Barclays Africa Group Limited

Unaudited condensed consolidated interim financial results

For the reporting period ended 30 June 2017

BARCLAYS

Contents

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Barclays Africa Croup Limited Unaudited condensed consolidated interim financial results for the reporting period ended 30 June 2017

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: ZAE000174124

These condensed consolidated interim 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

- Barclays Africa Group disclosed IFRS financial results together with a normalised view, which adjusts for the financial consequences of separating from Barclays PLC.
- Diluted HEPS increased 5% to 899,7 cents, while normalised diluted HEPS grew 7% to 917,7 cents.
- Declared a 3% higher interim DPS of 475 cents.
- South Africa Banking headline earnings grew 6% to R6,0bn, Rest of Africa Banking rose 19% to R1,5bn and WIMI decreased 8% to R0,6bn.
- RoE stable at 16,1%, while normalised RoE increased to 16,8%.
- Normalised revenue decreased 1% to R36,0bn and operating expenses grew 3% to R20,0bn.
- Normalised pre-provision profit declined 6% to R16,0bn.
- Credit impairments fell 27% to R3,8bn, resulting in a 0,96% credit loss ratio from 1,29%.
- Barclays Africa Group Limited's normalised Common Equity Tier 1 (CET1) ratio of 12,1% remains above regulatory requirements and our board target range.
- NAV per ordinary share rose 17% to 12 644 cents, or 4% to 11 261 cents on a normalised basis.

Introduction of normalised reporting

With the process of separating from Barclays PLC underway, including receipt of the R12bn settlement contribution from Barclays PLC in June 2017, Barclays Africa Group Limited (BAGL) has presented reporting both IFRS compliant financial results and a normalised view. The latter adjusts for the consequences of the separation and better reflects the Group's underlying performance. It will present normalised results for all future periods where the financial impact of separation is considered to be material. Normalisation will adjust for the following items: endowment income on Barclays PLC's R12bn separation contribution (1H17: R46m); hedging revenue linked to separation activities (1H17: R238m); operating expenses (1H17: R460m) such as change spend, including depreciation, amortisation and impairment (1H17: R325m on Barclays.Net), and Transitional Services Agreement costs; plus the tax impact of the aforementioned (1H17: R111m). In total, these adjustments added R152m to normalised group headline earnings during the period under review. Since normalisation occurs at a group level, it does not affect divisional disclosures.

Overview of results

On a normalised basis, BAGL's headline earnings grew 7% to R7 770m from R7 252m and diluted HEPS rose 7% to 917,7 cents from 856,7 cents. The Group's normalised RoE increased to 16,8% from 16,1% and it's return on assets increased to 1,40% from 1,29%. Net interest income and non-interest income both declined 1%. The Group's net interest margin (on average interest-bearing assets) reduced to 4,93% from 5,01%. Loans and advances to customers grew 2% to R729bn, while deposits due to customers increased 3% to R696bn. With operating expenses increasing 3%, the normalised cost to income ratio increased to 55,6% from 53,4%, and pre-provision profit decreased 6% to R16,0bn. Rand strength reduced the Group's revenue by 3% and headline earnings by 4%. In constant currency, pre-provision profit declined 3%. Credit impairments fell 27% to R3,8bn, resulting in a 0,96% credit loss ratio from 1,29%. The ratio of NPLs to gross loans and advances improved to 3,7% from 3,8%, and portfolio provisions increased to 76 basis points (bps) of performing loans from 72 bps. The Group's NAV per share increased 4% to 11 261 cents on a normalised basis.

Excluding normalisation, BAGL's headline earnings increased 5% to R7 618m from R7 252m and diluted HEPS rose 5% to 899,7 cents. The Group's RoE was stable at 16,1% and its return on assets increased to 1,37% from 1,29%. Net interest income declined 1% and non-interest income was flat, resulting in 1% lower total revenue. Operating expenses grew 5%, increasing the cost to income ratio to 56,4% from 53,4%, and pre-provision profit decreased 7% to R15,8bn. The Group's NAV per share increased 17% to 12 644 cents, reflecting Barclay PLC's R12bn separation contribution in equity.

South African Banking headline earnings increased 6% to R5 969m. Within this, RBB SA headline earnings fell 9% due to negative operating JAWS. Retail Banking fell 10% to R3 092m, while Business Banking decreased 5% to R1 113m. CIB grew 76%, given 81% lower credit impairments. Corporate rose 35% to R558m and Investment Banking increased 105% to R1 206m. Rest of Africa Banking headline earnings grew 19%, or 50% in constant currency. RBB Rest of Africa declined 18% to R336m as a result of the strong rand, while CIB Rest of Africa rose 30%, reflecting positive operating JAWS and lower credit impairments. WIMI's headline earnings decreased 8% to R574m, largely due to higher claims on two natural disasters.

South Africa's headline earnings grew 2% to R6 149m, and Rest of Africa rose 19% to R1 469m, to account for 19% of group earnings from 17%.

Operating environment

The global economy and markets were generally well supported in the first half. US monetary policy continued on its gradually tightening trajectory, and the evolution of the UK's new relationship with the EU remained at an early stage.

South Africa's economy shrank 0.7% on an annualised basis in the first quarter, pulling the economy into recession. Credit rating agencies downgraded South Africa's sovereign ratings in response to this economic slowdown, concerns over governance and financial performance in state-owned enterprises, and greater uncertainty in economic policy. Though there is evidence of agriculture recovering in many parts of the country from the drought conditions that persisted in late 2015 and much of 2016, other sectors of the economy are taking strain. Household incomes are under pressure, with a poor job market and weak consumer confidence contributing to weak underlying demand. Business sector surveys continue to point to very weak confidence and a concern over the lack of clarity on economic policy. The prime rate was flat in the first half, as the Reserve Bank balanced a better inflation outlook with concern of the potential that the downgrade of the country's credit ratings could trigger higher inflation. Economic performance in the Group's presence markets in the rest of Africa was mixed, with generally improving outcomes in countries Ghana, Mozambique and Uganda and somewhat weaker trends in countries like Kenya, Zambia and Botswana.

Group performance

Statement of financial position

Total assets decreased marginally to R1 138bn at 30 June 2017, due to 24% lower loans and advances to banks. On a normalised basis, excluding the R12bn contribution from Barclays PLC, total assets declined 1% to R1 126bn.

Loans and advances to customers

Net loans and advances to customers increased 2% to R729bn, or 3% on a constant currency basis. South African Banking loans rose 3% to R644bn. Retail Banking South Africa's loans grew 1% to R377bn, reflecting 6% growth in Vehicle and Asset Finance (VAF) and 3% higher Personal Loans, while Home Loans and Card declined 1% and 3% respectively. Business Banking South Africa's loans rose 7% to R62bn. CIB South Africa's loans grew 6% to R205bn. Rest of Africa Banking loans decreased 4% to R79bn, despite increasing 8% in constant currency.

Funding

The Group's liquidity position remains strong. Deposits due to customers grew 3% to R696bn. The Group's loans to deposit and debt securities was flat at 87,1%. Deposits due to customers constituted 78,6% of total funding from 75.2%, due to a reduction in deposits from banks. Retail Banking South Africa maintained its leading market share and increased deposits 7% to R181bn. Business Banking South Africa's deposits grew 2% to R109bn. CIB's deposits grew 4% to R183bn, including 8% higher cheque account deposits. Rest of Africa Banking deposits decreased 3% to R120bn, despite increasing 9% in constant currency including CIB growing 14%.

Net asset value

The Group's NAV rose 17% to R107bn and its NAV per share grew 17% to 12 644 cents. On a normalised basis, both increased 4%. During the half it generated profits of R7,4bn, from which it paid R4,8bn in ordinary dividends. Its foreign currency translation reserve reduced from R2,4bn to R1,8bn.

Capital to risk-weighted assets

Group risk-weighted assets (RWAs) increased 4% to R725bn at 30 June 2017, due to increased credit risk RWAs. The Group remains well capitalised, comfortably above minimum regulatory requirements. The Group's CET1 and Tier 1 capital adequacy ratios were 13,7% and 14,0% respectively (from 12,1% and 12,6%). On a normalised basis, its CET1 was 12,1%. The Group generated 1,0% of CET1 capital internally during the period. Its total normalised capital adequacy ratio was 14,5%. Declaring a 3% higher DPS of 475 cents on a dividend cover of 1.9 times took into account the difficult and volatile macro economy, the Group's strong capital position, internal capital generation, strategy and growth plans.

Statement of comprehensive income

Net interest income

Net interest income decreased 1% to R20 837m (or R20 791m on a normalised basis) from R21 093m, while average interest-bearing assets grew 1%. Normalised net interest income grew 3% in constant currency, excluding the impact of the strong Rand.

