25	116	57	49.14	5 660
Head office, Treasury and other operations In South Africa	654	4	0.61	-	-	-	650
Loans and advances to customers	621 150	4 549	0.73	23 706	9 661	40.75	630 646
Loans and advances to banks	39 296	-	-	-	-	-	39 296
	660 446	4 549	0.69	23 706	9 661	40.75	669 942

Note
[1] These numbers have been restated, refer to the reporting changes overview in note 15.

3. Borrowed funds

During the reporting period the significant movements in borrowed funds were as follows: R2 841m (31 December 2016: R2 381m) of subordinated notes were issued and R2 805m (31 December 2016: Rnil) were redeemed.

4. Other impairments

	2017 Rm	2016 Rm
Impairment raised on financial instruments	(30)	(13)
Other	542	590
Intangible assets [(1)]	326	590
Property and equipment [(2)]	216	-
	512	577

5. Headline earnings

	2017 Gross Rm	2017 Net[(3)] Rm	2016 Gross Rm	2016 Net[(3)] Rm
Headline earnings are determined as follows:				
Profit attributable to ordinary equity holders of the Bank		8 067		9 568
Total headline earnings adjustment:		481		210
IFRS 5 – Loss on disposal of non-current assets held for sale	33	34	-	-
IAS 16 – Profit on disposal of property and equipment	(18)	(13)	(22)	(16)
IAS 21 – Recycled foreign currency translation reserve	52	52	(320)	(297)
IAS 36 – Impairment of property and equipment	216	155	-	-
IAS 36 – Impairment of intangible assets	326	238	590	590
IAS 39 – Release of available-for-sale reserves	67	49	(3)	(2)
IAS 40 – Change in fair value of investment properties	(37)	(29)	(84)	(65)
IAS 40 – Profit on disposal of investment property	(5)	(5)	-	-
Headline earnings/diluted headline earnings		8 548		9 778
Headline earnings per share/diluted headline earnings per share (cents)		1 939.4		2 340.9

Notes
(1) The impairment incurred during the current reporting period mainly relates to computer software, Barclays.Net which was fully impaired. The prior period impairments relate to an acquired customer list which was fully impaired following an adjustment to the interest rate outlook for the related business and impairment of costs previously spent on the Virtual Bank initiative. In calculating the impairment to be recognised, the value in use was based on a discounted cash flow methodology.
(2) During the current reporting period, management have decided to dispose of certain property and equipment resulting in an impairment of R216m.
(3) The net amount is reflected after taxation.

6. Dividends per share

	2017 Rm	2016 Rm
Dividends declared to ordinary equity holders		
Interim Dividend (28 July 2017: 892,25702 cents)	4 000	-
Special Dividend (30 June 2017: 811,4669592) (6 December 2016: 476,12 cents) (10 June 2016: 363,37 cents)	3 500	3 500
Final Dividend (1 March 2018: 669,1928 cents) (23 February 2017: 486,88017 cents)	3 000	2 100
	10 500	5 600
Dividends declared to preference equity holders		
Interim dividend (28 July 2017: 3 685,06849 cents) (29 July 2016: 3 696,57534 cents)	182	183
Final dividend (1 March 2018: 3 558,01 cents) (23 February 2017: 3 644,79452 cents)	176	180
	358	363
Distributions declared to Additional Tier 1 Capital note holders		
Distribution (12 December 2017)	48	-
	48	-
Dividends paid to ordinary equity holders [1]		
Final dividend (10 April 2017: 486,88017 cents)[2] (11 April 2016: 484,49896 cents)	2 100	2 000
Interim dividend (11 September 2017: 892,25702 cents)	4 000	-
Special dividend (30 June 2017: 811,4669592) (6 December 2016: 476,12 cents) (10 June 2016: 363,37 cents)	3 500	3 500
	9 600	5 500
Dividends paid to preference equity holders [1]		-
Final dividend (10 April 2017: 3 644,79452 cents)(11 April 2016: 3 395,47945 cents)	180	168
Interim dividend (11 September 2017: 3 685,06849 cents) (12 September 2016: 3 696,57534 cents)	182	183
	362	351
Distributions paid to Additional Tier 1 Capital note holders		
Distribution (12 December 2017)	48	-
	48	-