The Group's net interest margin (to average interest-bearing assets) narrowed to 4,93% from 5,01%. Loan pricing had a 5 bps negative impact, primarily due to the impact of lower National Credit Act (NCA) caps on unsecured retail portfolios in South Africa and suspended interest on NPL. Loan composition reduced the Group's margin by 3 bps, due to a higher proportion CIB loans.

The Group's deposit margin declined 1 bp, as higher wholesale liquidity premiums and the negative mix impact of increased wholesale funding offset improved pricing in Business Banking and Corporate..

Higher South African interest rates resulted in a 7 bps greater endowment benefit on deposits and equity. Despite releasing R97m to the income statement, the benefit from structural hedging declined 3 bps. Rest of Africa reduced the Group margin by 4 bps, reflecting regulatory caps in Kenya and its lower weighting in the overall composition due to the stronger Rand.

South Africa's net interest margin narrowed to 4,47% from 4,50% and Rest of Africa's decreased to 7,15% from 7,29%.

Non-interest income

Non-interest income was largely flat at R15 487m from R15 415m to account for 43% of total revenue. On a normalised basis, excluding a R238m separation-related hedging gain, non-interest income declined 1% to R15 249m. On a constant currency basis, normalised non-interest income increased 1%.

Net fee and commission income grew 3% to R10 618m, which represented 68% of total non-interest revenue. Electronic banking fees and commissions increased 3% to R2 512m and cheque accounts rose 11% to R2 391m. Credit cards fees and commissions fell 1% to R1 256m and savings accounts decreased 4% to R1 067m. Card merchant income grew 5% to R889m. Investment, markets execution and investment banking fees increased 195% to R357m. Retail Banking South Africa fees and commissions increased 3% to R6 128m.

Net trading declined 2% to R2 646m, reflecting a reduction in South Africa trading revenue and the effect of the strong Rand.

Within other operating income, there was a R320m foreign currency translation reserve gain from the group's London branch in the first half of 2016, which did not recur. This item was excluded from headline earnings.

South Africa Banking's non-interest income grew 3% to R10 452m, 69% of the Group total. Retail Banking South Africa increased 4% to R6 512m, as Transactional and Deposits grew 2% and Card 3%, including 10% growth in acquiring volumes. Business Banking's non-interest income grew 4% to R1 832m, composed of 9% growth excluding equities and 48% lower equities non-interest income due to reduced revaluation gains in the portfolio. CIB South Africa was flat at R2 108m, with Corporate up 16% and the Investment Bank down 6% due to lower Markets revenue.

Rest of Africa Banking's non-interest income declined 7% to R2 469m due to the strong Rand, which outweighed 9% growth in constant currency. CIB Rest of Africa increased 3% to R1 214m, or 21% in constant currency, given strong growth in trading revenue. RBB Rest of Africa fell 14% to R1 257m, or by 1% in constant currency, due to lower fees on transactional accounts.

WIMI's non-interest revenue was flat at R2 509m, despite Life Insurance net premium income growing 5%, as Short-term Insurance net premium income declined 9%.

Non-interest income in South Africa grew 2% to R12 828m, or 83% of the total, while Rest of Africa fell 5% to R2 659m, despite growing 10% in constant currency.

Impairment losses on loans and advances

Group credit impairments decreased 27% to R3 773m from R5 197m, producing a 0,96% credit loss ratio from 1,29% of customer loans and loans to banks. Credit impairments included collection costs of R142m.

Group NPLs decreased 4% to R30 252m, or 3,7% of gross loans and advances from 3,8% (and 3,9% at 31 December 2016). Total NPL coverage was largely flat at 43,5% from 43,8%. Total balance sheet provisions decreased 2% to R19 067m. Portfolio provisions increased 4% to R5 908m, constituting 0,76% of total performing loans from 0,72%. This includes 11% higher macroeconomic impairments of R1 457m.

South Africa Banking credit impairments decreased 28% to R3 124m, resulting in a 0,91% credit loss ratio from 1,28%. RBB South Africa's charge fell 9% to R2 911m.

Retail Banking credit impairments declined 6% to R2 716m, improving its credit loss ratio to 1,39% from 1,48%. Home Loans' charge reduced 8% to R466m, a 0,41% credit loss ratio from 0,44%. Mortgage NPL cover reduced to 20,9% from 21,9%, reflecting an improved legal portfolio construct, while its performing loan portfolio provision was flat at 0,55%. Vehicle and Asset Finance's credit impairments decreased 6% to R477m, reducing its credit loss ratio to 1,01% from 1,13%. Card credit impairments decreased 12% to R1 141m, due to a reduction in the store card book and lower early arrears, resulting in a 5,38% credit loss ratio from 5,95%. Personal Loans credit impairments rose 10%, reflecting stricter write off criteria, which increased Its credit loss ratio to 6,23% from 5,85%.

Business Banking South Africa credit impairments fell 41% to R195m, reflecting lower early arrears across all its portfolios and improved collection capabilities. Its credit loss ratio decreased to 0,62% from 1,12%.

CIB South Africa credit impairments decreased 81% to R213m from R1 101m. The first half 2016 base included two large single name exposures and increased portfolio provisions. Its credit loss ratio reduced to 0,18% from a high prior year base of 0,97%. CIB's watchlists continue to improve, with reduced early and late stage arrears.

Rest of Africa Banking credit impairments decreased 31%, or 21% in constant currency, to R638m from R928m. Its credit loss ratio decreased to 1,38% from 1,68%. RBB Rest of Africa's charge fell 19%, or 6% in constant currency, to R522m reflecting an improved portfolio construct and increased focus on collections. CIB Rest of Africa's credit impairments decreased 59%, or 54% in constant currency, off a high base that included an adjustment to emergence periods and some specific exposures.

Operating expenses

Group operating expenses grew 5% to R20 498m from R19 487m, resulting in a 56,4% cost to income ratio from 53,4%. On a normalised basis, excluding R460m of separation-related costs, expenses increased 3% to R20 038m and the cost to income ratio was 55,6%. Normalised operating expenses increased 6% in constant currency, adjusting for the stronger Rand.

Staff costs grew 4% and accounted for 55% of total expenses. Salaries rose 3% or 5% in constant currency excluding Barclays PLC separation costs. Bonuses increased 13%, while deferred cash and share-based payments grew 24% as new schemes were introduced.

Non-staff costs grew 6%, with property-related costs flat at R1654m and depreciation up 14% to R937m. Total IT spend grew 7% to R3 836m and constituted 19% of Group expenses. Professional fees increased 23% to R1 015m, due entirely to separation-related consultancy and IT development costs, since business as usual professional fees fell 5%. Marketing grew 29% to R785m, including an element of separation costs, plus retail product campaigns and the Group's Shared Growth initiative. Amortisation of intangible assets increased 11% due to investment in digital, data and automation capabilities.

South Africa Banking costs grew 6% to R14 435m. RBB South Africa increased 7%, reflecting continued investment in frontline staff, marketing campaigns and retail product launches, and in digital and channels. CIB South Africa expenses grew below inflation at 4%, as efficiency initiatives allowed continued investment in technology, which increased 15%.

Rest of Africa Banking expenses decreased 11% due to the strong Rand. Its costs increased 3% in constant currency, with CIB growing 8% and RBB rising 2%. Rest of Africa Banking's cost to income ratio improved from 58,9% to 55,8%, which is similar to the 55,0% of South Africa Banking.

Other expenses decreased 12% to R1 120m, reflecting 40% lower 'other impairments' to R376m and 15% higher indirect taxation of R744m. On a normalised basis, other expenses decreased 38%, excluding a R325m computer software impairment on Barclays.Net, which the Group will no longer use following the separation from Barclays PLC.

Taxation

The Group's taxation expense increased 3% to R3 080m, slightly less than the 4% growth in pre-tax profit, resulting in a 28,0% effective tax rate from 28,3%. Adjusting for the R111m effect of separation, taxation rose 6% to R3 191m on a normalised basis.

Segment performance

The Group's segmental disclosure has changed to align with how the banking operations are now run along geographic rather than divisional lines.

South Africa Banking

Headline earnings grew 6% to R5 969m, due to 28% lower credit impairments, as its pre-provision profit declined 5% to R11 795m. Revenue grew 1% to R26 230m, with non-interest income increasing 3%. Costs grew 6% to R14 435m, which increased the cost to income ratio to 55,0% from 52,3%. The credit loss ratio improved to 0.91% from 1,28%, as all the divisions improved. South Africa Banking constituted 74% of total normalised headline earnings (excluding the Group centre) and generated an RoRC of 20,8%.

Retail Banking South Africa

Headline earnings decreased 10% to R3 092m, as pre-provision profits declined 7%, partially offset by 6% lower credit impairments. Transactional and Deposits earnings dropped 14% to R1 204m, given negative operating JAWS as costs grew 11%. Home Loans' earnings fell 9% to R764m, largely due to 5% lower net interest income as loans declined 1% and its margin narrowed because of increased interest suspended. Card earnings decreased 7%, reflecting 3% lower loans and margin compression as a result of the reduced NCA caps.

Vehicle and Asset Finance earnings rose 5%, largely due to 6% loan growth and 6% lower credit impairments. Personal Loans earnings fell 16%, given 10% higher credit impairments and margin pressure due to the NCA caps. Retail Banking South Africa accounted for 38% of total earnings, excluding the Group centre.

Business Banking South Africa

Headline earnings declined 5% to R1 113m, due to negative operating JAWS. Higher funding costs reduced net interest income and costs grew 9%, reflecting continued investment in frontline staff and systems. Credit impairments dropped 41%. Business Banking South Africa generated 14% of overall earnings excluding the Group centre.

CIB South Africa

Headline earnings increased 76% to R1 764m, largely due to an 81% reduction in credit impairments off a high base. Pre-provision profits grew 6% as 5% revenue growth exceeded 4% higher costs. Corporate earnings grew 35% to R558m due to 11% revenue growth and 54% lower credit impairments. Investment Bank earnings increased 105% to R1 206m, largely due to 83% lower credit impairments. CIB South Africa accounted for 22% of total earnings excluding the Group centre.

Rest of Africa Banking

Headline earnings grew 19%, or 50% in constant currency, to R1 512m, due to positive operating JAWS and 31% lower credit impairments. Pre-provision profit increased 1%, or 20% in constant currency, to R3 391m. Revenue fell 6% to R7 670m, masking 10% growth in constant currency. While costs fell 11% to R4 279m, it increased 3% in constant currency, still well below inflation across the portfolio. Its cost to income ratio declined to 55,8% from 58,9%. Credit impairments fell 31% to R638m, resulting in a 1,38% credit loss ratio from 1,68%. Rest of Africa Banking accounted for 19% of total earnings excluding the Group centre and generated a 17,4% RoE from 13,5%.

RBB Rest of Africa

Headline earnings fell 18% to R336m, although it increased 5% in constant currency. Revenue declined 15%, or 1% in constant currency reflecting margin pressure due to regulatory changes in Kenya and 12% lower loans (down 1% in constant currency). Costs fell 12% (increased 2% in constant currency), resulting in a 70,9% cost to income ratio from 68,9%. Credit impairments decreased 19% (6% in constant currency), improving its credit loss ratio to 2,49% from 2,72%. RBB Rest of Africa contributed 4% of total earnings excluding the Group centre.

CIB Rest of Africa

Headline earnings grew 30% to R1 206m, or 60% in constant currency. Revenue grew 9% (or 28% in constant currency) to exceed 6% lower costs (up 8% in constant currency) and produce 19% higher pre-provision profits. Its cost to income ratio fell to 35,0% from 40,5%. Credit impairments dropped 59% (54% in constant currency), resulting in a 0,60% credit loss ratio from 1,34%. CIB Rest of Africa contributed 15% of total earnings excluding the Group centre.

WIMI

Headline earnings decreased 8% to R574m, with continuing business lines declining 6%. South African earnings from continuing lines decreased 4% to R616m, while the losses in Rest of Africa increased 48% to R43m. Gross operating income from continuing lines grew 1% to R3 061m, while costs rose 5% to R1 668m. Life insurance earnings were flat at R384m, impacted by a decrease in single premium investment fees, higher claims and new business strain. WIM's earnings were also flat at R234m, although its assets under management grew 4% to R295bn. Short-term insurance earnings in South Africa declined 15% to R82m, reflecting claims on two natural disasters. Excluding these events, its underwriting margin improved to 7,4%. WIMI's return on equity declined to 19,3% from 21,1% and it generated 7% of total earnings excluding the Group centre.

Prospects

The economic cycle is currently more consistent across major economies than it has been for some time, providing some confidence that the favourable global economic backdrop is likely to continue in the near-term. For 2017 as a whole the global economy is expected to grow by 3,8%, slightly faster than in recent years.

We have cut our GDP growth forecast for South Africa to just 0.3% in 2017, on a par with 2016's outcome. Inflation, already well-within the Reserve Bank's target, is likely to moderate further as the weak economic environment heighten price competition amongst retailers and a bumper harvest in staple commodities helps bring food inflation down further. Responding to this combination of a weaker economy and a more comfortable inflation performance, the prime rate was reduced by 25bp in July, the first rate cut in five years. We currently see potential for another 25 basis point rate cut in September, which our structural hedging program will provide some protection against. We currently see potential for another 25 bps rate cut in September, which our structural hedging program will provide some protection against. Key risks facing South Africa in second half include heightened political and policy uncertainty in the run up to the ruling party's December elective conference, the potential for the country's sovereign credit rating to be downgraded further, and for weak business and consumer confidence to lead to a longer, more protracted recession. For the Group's Rest of Africa economies the outlook looks somewhat stronger and for the full year GDP is expected to expand by 5.3% in 2017, slightly ahead of 2016's growth.

Against this backdrop, and barring any unforeseen regulatory and macroeconomic developments, we continue to expect low to mid-single digit loan growth, with CIB growing faster than RBB and South Africa below the Rest of Africa in constant currency. The Group's 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 near-term, despite continued cost management. However, the Group's credit loss ratio should improve in 2017, in part due to the large single name provision in the base, while the reduction in retail early delinquencies in South Africa also bodes well. The Group's CET1 ratio is likely to remain above board targets and its normalised 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. Lastly, we continue to expect that the Group's dividend cover is likely to increase slightly in the medium term

Basis of presentation

The Group's unaudited condensed interim financial results have been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards (IFRS), interpretations issued by the IFRS Interpretations Committee (IFRS-IC), the South African Institute of Chartered Accountants' 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 audited annual consolidated financial statements.

The accounting policies applied in preparing the unaudited condensed consolidated interim financial results comply with IAS 34 Interim Financial Reporting, except for internal reclassifications and business portfolio changes. Refer to note 15.

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 unaudited condensed consolidated interim financial results are the same as those in place for the reporting period ended 31 December 2016 except for the adoption of the own credit exemption of IFRS 9 Financial Instruments, changes to the Group's operating segments and business portfolios between operating segments. Refer to note 15 for further information.

Standards issued not yet effective

IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement with effect from 1 January 2018 and is expected to have a significant impact on how the group accounts for its financial instruments. IFRS 9 includes requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Based on analysis performed to date, the Group does not expect the effects of the new classification and measurement requirements under IFRS 9 to have a significant impact, although the final measure of impact is dependent on the Statement of Financial Position composition on the date of initial adoption. 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 other 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.

The impairment requirements will lead to significant changes in the accounting for financial instruments. The introduction of the revised impairment model is expected to have a material financial impact, with impairment charges expected to be more volatile in the future.

The Group has a jointly accountable risk and finance implementation and governance programme with representation from all impacted departments. The parallel run of IFRS 9 and IAS 39 impairment models commenced in February 2017, which includes model, process and output validation, testing, calibration and analysis.The key focus of the programme is on finalising processes, governance and controls in preparation for initial application in 2018. It will not be practical to disclose reliable financial impact estimates until the implementation programme and validation and testing are further advanced.

The Group expects to exercise the accounting policy choice to continue IAS 39 hedge accounting and is therefore not planning to change existing hedge accounting application. It will, however, implement the revised hedge accounting disclosures required by the related amendments to Financial Instruments: Disclosures (IFRS 7).

The Group 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. Any change in the carrying value of financial instruments and related taxation upon initial application of IFRS 9 will be recognised in equity.

Based on the current requirements of Basel III, the expected increase in the accounting impairment provision would reduce Common Equity Tier 1 (CET1) capital but this impact would be partially mitigated by the 'excess of expected losses over impairment' included in the CET1 calculation. The Basel Committee on Banking Supervision (BCBS) has provided national discretion to country regulators to consider transitional rules which may mitigate or spread capital impacts from 1 January 2018. IFRS 9 is considered in the Group capital planning.

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 group.

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 Group. A comprehensive separation programme was initiated to focus on the future state of Barclays PLC, the Group and 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 disposed of 12,2% and 33,7% of the Group's shares on 5 May 2016 and 1 June 2017, respectively. Barclays PLC has forward-sold 7% of the afore-mentioned 33,7% shares to the Public Investment Corporation (PIC), with transfer pending receipt by PIC of regulatory approvals in Kenya, Mauritius and the Seychelles. Barclays PLC has agreed to contribute a further 1,5% of the Group's shares to a Broad-Based Black Economic Empowerment (BBBEE) scheme which will be implemented in due course, leaving Barclays PLC with a residual holding of 14,9%.