Notes
[1] The dividend paid dates have been corrected to reflect date of payment. Previously these dates referred to date of declaration.
[2] Dividends paid has been corrected since disclosed in interim. The final dividend per share paid to ordinary equity holders previously disclosed at interim was 1 249.15983 cents per share (gross R5.6bn).

7. Acquisitions and disposals of businesses and other similar transactions

7.1.1 Acquisitions of businesses during the current reporting period

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

7.1.2 Disposals of businesses during the current reporting period

Apart from the businesses classified as non-current assets/liabilities held for sale and disposed of (refer to note 1) there were no other disposals of businesses that were finalised during the current reporting period. The cash consideration received on disposals included in non-current assets/liabilities held for sale was R205m.

7.2 Acquisitions and disposals of businesses during the previous reporting period

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

8. Related parties

Barclays Africa Group Limited is the parent of Absa Bank Limited.

As part of the separation, Barclays PLC sold ordinary Barclays Africa Group Limited shares representing 12.2% and 33.7% of issued ordinary share capital in May 2016 and June 2017 respectively. Barclays PLC currently holds 126.2m ordinary Barclays Africa Group shares representing 14.9% of issued ordinary shares. The remaining 85.1 % of the shares are widely held on the JSE.

Barclays PLC contributed £765 million to the Bank, primarily in recognition of the investments required for the Bank to separate from Barclays PLC. This contribution will be invested primarily in rebranding, technology and separation-related projects and it is expected that it will neutralise the capital and cash flow impact of separation investments on the Bank over time.

CLS Group Holding AG shares were transferred to Barclays PLC for no consideration in 2005. During the current reporting period these shares were transferred back to the Bank for a nominal consideration of one British Pound (GBP). The shares have been recognised at a fair value of R48m. The related credit has been recognised in equity as a shareholder contribution.

9. Financial guarantee contracts

	31 December	
	2017	2016
	Rm	Rm
Financial guarantee contracts	10	10

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

10. Commitments

	2017	2016
	Rm	Rm
Authorised capital expenditure		
Contracted but not provided for	257	509
The Bank has capital commitments in respect of computer equipment, software 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	1 026	947
Later than one year and no later than five years	2 654	2 367
Later than five years	902	1 195
	4 582	4 509

The operating lease commitments comprise a number of separate operating leases in relation to property and equipment, none of which is individually significant to the Bank. Leases are negotiated for an average term of three to five years and rentals are renegotiated annually.

11. Contingencies

	31 December 2017 Rm	2016 Rm
Guarantees	28 960	30 469
Irrevocable debt facilities	145 087	122 958
Letters of credit	3 834	4 645
Other contingencies	151	135
	178 032	158 207

Guarantees include performance guarantee contracts and payment guarantee contracts.

Irrevocable facilities are commitments to extend credit where the Bank 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 Bank 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 the Scheme, in which Corporate Money Managers (CMM) managed a portfolio of assets within the Scheme. The joint curators of the CMM Bank 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.
- On June 19, 2017, the Public Protector released the final report of her office's investigation into the Bankorp assistance package provided by the SA Reserve Bank between 1985 and 1995, recommending certain remedial action. Absa acquired Bankorp in April 1992, for fair value, and had the responsibility of carrying out its existing legal obligations to the SARB, which were met in full by October 1995. In consequence, Absa, together with the SARB, Minister of Finance and National Treasury, brought an application to review and set aside the remedial action recommended in the Public Protector's report which was successful and the report was thus set aside.

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

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

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

Regulatory matters

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

The Bank is continuously evaluating its programmes and controls in general relating to compliance with regulation. The Bank undertakes monitoring, review and assurance activities, and the Bank has also adopted appropriate remedial and/or mitigating steps, where necessary or advisable, and has made disclosures on material findings as and when appropriate.

Absa Bank Limited, a subsidiary of Barclays Africa Group Limited, identified potentially fraudulent activity by certain of its customers using 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 Bank conducted a review of relevant activity, processes, systems and controls. The Bank is continuing to provide information to relevant authorities as part of the Bank's ongoing cooperation. It is not currently practicable to provide an estimate of the financial impact of the actions described on the Bank or what effect that they might have upon the Bank's operating results, cash flows or financial position in any particular period, if any.

In February 2017 the South African Competition Commission (SACC) referred Barclays Bank PLC, BCI and Absa Bank Limited, a subsidiary of Barclays Africa Group Limited, among other banks, to the Competition Tribunal to be prosecuted for breaches of South African antitrust law related to Foreign Exchange trading of South African Rand. The SACC found from its investigation that between 2007 and 2013 the banks had engaged in various forms of collusive behaviour. Barclays was the first to bring the conduct to the attention of the SACC under its leniency programme and has 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 fine on Barclays Bank PLC, BCI or Absa Bank Limited.

Income Taxes

The Bank is subject to income taxes in numerous jurisdictions and the calculation of the Bank's tax charge and provisions for income taxes necessarily involves a degree of estimation and judgement. There are many transactions and calculations for which the ultimate tax treatment is uncertain or in respect of which the relevant tax authorities may have indicated disagreement with the Bank's treatment and accordingly the final tax charge cannot be determined until resolution has been reached with the relevant tax authority.

The Bank recognises provisions for anticipated tax audit issues based on estimates of whether additional taxes will be due after taking into account external advice where appropriate. The carrying amount of any resulting provisions will be sensitive to the manner in which tax matters are expected to be resolved, and the stage of negotiations or discussion with the relevant tax authorities. There may be significant uncertainty around the final outcome of tax proceedings, which in many instances, will only be concluded after a number of years. Management estimates are informed by a number of factors including, inter alia, the progress made in discussions or negotiations with the tax authorities, the advice of expert legal counsel, precedent set by the outcome of any previous claims, as well as the nature of the relevant tax environment.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the reporting period in which such determination is made. These risks are managed in accordance with the Bank's Tax Risk Framework.

12. Segment reporting

	2017 Rm	2016[1] Rm
12.1 Headline earnings contribution by segment		
South Africa Banking	11 903	11 251
RBB South Africa	8 636	8 544
CIB South Africa	3 267	2 707
Wealth	(429)	(261)
Head Office, Treasury and other operations in South Africa	(1 681)	(1 212)
Barclays separation	(1 245)	-
Total headline earnings	8 548	9 778

	2017 Rm	2016[1] Rm
12.2 Total income by segment		
South Africa Banking	50 777	49 448
RBB South Africa	40 275	39 512
CIB South Africa	10 502	9 937
Wealth	430	448
Head Office, Treasury and other operations in South Africa	(1 518)	(1 095)
Barclays separation	405	-
Total income	50 094	48 801

Note

[1] Operational changes, management changes and associated changes to the way in which the Chief Operating Decision Maker CODM views the performance of each business segment, have resulted in the reallocation of earnings, assets and liabilities between operating segments. For details on the business portfolio changes refer to note 15.