As part of its divestment Barclays PLC contributed £765 million to the Group in June 2017, primarily in recognition of the investments required for the Group 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 Group over time.

The separation process will have an impact on the Group'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) requires 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 afore-mentioned will result in a disconnect between underlying business performance and the IFRS financial results during the separation period. Normalised financial results will therefore also be disclosed while the underlying business performance is materially different from the IFRS financial results. The extent of normalisation will be limited to the Barclays PLC contributions. Adjustments are included under "Barclays separation financial results" on page 12. The normalised results have been presented for illustrative purposes only, and the information presented is the responsibility of the Group's directors.

Events after the reporting period

The directors are not aware of any events after the reporting date of 30 June 2017 and the date of authorisation of these condensed consolidated interim financial results as defined in IAS 10 *Events after the Reporting Period* (IAS 10).

On behalf of the Board

W E Lucas-Bull

Group Chairman

M Ramos

Chief Executive Officer

Johannesburg
27 July 2017

Declaration of interim ordinary dividend number 62

Shareholders are advised that an ordinary dividend of 475 cents per ordinary share was declared on 28 July 2017, for the period ended 30 June 2017. The interim ordinary dividend is payable to shareholders recorded in the register of members of the Company at the close of business on 8 September 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 20%. In accordance with paragraphs 11.17(a)(i) to (x) and 11.17(c) of the JSE Listings Requirements, the following additional information is disclosed:

- The dividend has been declared out of income reserves.
- The local dividend tax rate is twenty per cent (20%).
- The gross local dividend amount is 475 cents per ordinary share for shareholders exempt from the dividend tax.
- The net local dividend amount is 380 cents per ordinary share for shareholders liable to pay for the dividend tax.
- Barclays Africa Group Limited currently has 847 750 679 ordinary shares in issue (includes 680 929 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, 5 September 2017
Shares commence trading ex dividend	Wednesday, 6 September 2017
Record date	Friday, 8 September 2017
Payment date	Monday, 11 September 2017

Share certificates may not be dematerialised or rematerialised between Wednesday, 6 September 2017 and Friday, 8 September 2017, both dates inclusive. On Monday, 11 September 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, 11 September 2017.

On behalf of the Board

N R Drutman

Group Company Secretary

Johannesburg

28 July 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.

Condensed consolidated salient features

	30 June 2017	30 June 2016	31 December 2016
Statement of comprehensive income (Rm)			
Income	36 324	36 508	72 394
Operating expenses	20 498	19 487	39 956
Profit attributable to ordinary equity holders	7 391	7 019	14 708
Headline earnings [1]	7 618	7 252	14 980
Statement of financial position			
Loans and advances to customers (Rm)	728 985	715 209	720 309
Total assets (Rm)	1137 876	1 142 469	1 101 023
Deposits due to customers (Rm)	696 362	676 968	674 865
Loans to deposits and debt securities ratio (%)	87,1	87,1	88.4
Financial performance (%)			
Return on Equity (RoE)	16,1	16,1	16,6
Return on Average Assets (RoA)	1,37	1,29	1,34
Return on risk-weighted assets (RoRWA)	2,18	2,08	2,14
Non-performing loans (NPL) ratio on gross loans and advances	3,73	3,84	3,94
Operating performance (%)			
Net interest margin on average interest bearing assets[2]	4,93	4,97	4,92
Credit loss ratio on gross loans and advances to customers and banks	0,96	1,29	1,08
Credit loss ratio on net loans and advances to customers	1,05	1,48	1,23
Non-interest income as percentage of total income	42,6	42,2	42,0
Cost-to-income ratio	56,4	53,4	55,2
JAWS	(5,69)	5,11	1,64
Effective tax rate	28,0	28,3	26,9
Share statistics (million)			
Number of ordinary shares in issue	847.8	847.8	847.8
Number of ordinary shares in issue (excluding treasury shares)	847.1	846.9	846.7
Weighted average number of ordinary shares in issue	846.5	846.5	846.5
Diluted weighted average number of ordinary shares in issue	846.7	846.5	846.6
Share statistics (cents)			
Headline earnings per ordinary share	899.9	856.7	1 769.6
Diluted headline earnings per ordinary share	899.7	856.7	1 769.4
Basic earnings per ordinary share	873.1	829.2	1 737.5
Diluted basic earnings per ordinary share	872.9	829.2	1 737.3
Dividend per ordinary share relating to income for the reporting period	475	460	1 030
Dividend cover (times)	1,9	1,9	1,7
NAV per ordinary share	12 644	10 788	10 980
Tangible NAV per ordinary share	12 206	10 359	10 501
Capital adequacy (%)			
Barclays Africa Group Limited	16,1	14,6	14,8
Absa Bank Limited	17,4	14,0	15,1
Common Equity Tier 1 (%)			
Barclays Africa Group Limited	13,7	12,1	12,1
Absa Bank Limited	14,1	10,8	11,6

[1] After allowing for **R180m** (30 June 2016: R168m; 31 December 2016: R351m) profit attributable to preference equity holders.
[2] The Group 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 30 June 2016 and 31 December 2016.

Condensed consolidated salient normalised features

	30 June 2017	30 June 2016	31 December 2016
Statement of comprehensive income (Rm)			
Income	36 040	36 508	72 394
Operating expenses	20 038	19 487	39 956
Profit attributable to ordinary equity holders	7 781	7 019	14 708
Headline earnings [1]	7 770	7 252	14 980
Statement of financial position			
Total assets (Rm)	1126 057	1 142 469	1 101 023
Financial performance (%)			
Return on Equity (RoE)	16,8	16,1	16,6
Return on Average Assets (RoA)	1,40	1,29	1,34
Return on risk-weighted assets (RoRWA)	2,22	2,08	2,14
Operating performance (%)			
Net interest margin on average interest bearing assets	4,93	5,01	4,95
Non-interest income as percentage of total income	42,3	42,2	42,0
Cost-to-income ratio	55,6	53,4	55,2
JAWS	(4,11)	5,11	1,64
Effective tax rate	27,7	28,3	26,9
Share statistics (million)			
Number of ordinary shares in issue	847.8	847.8	847.8
Number of ordinary shares in issue (excluding treasury shares)	847.1	846.9	846.7
Weighted average number of ordinary shares in issue	846.5	846.5	846.5
Diluted weighted average number of ordinary shares in issue	846.7	846.5	846.6
Share statistics (cents)			
Headline earnings per ordinary share	917.9	856.7	1 769.6
Diluted headline earnings per ordinary share	917.7	856.7	1 769.4
Basic earnings per ordinary share	919.2	829.2	1 737.5
Diluted basic earnings per ordinary share	919.0	829.2	1 737.3
Dividend cover (times)	1,9	1,9	1,7
NAV per ordinary share	11 261	10 788	10 980
Tangible NAV per ordinary share	10 823	10 359	10 501
Capital adequacy (%)			
Barclays Africa Group Limited	14,5	14,6	14,8
Absa Bank Limited	15,2	14,0	15,1
Common Equity Tier 1 (%)			
Barclays Africa Group Limited	12,1	12,1	12,1
Absa Bank Limited	11,9	10,8	11,6

Condensed consolidated normalised reconciliation

Reconciliation of normalised to IFRS results	Unadjusted IFRS Group Performance	Adjustments for Barclays separation	Normalised Group performance
		30 June 2017	
Statement of comprehensive income (Rm)			
Net interest income	20 837	(46)	20 791
Non - interest income	15 487	(238)	15 249
Total income	36 324	(284)	36 040
Impairment losses on loans and advances	(3 773)	-	(3 773)
Operating expenses	(20 498)	460	(20 038)
Other operating expenses	(1 041)	325	(716)
Operating profit before income tax	11 012	501	11 513
Tax expenses	(3 080)	(111)	(3 191)
Profit for the reporting period	7 932	390	8 322
Profit attributable to:			
Ordinary equity holders	7 391	390	7 781
Non-controlling interest - ordinary shares	361	-	361
Non-controlling interest - preference shares	180	-	180
	7 932	390	8 322
Headline earnings	7 618	152	7 770
Operating performance (%)			
Net interest margin on average interest-bearing assets	4,93	n/a	4,93
Credit loss ratio on gross loans and advances to customers and banks	0,96	n/a	0,96
Non-interest income as % of income	42,6	n/a	42,3
Income growth	(1)	n/a	(1)
Operating expenses growth	3	n/a	3
Cost-to-income ratio	56,4	n/a	55,6
Statement of financial position (Rm)			
Loans and advances to customers	728 985	-	728 985
Loans and advances to banks	63 451	-	63 451
Investment securities	115 834	-	115 834
Other assets	229 606	(11 819)	217 787
Total assets	1137 876	(11 819)	1126 057
Deposits due to customers	696 362	-	696 362
Debt securities in issue	140 192	-	140 192
Other liabilities	184 991	(104)	184 887
Total liabilities	1021 545	(104)	1021 441
Equity	116 331	(11 715)	104 616
Total equity and liabilities	1137 876	(11 819)	1126 057
Key performance ratios (%)			
RoRWA	2,18	n/a	2,22
RoA	1,37	n/a	1,40
RoE	16,1	n/a	16,8
Dividend cover (times)	1,9	n/a	1,9
Capital adequacy	16,1	n/a	14,5
Common Equity Tier 1	13,7	n/a	12,1

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 R460m professional fees, information technology costs, marketing and salary costs incurred during the reporting period. 'Other operating expenses' reflects the impairment of an intangible asset utilised by CIB.