	2017 Rm	2016[1] Rm
12.3 Total internal income by segment		
South Africa Banking	(11 324)	(15 636)
RBB South Africa	(8 346)	(8 708)
CIB South Africa	(2 978)	(6 928)
Wealth	6	10
Head Office, Treasury and other operations in South Africa	15 950	14 164
Barclays separation	325	-
Total internal income	4 957	(1 462)

	2017 Rm	2016[1] Rm
12.4 Total assets by segment		
South Africa Banking	1 209 227	1 144 244
RBB South Africa	741 230	716 930
CIB South Africa	467 997	427 314
Wealth	6 083	6 112
Head Office, Treasury and other operations in South Africa	(227 864)	(232 045)
Barclays separation	912	-
Total assets	988 358	918 311

	2017 Rm	2016[1] Rm
12.5 Total liabilities by segment		
South Africa Banking	1 194 542	1 130 979
RBB South Africa	730 984	707 223
CIB South Africa	463 558	423 756
Wealth	6 504	6 359
Head Office, Treasury and other operations in South Africa	(288 177)	(288 326)
Barclays separation[2]	(9 840)	-
Total liabilities	903 029	849 012

Notes

[1]Operational changes, management changes and associated changes to the way in which the CODM views the performance of each business segment, have resulted in the reallocation of earnings, assets and liabilities between operating segments. For details on the business portfolio changes refer to note 15.

[2]This represents the contribution of R12.1bn that was received from Barclays PLC, net of amounts already spent on separation activities. The cash received is centrally held by Treasury and is presented as an intersegmental asset in 'Other liabilities'.

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.

	2017 Carrying value Rm	2017 Fair value Rm	2016[(1)] Carrying value Rm	2016[(1)] Fair value Rm
Financial assets				
Balances with the South African Reserve Bank	19 108	19 108	18 552	18 552
Coins and bank notes	9 684	9 684	9 662	9 662
Money market assets	-	-	38	38
Cash, cash balances and balances with central banks	28 792	28 792	28 252	28 252
Loans and advances to banks	26 020	26 020	19 439	19 439
Other assets	13 327	13 420	14 822	14 895
South Africa Banking	627 703	627 934	600 264	599 347
RBB South Africa	435 500	435 731	422 238	421 321
Retail Banking South Africa	371 248	371 479	362 730	362 621
Credit cards	27 267	27 267	27 861	27 861
Instalment credit agreements	77 044	77 275	73 955	73 650
Loans to associates and joint ventures	23 037	23 037	18 933	18 933
Mortgages	220 569	220 569	221 225	221 237
Other loans and advances	726	726	492	492
Overdrafts	5 443	5 443	3 947	3 947
Personal and term loans	17 162	17 162	16 317	16 501
Business Banking South Africa	64 252	64 252	59 508	58 700
Mortgages (including CPF)	27 828	27 828	25 406	25 418
Overdrafts	19 199	19 199	18 448	18 448
Term loans	17 225	17 225	15 654	14 834
CIB South Africa	192 203	192 203	178 026	178 026
Wealth	5 004	5 004	5 660	5 660
Head Office, Treasury and other operations in South Africa	974	974	645	645
Loans and advances to customers – net of impairment losses	633 681	633 912	606 569	605 652
Loans to Group companies	36 530	36 530	25 794	25 794
Non-current assets held for sale	1 118	1 118	-	-
Total assets	739 468	739 792	694 876	694 032
Financial liabilities				
Deposits from banks	52 079	52 079	42 514	42 514
Other liabilities	25 709	25 724	19 039	19 279
Call deposits	62 725	62 725	62 270	62 270
Cheque account deposits	153 539	153 539	152 474	152 474
Credit card deposits	1 896	1 896	1 906	1 906
Fixed deposits	131 521	131 521	116 049	116 113
Foreign currency deposits	18 444	18 444	23 325	23 325
Notice deposits	58 460	58 460	59 358	59 457
Other deposits	1 414	1 414	2 059	2 059
Saving and transmission deposits	135 375	135 375	130 208	130 208
Deposits due to customers	563 374	563 374	547 649	547 812
Debt securities in issue	132 701	132 701	133 906	131 329
Borrowed funds	15 866	15 866	15 679	15 900
Total liabilities	789 729	789 744	758 787	756 834

Note
(1) These numbers have been restated, refer to Note 15.