Condensed consolidated statement of financial position

	Note	2017 Rm	30 June 2016 Rm	31 December 2016 Rm
Assets				
Cash, cash balances and balances with central banks		45 078	47 734	50 006
Investment securities		115 834	101 563	114 315
Loans and advances to banks		63 451	83 663	49 789
Trading portfolio assets		101 554	111 651	96 236
Hedging portfolio assets		2 278	1 455	1 745
Other assets		36 091	37 275	25 542
Current tax assets		536	1 714	894
Non-current assets held for sale	1	2 601	1 623	823
Loans and advances to customers	2	728 985	715 209	720 309
Reinsurance assets		814	814	985
Investments linked to investment contracts		19 131	19 910	18 816
Investments in associates and joint ventures		1 144	1 005	1 065
Investment property		268	894	478
Property and equipment		15 044	13 336	14 643
Goodwill and intangible assets		3 714	3 635	4 049
Deferred tax assets		1 353	988	1 328
Total assets		1 137 876	1 142 469	1 101 023
Liabilities				
Deposits from banks		49 290	77 927	53 192
Trading portfolio liabilities		42 564	53 020	47 429
Hedging portfolio liabilities		1 478	2 357	2 064
Other liabilities		38 082	37 085	27 696
Provisions		1 974	2 126	3 005
Current tax liabilities		-	94	244
Non-current liabilities held for sale	1	114	9	9
Deposits due to customers		696 362	676 968	674 865
Debt securities in issue		140 192	144 522	139 714
Liabilities under investment contracts		29 918	28 019	29 198
Policyholder liabilities under insurance contracts		4 495	4 506	4 469
Borrowed funds	3	15 963	13 548	15 673
Deferred tax liabilities		1 113	1 613	1 185
Total liabilities		1021 545	1 041 794	998 743
Equity				
Capital and reserves				
Attributable to ordinary equity holders:				
Share capital		1 694	1 694	1 693
Share premium		12 868	4 412	4 467
Retained earnings		87 799	78 078	81 604
Other reserves		4 750	7 180	5 293
		107 111	91 364	93 057
Non-controlling interest - ordinary shares		4 576	4 667	4 579
Non-controlling interest - preference shares		4 644	4 644	4 644
Total equity		116 331	100 675	102 280
Total liabilities and equity		1137 876	1 142 469	1 101 023

Condensed consolidated statement of comprehensive income

	Note	30 June 2017 Rm	30 June 2016 Rm	31 December 2016 Rm
Net interest income		20 837	21 093	42 003
Interest and similar income		42 938	42 559	85 114
Interest expense and similar charges		(22 101)	(21 466)	(43 111)
Non-interest income		15 487	15 415	30 391
Net fee and commission income		10 618	10 305	20 723
Fee and commission income		12 084	11 859	23 972
Fee and commission expense		(1 466)	(1 554)	(3 249)
Net insurance premium income		3 250	3 516	6 986
Net claims and benefits incurred on insurance contracts		(1 694)	(1 869)	(3 691)
Changes in investment and insurance contract liabilities		(558)	(422)	(493)
Gains and losses from banking and trading activities		3 104	2 989	5 691
Gains and losses from investment activities		448	277	51
Other operating income		319	619	1 124
Total income		36 324	36 508	72 394
Impairment losses on loans and advances		(3 773)	(5 197)	(8 751)
Operating income before operating expenditure		32 551	31 311	63 643
Operating expenditure		(20 498)	(19 487)	(39 956)
Other expenses		(1 120)	(1 272)	(2 120)
Other impairments	4	(376)	(624)	(690)
Indirect taxation		(744)	(648)	(1 430)
Share of post-tax results of associates and joint ventures		79	55	115
Operating profit before income tax		11 012	10 607	21 682
Taxation expense		(3 080)	(2 997)	(5 835)
Profit for the reporting period		7 932	7 610	15 847
Profit attributable to:				
Ordinary equity holders		7 391	7 019	14 708
Non-controlling interest - ordinary shares		361	423	788
Non-controlling interest - preference shares		180	168	351
		7 932	7 610	15 847
Earnings per share:				
Basic earnings per share (cents)		873.1	829.2	1 737.5
Diluted earnings per share (cents)		872.9	829.2	1 737.3

	30 June 2017 Rm	30 June 2016 Rm	31 December 2016 Rm
Profit for the reporting period	7 932	7 610	15 847
Other comprehensive income			
Items that will not be reclassified to profit or loss	(31)	(41)	(220)
Changes in own credit risk on liabilities measured at FVTPL	(26)	-	-
Fair value losses arising from changes in own credit risk during the reporting period	(26)	-	-
Movement in retirement benefit fund assets and liabilities	(5)	(41)	(220)
Decrease in retirement benefit surplus	(6)	(11)	(120)
Increase/(Decrease) in retirement benefit deficit	2	(28)	(141)
Deferred tax	(1)	(2)	41
Items that are or may be subsequently reclassified to profit or loss	(414)	(641)	(2 942)
Movement in foreign currency translation reserve	(675)	(2 327)	(4 529)
Differences in translation of foreign operations	(623)	(2 007)	(4 209)
Gains released to profit or loss	(52)	(320)	(320)
Movement in cash flow hedging reserve	518	1 568	1 726
Fair value gains arising during the reporting period	874	2 399	2 721
Amount removed from other comprehensive income and recognised in profit or loss	(157)	(221)	(321)
Deferred tax	(199)	(610)	(674)
Movement in available-for-sale reserve	(257)	118	(139)
Fair value (losses)/gains during the reporting period	(349)	130	(197)
Release to profit or loss	18	-	(3)
Deferred tax	74	(12)	61
Total comprehensive income for the reporting period	7 487	6 928	12 685
Total comprehensive income attributable to:			
Ordinary equity holders	7 036	6 487	11 931
Non-controlling interest - ordinary shares	271	273	403
Non-controlling interest - preference shares	180	168	351
	7 487	6 928	12 685

Condensed 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	846 675	1 693	4 467	81 604	5 293	757	377
Total comprehensive income	-	-	-	7 360	(324)	-	(313)
Profit for the period	-	-	-	7 391	-	-	-
Other comprehensive income	-	-	-	(31)	(324)	-	(313)
Dividends paid	-	-	-	(4 832)	-	-	-
Purchase of Group shares in respect of equity-settled share-based payment arrangements	-	-	(525)	26	-	-	-
Elimination of the movement in treasury shares held by Group entities	395	1	(14)	-	-	-	-
Movement in share-based payment reserve	-	-	525	-	(268)	-	-
Transfer from share-based payment reserve	-	-	525	-	(525)	-	-
Value of employee services	-	-	-	-	276	-	-
Deferred tax	-	-	-	-	(19)	-	-
Movement in general credit risk reserve	-	-	-	30	(30)	(30)	-
Share of post-tax results of associates and joint ventures	-	-	-	(79)	79	-	-
Disposal of non-controlling interest[1]	-	-	-	-	-	-	-
Barclays separation[2]	-	-	8 415	3 690	-	-	-
Balance at the end of the reporting period	847 070	1 694	12 868	87 799	4 750	727	64

[1] The Group disposed of its controlling stake in a non-core subsidiary which was classified as held for sale.
[2] As part of its divestment, Barclays PLC contributed R12.1bn in recognition of the investments required for the group to separate from Barclays PLC, the majority of this contribution meet the definition of a transaction with a shareholder and in terms of IAS 1 *Presentation of Financial statements*, was recognised in equity on the date that the Group became entitled to the contribution.

30 June
2017

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
(144)	2 353	6	892	1 052	93 057	4 579	4 644	102 280
518	(529)	-	-	-	7 036	271	180	7 487
-	-	-	-	-	7 391	361	180	7 932
518	(529)	-	-	-	(355)	(90)	-	(445)
-	-	-	-	-	(4 832)	(243)	(180)	(5 255)
-	-	-	-	-	(499)	-	-	(499)
-	-	-	-	-	(13)	-	-	(13)
-	-	-	(268)	-	257	(8)	-	249
-	-	-	(525)	-	-	(8)	-	(8)
-	-	-	276	-	276	-	-	276
-	-	-	(19)	-	(19)	-	-	(19)
-	-	-	-	-	-	-	-	-
-	-	-	-	79	-	-	-	-
-	-	-	-	-	-	(23)	-	(23)
-	-	-	-	-	12 105	-	-	12 105
374	1 824	6	624	1 131	107 111	4 576	4 644	116 331

	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	-	-	-	6 979	(492)	-	82
Profit for the period	-	-	-	7 019	-	-	-
Other comprehensive income	-	-	-	(40)	(492)	-	82
Dividends paid	-	-	-	(4 648)	-	-	-
Purchase of Group shares in respect of equity-settled share-based payment arrangements	-	-	(229)	28	-	-	-
Elimination of the movement in treasury shares held by Group entities	1 146	3	96	-	-	-	-
Movement in share-based payment reserve	-	-	229	-	40	-	-
Transfer from share-based payment reserve	-	-	229	-	(229)	-	-
Value of employee services	-	-	-	-	261	-	-
Deferred tax	-	-	-	-	8	-	-
Movement in general credit risk reserve	-	-	-	(29)	29	29	-
Movement in foreign insurance subsidiary regulatory reserve	-	-	-	18	(18)	-	-
Share of post-tax results of associates and joint ventures	-	-	-	(55)	55	-	-
Acquisition of a subsidiary[1,2]	-	-	66	-	-	-	-
Balance at the end of the reporting period	846 871	1 694	4 412	78 078	7 180	756	642

	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 to equity-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] The Group acquired a 75% controlling stake in Absa Instant Life (Pty) Ltd which resulted in a R25m increase in non-controlling interest.

30 June
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
1 568	(2 142)	-	-	-	6 487	273	168	6 928
-	-	-	-	-	7 019	423	168	7 610
1 568	(2 142)	-	-	-	(532)	(150)	-	(682)
-	-	-	-	-	(4 648)	(342)	(168)	(5 158)
-	-	-	-	-	(201)	-	-	(201)
-	-	-	-	-	99	-	-	99
-	-	-	40	-	269	-	-	269
-	-	-	(229)	-	-	-	-	-
-	-	-	261	-	261	-	-	261
-	-	-	8	-	8	-	-	8
-	-	-	-	-	-	-	-	-
-	-	(18)	-	-	-	-	-	-
-	-	-	-	55	-	-	-	-
-	-	-	-	-	66	25	-	91
(302)	4 319	4	769	992	91 364	4 667	4 644	100 675

31 December
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

Condensed consolidated statement of cash flows

	Note	30 June 2017 Rm	30 June 2016 Rm	31 December 2016 Rm
Net cash generated from operating activities		1 076	4 701	6 962
Net cash utilised in investing activities		(1 455)	(1 779)	(4 201)
Net cash generated by/(utilised in) financing activities[3]		6 721	(5 136)	(7 509)
Net increase/(decrease) in cash and cash equivalents		6 342	(2 214)	(4 748)
Cash and cash equivalents at the beginning of the reporting period	1	17 734	21 366	21 366
Effect of foreign exchange rate movements on cash and cash equivalents		57	(198)	1 116
Cash and cash equivalents at the end of the reporting period	2	24 133	18 954	17 734

Notes to the condensed consolidated statement of cash flows

	30 June 2017 Rm	30 June 2016 Rm	31 December 2016 Rm
1. Cash and cash equivalents at the beginning of the reporting period			
Cash, cash balances and balances with central banks[1]	13 141	12 899	12 899
Loans and advances to banks[2]	4 593	8 467	8 467
	17 734	21 366	21 366
2. Cash and cash equivalents at the end of the reporting period			
Cash, cash balances and balances with central banks[1]	10 924	10 644	13 141
Loans and advances to banks[2]	13 209	8 310	4 593
	24 133	18 954	17 734

[1] Includes coins and bank notes.
[2] Includes call advances, which are used as working capital by the Group.
[3] Included in net cash generated by financing activities is R12.1bn that has been received from Barclays PLC in recognition of the investments required for the Group to separate from Barclays PLC.

Condensed 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 a subsidiary with total assets of R1 391m 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 R372m and liabilities of R26m out of non-current assets and non-current liabilities held for sale respectively.
- CIB South Africa transferred investment securities with a carrying value of R467m to non-current assets held for sale.
- WIMI transferred a subsidiary with assets of R233m and liabilities of R114m to non-current assets and non-current liabilities held for sale respectively.

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

- The CPF Equity division in Business Banking South Africa 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. It further disposed of an investment security and investment property with a carrying value of R15m and R64m respectively.
- Head Office, Treasury and other operations in South Africa disposed of property and equipment with a carrying value of R94m.
- WIMI transferred a consolidated structured entity with assets of R245m and 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 South Africa 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.

2. Loans and advances

	30 June 2017						
	Performing loans			Non-performing loans			
Loans and advances	Exposure Rm	Impairment Rm	Coverage ratio %	Exposure Rm	Impairment Rm	Coverage ratio %	Net total exposure Rm
South Africa Banking	634 040	4 802	0,76	25 152	10 539	41,90	643 851
RBB South Africa[2]	429 739	4 198	0,98	23 548	9 922	42,14	439 167
Retail Banking South Africa	368 494	3 354	0,91	20 484	8 806	42,99	376 818
Credit cards	34 386	776	2,26	5 403	3 882	71,85	35 131
Instalment credit agreements	73 472	759	1,03	2 221	1 052	47,37	73 882
Loans to associates and joint ventures	20 707	-	-	-	-	-	20 707
Mortgages	216 062	1 195	0,55	10 216	2 132	20,87	222 951
Other loans and advances	698	-	-	-	-	-	698
Overdrafts	4 575	60	1,31	286	171	59,79	4 630
Personal and term loans	18 594	564	3,03	2 358	1 569	66,54	18 819
Business Banking South Africa	61 245	844	1,38	3 064	1 116	36,42	62 349
Mortgages (including CPF)	25 802	168	0,65	1 501	533	35,51	26 602
Overdrafts	19 367	425	2,19	853	390	45,72	19 405
Term loans	16 076	251	1,56	710	193	27,18	16 342
CIB South Africa	204 301	604	0,30	1 604	617	38,47	204 684
Rest of Africa Banking	77 610	1 085	1,40	4 972	2 559	51,47	78 938
WIMI	5 430	12	0,22	128	61	47,66	5 485
Head Office, Treasury and other operations in South Africa	720	9	1,25	-	-	-	711
Loans and advances to customers	717 800	5 908	0,82	30 252	13 159	43,50	728 985
Loans and advances to banks	63 451	-	-	-	-	-	63 451
	781 251	5 908	0,76	30 252	13 159	43,50	792 436

30 June 2016[1]

Loans and advances	Performing loans Exposure Rm	Impairment Rm	Coverage ratio %	Non-Performing loans Exposure Rm	Impairment Rm	Coverage ratio %	Net total exposure Rm
South Africa Banking	616 372	4 621	0,75	25 353	10 734	42,34	626 370
RBB South Africa[2]	423 821	3 910	0,92	22 792	9 538	41,85	433 165
Retail Banking South Africa	366 715	3 158	0,86	19 586	8 390	42,84	374 753
Credit cards	35 312	779	2,21	5 442	3 842	70,60	36 133
Instalment credit agreements	72 598	640	0,88	1 977	809	40,92	73 126
Loans to associates and joint ventures	16 615	-	-	-	-	-	16 615
Mortgages	220 315	1 211	0,55	9 684	2 117	21,86	226 671
Other loans and advances	470	-	-	-	-	-	470
Overdrafts	3 337	40	1,20	201	128	63,68	3 370
Personal and term loans	18 068	488	2,70	2 282	1 494	65,47	18 368
Business Banking South Africa	57 106	752	1,32	3 206	1 148	35,81	58 412
Mortgages (including CPF)	23 261	171	0,74	1 524	556	36,48	24 058
Overdrafts	19 200	354	1,84	895	396	44,25	19 345
Term loans	14 645	227	1,55	787	196	24,90	15 009
CIB South Africa	192 551	711	0,37	2 561	1 196	46,70	193 205
Rest of Africa Banking	79 912	1 002	1,25	5 970	3 006	50,35	81 874
WIMI	5 876	42	0,71	86	25	29,07	5 895
Head Office, Treasury and other operations in South Africa	1 071	1	0,09	-	-	-	1 070
Loans and advances to customers	703 231	5 666	0,81	31 409	13 765	43,83	715 209
Loans and advances to banks	83 662	-	-	-	-	-	83 662
	786 893	5 666	0,72	31 409	13 765	43,83	798 871