14. Assets and liabilities held at fair value

14.1 Fair value measurement and valuation processes

Financial assets and financial liabilities

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

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

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

Investment properties

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

Where possible, the fair value of the Bank's investment properties is determined through valuations performed by external independent valuators. When the Bank's internal valuations are different to that of the external independent valuers, detailed procedures are performed to substantiate the differences, whereby the IVC team 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

Fair values are classified as Level 2 if they 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 over the counter (OTC). OTC derivative contracts include forward, swap and option contracts related to interest rates, bonds, foreign currencies, credit spreads, equity prices and commodity prices or indices on these instruments. Fair values of derivatives are obtained from quoted market prices, dealer price quotations, discounted cash flow and option pricing models.

Loans and advances

The 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.

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 Bank 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, as well as the cost of funding across all asset classes.

Model valuation adjustments

Valuation models are reviewed under the Bank's model governance framework. This process identifies the assumptions used and any model limitations (for example, if the model does not incorporate volatility skew). Where necessary, fair value adjustments will be applied to take these factors into account. Model valuation adjustments are dependent on the size of 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 Bank's assets and liabilities that are recognised and subsequently measured at fair value and are analysed by valuation techniques. The classification of assets and liabilities is based on the lowest level input that is significant to the fair value measurement in its entirety.

Recurring fair value measurements	2017 Level 1 Rm	2017 Level 2 Rm	2017 Level 3 Rm	2017 Total Rm	2016 Level 1 Rm	2016 Level 2 Rm	2016 Level 3 Rm	2016 Total Rm
Financial Assets								
Investment securities	37 737	32 841	5 946	76 524	50 909	32 203	1 062	84 174
Loans and advances to banks	-	16 713	484	17 197	-	19 286	571	19 857
Trading and hedging portfolio assets	31 379	72 194	1 824	105 397	16 360	56 773	1 505	74 638
Debt instruments	29 185	2 410	177	31 772	15 417	2 573	1 324	19 314
Derivative assets	-	58 594	546	59 140	-	46 570	181	46 751
Commodity derivatives	-	973	124	1 097	-	794	-	794
Credit derivatives	-	-	165	165	-	70	114	184
Equity derivatives	-	2 356	173	2 529	-	1 526	67	1 593
Foreign exchange derivatives	-	15 548	8	15 556	-	15 121	-	15 121
Interest rate derivatives	-	39 717	76	39 793	-	29 059	-	29 059
Equity instruments	567	-	-	567	943	-	-	943
Money market assets	1 627	11 190	1 101	13 918	-	7 630	-	7 630
Loans and advances to customers	-	22 070	4 741	26 811	-	19 187	4 890	24 077
Total financial assets	69 116	143 818	12 995	225 929	67 269	127 449	8 028	202 746
Financial liabilities								
Deposits from banks	-	22 031	-	22 031	-	17 634	-	17 634
Trading and hedging portfolio liabilities	8 141	51 866	944	60 951	1 786	42 464	307	44 557
Derivative liabilities	-	51 866	944	52 810	-	42 464	307	42 771
Commodity derivatives	-	1 164	121	1 285	-	872	-	872
Credit derivatives	-	-	148	148	-	135	101	236
Equity derivatives	-	1 965	423	2 388	-	1 306	59	1 365
Foreign exchange derivatives	-	14 500	4	14 504	-	13 996	-	13 996
Interest rate derivatives	-	34 237	248	34 485	-	26 155	147	26 302
Short positions	8 141	-	-	8 141	1 786	-	-	1 786
Deposits due to customers	203	18 676	1 572	20 451	154	15 870	1 139	17 163
Debt securities in issue	399	4 354	488	5 241	412	4 651	604	5 667
Total financial liabilities	8 743	96 927	3 004	108 674	2 352	80 619	2 050	85 021
Non-financial assets								
Commodities	2 051	-	-	2 051	1 485	-	-	1 485
Investment properties	-	-	-	-	-	-	222	222
Non-recurring fair value measurements								
Non-current assets held for sale[(1)]	-	-	-	-	-	-	367	367
Non-current liabilities held for sale[(1)]	-	-	-	-	-	-	9	9