31 December 2016[1]

Loans and advances	Performing loans Exposure Rm	Impairment Rm	Coverage ratio %	Non-Performing loans Exposure Rm	Impairment Rm	Coverage ratio %	Net total exposure Rm
South Africa Banking	626 143	4 707	0,75	25 719	11 001	42,77	636 154
RBB South Africa[2]	424 565	4 063	0,96	23 454	9 817	41,86	434 139
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	57 704	773	1,34	3 288	1 162	35,34	59 057
Mortgages (including CPF)	24 081	158	0,66	1 567	536	34,21	24 954
Overdrafts	18 307	366	2,00	929	421	45,32	18 449
Term loans	15 316	249	1,63	792	205	25,88	15 654
CIB South Africa	201 578	644	0,32	2 265	1 184	52,27	202 015
Rest of Africa Banking	76 548	1 246	1,63	5 262	2 687	51,06	77 877
WIMI	5 615	14	0,25	116	57	49,14	5 660
Head Office, Treasury and other operations in South Africa	622	4	0,64	-	-	-	618
Loans and advances to customers	708 928	5 971	0,84	31 097	13 745	44,20	720 309
Loans and advances to banks	49 790	-	-	-	-	-	49 790
	758 718	5 971	0,79	31 097	13 745	44,20	770 099

[1] These numbers have been restated, refer to the reporting changes overview in note 15.
[2] Disclosure is provided on a product level.

3. Borrowed funds

During the reporting period the significant movements in borrowed funds were as follows: **R1 142m** (30 June 2016: R231m; 31 December 2016: R2 381m) of subordinated notes were issued and **R1 000m** (30 June 2016: R173m; 31 December 2016: R178m) were redeemed.

4. Other impairments

	30 June		31 December
	2017	2016	2016
	Rm	Rm	Rm
Reversal of impairment on financial instruments	-	(1)	(4)
Other	376	625	694
Goodwill	-	-	34
Intangible assets [1]	376	583	618
Investments in associates and joint ventures	-	42	42
	376	624	690

[1] The impairment incurred during the current reporting period mainly relates to computer software, Barclays.Net. Following the separation from Barclays PLC the software will no longer be used. 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.

5. Headline earnings

	30 June				31 December	
	2017		2016		2016	
	Gross Rm	Net[1] Rm	Gross Rm	Net[1] Rm	Gross Rm	Net[1] Rm
Headline earnings are determined as follows:						
Profit attributable to ordinary equity holders of the Group		7 391		7 019		14 708
Total headline earnings adjustment:		227		233		272
IFRS 3 – Goodwill impairment	-	-	-	-	34	34
IFRS 5 – Gains on disposal of non-currents assets held for sale	(7)	(5)	-	-	(31)	(25)
IAS 16 – Profit on disposal of property and equipment	(28)	(23)	(47)	(34)	(29)	(21)
IAS 21 – Recycled foreign currency translation reserve	52	52	(320)	(297)	(320)	(297)
IAS 28 – Impairment of investments in associates and joint ventures	-	-	42	34	42	34
IAS 36 – Impairment of intangible assets	376	274	583	583	618	610
IAS 39 – Release of available-for-sale reserves	18	12	-	-	(3)	(2)
IAS 40 – Change in fair value of investment properties	(95)	(78)	(65)	(53)	(70)	(61)
IAS 40 – Profit on disposal of investment property	(5)	(5)	-	-	-	-
Headline earnings/diluted headline earnings		7 618		7 252		14 980
Headline earnings per share (cents)		899.9		856.7		1 769.6
Diluted headline earnings per share (cents)		899.7		856.7		1 769.4

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

6. Dividends per share

	30 June 2017 Rm	30 June 2016 Rm	31 December 2016 Rm
Dividends declared to ordinary equity holders			
Interim dividend **(28 July 2017: 475 cents)** (29 July 2016: 460 cents)	4 027	3 900	3 900
Final dividend (23 February 2017: 570 cents)	-	-	4 832
	4 027	3 900	8 732
Dividends declared to ordinary equity holders (net of treasury shares)[1]			
Interim dividend **(28 July 2017: 475 cents)**(29 July 2016: 460 cents)	4 024	-	3 888
Final dividend (23 February 2017: 570 cents)	-	-	4 820
	4 024	-	8 708
Dividends declared to non-controlling preference equity holders			
Interim dividend (29 July 2016: 3 696,57534 cents)	182	183	183
Final dividend (23 February 2017: 3644,79452 cents)	-	-	180
	182	183	363
Dividends paid to ordinary equity holders (net of treasury shares)			
Final dividend **(10 April 2017: 570 cents)** (1 March 2016: 550 cents)	4 832	4 648	4 648
Interim dividend (29 July 2016: 460 cents)	-	-	3 888
	4 832	4 648	8 536
Dividends paid to non-controlling preference equity holders			
Final dividend **(10 April 2017: 3644.79452 cents)** (1 March 2016: 3395.47945 cents)	180	168	168
Interim dividend (29 July 2016: 3696,57534 cents)	-	-	183
	180	168	351

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

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 non-current assets/liabilities held for sale disposed of (refer note to 1) no other disposals of businesses occurred during the current reporting period.

7.2.1 Acquisitions of businesses during the previous 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.

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 had 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.

	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 Non-Controlling Interest	(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:

	2017	2016
	Rm	Rm
Summary of net cash outflow due to acquisitions	-	100

7.2.2 Disposals of businesses during the previous reporting period

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

8. Related parties

The group holding company, Barclays Bank PLC, sold ordinary Barclays Africa Group shares (representing 12.2% and 33.7% of issued ordinary share capital) on 5 May 2016 and 1 June 2017 respectively. Barclays Bank PLC currently holds 139m ordinary Barclays Africa Group shares, of which 12.7m will be contributed to a Broad-Based Black Economic Empowerment scheme which will be implemented in due course, leaving a residual holding of 14,9%.

9. Financial guarantee contracts

	30 June 2017 Rm	30 June 2016 Rm	31 December 2016 Rm
Financial guarantee contracts	3	58	10

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

	30 June 2017 Rm	30 June 2016 Rm	31 December 2016 Rm
Authorised capital expenditure			
Contracted but not provided for[1]	817	1 355	521

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.

	30 June 2017 Rm	30 June 2016 Rm	31 December 2016 Rm
Operating lease payments due			
No later than one year	1 336	1 268	1 309
Later than one year and no later than five years	3 173	2 800	2 946
Later than five years	1 096	1 369	1 228
	5 605	5 437	5 483

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.

[1] The presentation of commitments for June 2016 has been revised following the reallocation of an amount of R726m from 'Commitments' to 'Letters of Credit' (within Contingencies) so as to more appropriately reflect the substance of the item.

11. Contingencies

	30 June 2017 Rm	30 June 2016 Rm	31 December 2016 Rm
Guarantees	36 934	36 239	38 441
Irrevocable debt facilities	140 877	142 247	135 935
Irrevocable equity facilities	121	335	141
Letters of credit[1]	8 543	6 824	8 481
Other	91	4 044	135
	186 566	189 689	183 133

[1] The presentation of commitments for June 2016 has been revised following the reallocation of an amount of R726m 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.

- 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. As such, it is Absa's firm position that it has no continuing obligations in respect of the transaction and accordingly launched an application to review, and where appropriate set aside, the remedial action recommended in the Public Protector's report. In this respect Absa will join issue with the SARB and Minister of Finance in applications seeking similar relief, in which it has also been cited.

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, systems and earnings.