Note

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

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
Loans and advances to banks	Discounted cash flow models	Interest rate and/or money market curves
Trading and hedging portfolio assets and liabilities		
Debt instruments	Discounted cash flow models	Underlying price of market traded instruments and interest rates
Derivatives		
Commodity derivatives	Discounted cash flow and/or option pricing, futures pricing and/or exchange traded fund (ETF) models	Spot price of physical or futures, interest rates and/or volatility
Credit derivatives	Discounted cash flow and/or credit default swap models	Interest rate, recovery rate, credit spread and/or quanto ratio
Equity derivatives	Discounted cash flow, option pricing and/or futures pricing models	Spot price, interest rate, volatility and/or dividend stream
Foreign exchange derivatives	Discounted cash flow and/or option pricing models	Spot price, interest rate and/or volatility
Interest rate derivatives	Discounted cash flow and/or option pricing models	Interest rate curves, repurchase agreement curves, money market curves and/or volatility
Money market assets	Discounted cash flow models	Money market rates and/or interest rates
Loans and advances to customers	Discounted cash flow models	Interest rate curves and/or money market curves
Investment securities	Listed equity: market bid price. Other items: discounted cash flow models	Underlying price of the market traded instruments 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:

2017

	Trading and hedging portfolio assets Rm	Other assets Rm	Loans and advances to customers Rm	Loans and advances to banks Rm	Investment securities Rm	Investment properties Rm	Total assets at fair value Rm
Opening balance at the beginning of the reporting period	1 505	-	4 890	571	1 062	222	8 250
Net interest income	-	-	12	-	62	-	74
Other income	-	-	-	-	-	37	37
Gains and losses from banking and trading activities	(635)	-	29	-	-	-	(606)
Gains and losses from investment activities	-	-	-	-	2	-	2
Purchases	1 101	-	1 020	88	4 789	-	6 998
Sales	(147)	-	(1 112)	(175)	-	(259)	(1 693)
Movement in other comprehensive income	-	-	-	-	31	-	31
Transfer in/(out) of Level 3	-	-	(98)	-	-	-	(98)
Closing balance at the end of the reporting period	1 824	-	4 741	484	5 946	-	12 995

2016

	Trading and hedging portfolio assets Rm	Other assets Rm	Loans and advances to customers[1] Rm	Loans and advances to banks Rm	Investment securities Rm	Investment properties Rm	Total assets at fair value Rm
Opening balance at the beginning of the reporting period	1 415	17	7 511	2 109	1 285	518	12 855
Net interest income	-	-	232	-	56	61	349
Gains and losses from banking and trading activities	116	-	65	(139)	16	-	58
Purchases	1 308	-	-	70	2	-	1 380
Sales	(1 334)	(17)	(1 956)	(1 469)	(147)	(65)	(4 988)
Movement in other comprehensive income	-	-	-	-	4	-	4
Transferred to/(from) assets	-	-	-	-	-	(292)	(292)
Transfer out of Level 3	-	-	(962)	-	(154)	-	(1 116)
Closing balance at the end of the reporting period	1 505	-	4 890	571	1 062	222	8 250

Note:
[1] The gains and losses from banking and trading activities on loans and advances to customers for 2016 have been restated by R65m to include the movement in the unrealised gains relating to the base rates applicable to the assets. Previously only unrealised gains relating to the unobservable credit spreads for these assets were taken into account in the disclosure.

	2017				
	Deposits from banks Rm	Trading and hedging portfolio liabilities Rm	Deposits due to customers Rm	Debt securities in issue Rm	Total liabilities at fair value Rm
Opening balance at the beginning of the reporting period	-	307	1 139	604	2 050
Net interest income	-	-	7	-	7
Gains and losses from banking and trading activities	-	585	-	-	585
Issues	-	52	1 685	30	1 767
Settlements	-	-	(1 144)	(68)	(1 212)
Transfer in/(out) of Level 3	-	-	(115)	(78)	(193)
Closing balance at the end of the reporting period	-	944	1 572	488	3 004

	2016				
	Deposits from banks Rm	Trading and hedging portfolio liabilities Rm	Deposits due to customers Rm	Debt securities in issue Rm	Total liabilities at fair value Rm
Opening balance at the beginning of the reporting period	7	216	2 557	624	3 404
Gains and losses from banking and trading activities	-	91	-	-	91
Gains and losses from investment activities	-	-	139	(9)	130
Issues	-	-	1 953	-	1 953
Settlements	(7)	-	(3 510)	(11)	(3 528)
Closing balance at the end of the reporting period	-	307	1 139	604	2 050

14.6.1 Significant transfers between levels

During the 2017 and 2016 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.

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:

	2017					
	Trading and hedging portfolio assets	Loans and advances to customers	Investment securities	Total assets at fair value	Trading and hedging portfolio liabilities	Total liabilities at fair value
	Rm	Rm	Rm	Rm	Rm	Rm
Gains and losses from banking and trading activities	142	761	48	951	(284)	(284)

	2016					
	Trading and hedging portfolio assets	Loans and advances to customers[1]	Investment securities	Total assets at fair value	Trading and hedging portfolio liabilities	Total liabilities at fair value
	Rm	Rm	Rm	Rm	Rm	Rm
Gains and losses from banking and trading activities	(22)	731	9	718	(104)	(104)

14.8 Sensitivity analysis of valuations using unobservable inputs

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

The following table reflects how the unobservable parameters were changed in order to evaluate the sensitivities of Level 3 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% of the underlying value of the affected item. This is demonstrated by the following sensitivity analysis which includes a reasonable range of possible outcomes:

Note:

[1] The unrealised gains and losses for loans and advances to customers for 2016 have been restated by R692m to include the unrealised gains relating to the base rates applicable to the assets. Previously only unrealised gains relating to the unobservable credit spreads for these assets were taken into account in the disclosure.

		2017	
		Potential effect recorded in profit or loss	Potential effect recorded directly in equity
	Significant unobservable parameters	Favourable/(Unfavourable) Rm	Favourable/(Unfavourable) Rm
Loans and advances to bank	BAGL/Absa funding spread	17/(17)	-/-
Deposits due to customers	BAGL/Absa funding spread	13/(12)	-/-
Investment securities	Risk adjustment yield curves, future earnings and marketability discount	59/(59)	253/(240)
Loans and advances to customers	Credit spreads	60/(69)	-/-
Other assets	Credit spreads	-/-	-/-
Trading and hedging portfolio assets	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	33/(33)	-/-
Trading and hedging portfolio liabilities	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	17/(17)	-/-
Other liabilities	Volatility, credit spreads	-/-	-/-
		199/(207)	253/(240)

		2016	
		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	Risk adjustment yield curves, future earnings and marketability discount	13/(14)	31/(33)
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	36/(36)	-/-
Other liabilities	Volatility, credit spreads	-/-	-/-
		296/(296)	31/(33)

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 unobservable inputs	2017 Range of estimates utilised for the unobservable inputs	2016
Loans and advances to banks and customers	Discounted cash flow and/or dividend yield models	Credit spreads	0,3% to 2,3%	0,5% to 5%
Investment securities	Discounted cash flow models, third-party valuations, earnings multiples and/or income capitalisation valuations	Risk adjusted yield curves, future earnings marketability discounts and/or comparator multiples	Discount rate of 7% and 9%, comparator multiples between 5 and 10,5	Discount rate of 13%, comparator multiples between 5 and 10,5
Trading and hedging portfolio assets and liabilities				
Debt instruments	Discounted cash flow models	Credit spreads	3% to 15%	1,2% to 11,2%
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 90%	0% to 40%
Equity derivatives	Discounted cash flow, option pricing and/or futures pricing models	Volatility and/or dividend streams (greater than 3 years)	15,09% to 64,67%	17,82% to 67,71%
Foreign exchange derivatives	Discounted cash flow and/or option pricing models	African basis curves (greater than 1 year)	(28%) to 29,5%	(16,6%) to 13,1%
Interest rate derivatives	Discounted cash flow and/or option pricing models	Real yield curves (less than 1 year), repurchase agreement curves (less than 1 year), funding spreads	0,25% to 10,69%	0,31% to 3,38%
Deposits due to customers	Discounted cash flow models	BAGL's funding spreads (greater than 5 years)	0,2% to 1,9%	(0,27%) to 2,13%
Debt securities in issue	Discounted cash flow models	Funding curves (greater than 5 years)	0,2% to 1,9%	(0,27%) to 2,13%
Investment Properties	Discounted cash flow models	Estimates of periods in which rental units will be disposed of	1 to 6 years	1 to 10 years
		Annual selling price escalations	6%	1% to 7%
		Annual rental escalations	6%	1% to 7%
		Expense ratios	n/a	25% to 50%
		Vacancy rates	n/a	1% to 7%
		Income capitalisation rates	7,75% to 8%	10% to 11%
		Risk adjusted discount rates	11% to 15%	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 5 years. However, if the items mature in less than 5 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 gains/(losses) 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 a mounts subsequently recognised, is as follows:

	2017 Rm	2016 Rm
Opening balance at the beginning of the reporting period	(139)	(105)
New transactions	(27)	(64)
Amounts recognised in profit or loss during the reporting period	32	30
Closing balance at the end of the reporting period	(134)	(139)

14.11 Third-party credit enhancements

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

15. Reporting changes overview

15.1 Accounting policy changes

The Bank made the following accounting policy changes as a result of new and amended standards of IFRS, which had no impact on the pre viously reported earnings of the Bank:

› The requirements of IFRS 9 relating to the presentation of gains and losses on financial liabilities designated at fair value were adopted during the current reporting period. As a result, the effects of changes in those liabilities' credit risk are presented in o ther comprehensive income with the remaining effect presented in profit or loss. In accordance with the transitional requirements of IFRS 9, comparatives have not been restated.

› All other amendments to IFRS, and new interpretations, effective for the current reporting period had no significant impact on the Bank's reported results.

15.2 Changes in reportable segments

The following business portfolio changes have impacted the financial results for the comparative period ended 31 December 201 6.

› Barclays PLC disposed of 12,2% and 33,7% of the Group's shares in May 2016 and June 2017, respectively. As part of its divestment Barclays PLC contributed R12.1 billion to the Bank, in June 2017, primarily in recognition of the investments required for the Bank to separate from Barclays PLC. This contribution will be invested primarily in rebranding, technology and separation-related projects and it is expected that it will neutralise the capital and cash flow impact of separation investments on the Bank over time. The separation process will increase the capital base of the Bank in the near-term and generate endowment revenue thereon, with increased costs over time as the separation investments are concluded. The Bank has therefore included an additional reportable segment, 'Barclays separation' in its segment results.

› The Bank refined its cost allocation methodology, resulting in the restatement of operating expenses between and within segments resulting in the restatement of operating expenses from RBB South Africa (R615m) to CIB SA R221m, Head Office, Treasury and other operations R199m and Wealth R195m.

› CPF customers with loan balances exceeding R40m of R10.9bn were moved from RBB SA to CIB SA to reflect the Bank's customer segmentation and coverage model.

› The Bank revised its operating model with 'geography' and 'customer' as primary dimensions, creating a platform for increased focus and dedicated management capacity: South Africa Banking, Rest of Africa Banking and Wealth (historically reporting was by customer only i.e. RBB, CIB and Wealth).

› The Bank further enhanced segmental disclosures in the second half of 2017 to provide granularity to the South Africa Banking segment (which now expands to RBB SA and CIB SA levels).

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