The Group is continuously evaluating its programmes and controls in general relating to compliance with regulation. The Group undertakes monitoring, review and assurance activities, and the Group 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 Group conducted a review of relevant activity, processes, systems and controls. The Group is continuing to provide information to relevant authorities as part of the Group's ongoing cooperation. It is not currently practicable to provide an estimate of the financial impact of the actions described on the Group or what effect that they might have upon the Group'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 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

	30 June 2017 Rm	30 June 2016[1] Rm	31 December 2016[1] Rm
12.1 Headline earnings contribution by segment			
South Africa Banking	5 969	5 612	11 678
Rest of Africa Banking	1 512	1 266	2 756
WIMI	574	621	1 258
Head Office, Treasury and other operations South Africa	(285)	(247)	(712)
Barclays separation	(152)	-	-
	7 618	7 252	14 981
12.2 Total income by segment			
South Africa Banking	26 230	25 955	52 209
Rest of Africa Banking	7 670	8 185	16 044
WIMI	2 685	2 693	5 221
Head Office, Treasury and other operations South Africa	(545)	(325)	(1 081)
Barclays separation	284	-	-
	36 324	36 508	72 394
12.3 Total internal income by segment			
South Africa Banking	(6 575)	(5 770)	(14 347)
Rest of Africa Banking	(74)	(64)	(20)
WIMI	(154)	(120)	(382)
Head Office, Treasury and other operations South Africa	6 757	5 955	14 748
Barclays separation	46	-	-
	-	-	-
12.4 Total assets by segment			
South Africa Banking	1180 943	1 176 952	1167 067
Rest of Africa Banking	170 511	168 531	161 481
WIMI	51 132	50 093	51 007
Head Office, Treasury and other operations South Africa	(276 556)	(253 107)	(278 532)
Barclays separation	11 819	-	-
	1 137 850	1 142 469	1 101 023
12.5 Total liabilities by segment			
South Africa Banking	1167 957	1165 372	1149 510
Rest of Africa Banking	149 829	147 047	140 704
WIMI	45 882	44 709	45 691
Head Office, Treasury and other operations South Africa	(342 227)	(315 334)	(337 161)
Barclays separation	104	-	-
	1021 545	1041 794	998 743

[1]Operational changes, management changes and associated changes to the way in which the chief operating decision maker 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.

	30 June			
	2017		2016[1]	
	Carrying value Rm	**Fair value Rm**	Carrying value Rm	Fair value Rm
Financial assets				
Balances with other central banks	10 323	10 323	13 032	13 032
Balances with the South African Reserve Bank	18 672	18 672	18 183	18 183
Coins and bank notes	10 924	10 924	10 644	10 644
Money market assets	–	–	41	41
Cash, cash balances and balances with central banks	39 919	39 919	41 900	41 900
Loans and advances to banks	46 189	46 189	57 469	57 469
Other assets	32 422	32 422	34 156	34 156
South Africa Banking	616 570	616 677	601 425	600 758
RBB South Africa	439 062	439 169	433 029	432 362
Retail Banking South Africa	376 818	376 925	374 752	374 085
Credit cards	35 130	35 130	36 133	36 133
Instalment credit agreements	73 882	73 785	73 126	72 349
Loans to associates and joint ventures	20 707	20 707	16 615	16 615
Mortgages	222 952	222 960	226 671	226 682
Other loans and advances	698	698	469	469
Overdrafts	4 631	4 631	3 370	3 370
Personal and term loans	18 818	19 014	18 368	18 467
Business Banking South Africa	62 244	62 244	58 277	58 277
Mortgages (including CPF)	26 498	26 498	23 926	23 926
Overdrafts	19 403	19 403	19 342	19 342
Term loans	16 343	16 343	15 009	15 009
CIB South Africa	177 508	177 508	168 396	168 396
Rest of Africa Banking	78 937	78 937	81 874	81 874
WIMI	5 485	5 485	5 895	5 895
Head Office, Treasury and other operations in South Africa	709	709	1 066	1 066
Loans and advances to customers – net of impairment losses	701 701	701 808	690 260	689 593
Total assets	820 231	820 338	823 785	823 118
Financial liabilities				
Deposits from banks	40 086	40 086	59 632	59 632
Other liabilities	33 576	33 576	32 933	32 933
Call deposits	56 100	56 100	57 407	57 407
Cheque account deposits	208 545	208 545	199 461	199 461
Credit card deposits	1 811	1 811	1 865	1 865
Fixed deposits	163 131	163 923	157 863	156 922
Foreign currency deposits	24 305	24 305	31 595	31 595
Notice deposits	63 125	63 138	58 516	58 528
Other deposits	3 456	3 456	6 720	6 720
Saving and transmission deposits	153 058	153 058	145 821	145 821
Deposits due to customers	673 531	674 336	659 248	658 319
Debt securities in issue	135 421	135 421	138 442	138 680
Borrowed funds	15 963	15 963	13 548	13 821
Total liabilities	898 577	899 382	903 803	903 385

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

	31 December 2016[1]	
	Carrying value Rm	Fair value Rm
Financial assets		
Balances with other central banks	13 395	13 395
Balances with the South African Reserve Bank	18 552	18 552
Coins and bank notes	13 141	13 141
Money market assets	38	38
Cash, cash balances and balances with central banks	45 126	45 126
Loans and advances to banks	29 932	29 827
Other assets	22 120	22 188
South Africa Banking	612 081	611 974
RBB South Africa	434 033	433 926
Retail Banking South Africa	375 082	374 973
Credit cards	35 614	35 614
Instalment credit agreements	73 955	73 650
Loans to associates and joint ventures	18 933	18 933
Mortgages	223 662	223 674
Other loans and advances	510	510
Overdrafts	3 947	3 947
Personal and term loans	18 461	18 645
Business Banking South Africa	58 951	58 953
Mortgages (including CPF)	24 849	24 851
Overdrafts	18 448	18 448
Term loans	15 654	15 654
CIB South Africa	178 048	178 048
Rest of Africa Banking	77 877	77 877
WIMI	5 660	5 660
Head Office, Treasury and other operations in South Africa	615	615
Loans and advances to customers – net of impairment losses	696 233	696 126
Total assets	793 411	793 267
Financial liabilities		
Deposits from banks	44 107	44 107
Other liabilities	23 600	23 584
Call deposits	62 426	62 426
Cheque account deposits	200 367	200 367
Credit card deposits	1 906	1 906
Fixed deposits	153 295	153 358
Foreign currency deposits	24 825	24 825
Notice deposits	59 358	59 371
Other deposits	3 189	3 189
Saving and transmission deposits	152 378	152 378
Deposits due to customers	657 744	657 820
Debt securities in issue	134 197	134 197
Borrowed funds	15 673	15 893
Total liabilities	875 321	875 601

[1] These numbers have been restated, refer to Note 15, "Reporting changes overview."

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 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 any 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 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 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 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 Group'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.

	30 June							
	2017				2016			
Recurring fair value measurements	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	2 071	3 088	-	5 159	2 458	3 376	-	5 834
Investment securities	57 345	52 208	6 281	115 834	61 166	34 308	6 089	101 563
Loans and advances to banks	-	16 812	450	17 262	-	26 194	-	26 194
Trading and hedging portfolio assets	43 617	56 750	1 787	102 154	42 991	65 814	2 895	111 700
Debt instruments	21 501	6 327	1 390	29 218	20 036	8 420	2 169	30 625
Derivative assets	-	41 035	177	41 212	-	51 656	726	52 382
Commodity derivatives	-	554	-	554	-	194	-	194
Credit derivatives	-	17	164	181	-	122	294	416
Equity derivatives	-	1 315	13	1 328	-	1 330	-	1 330
Foreign exchange derivatives	-	7 486	-	7 486	-	16 982	1	16 983
Interest rate derivatives	-	31 663	-	31 663	-	33 028	431	33 459
Equity instruments	20 120	-	-	20 120	22 911	-	-	22 911
Money market assets	1 996	9 388	220	11 604	44	5 738	-	5 782
Other assets	-	2	4	6	-	7	62	69
Loans and advances to customers	-	22 622	4 662	27 284	-	18 008	6 941	24 949
Investments linked to investment contracts	16 794	2 337	-	19 131	17 037	2 873	-	19 910
Total financial assets	119 827	153 819	13 184	286 830	123 652	150 580	15 987	290 219
Financial liabilities								
Deposits from banks	-	9 204	-	9 204	-	18 295	-	18 295
Trading and hedging portfolio liabilities	8 034	35 554	454	44 042	4 830	50 210	337	55 377
Derivative liabilities	-	35 554	454	36 008	-	50 210	337	50 547
Commodity derivatives	-	601	-	601	-	151	-	151
Credit derivatives	-	9	188	197	-	327	150	477
Equity derivatives	-	1 285	51	1 336	-	1 735	-	1 735
Foreign exchange derivatives	-	8 151	-	8 151	-	14 042	1	14 043
Interest rate derivatives	-	25 508	215	25 723	-	33 955	186	34 141
Short positions	8 034	-	-	8 034	4 830	-	-	4 830
Other liabilities	-	12	-	12	-	10	170	180
Deposits due to customers	149	21 772	910	22 831	119	16 680	921	17 720
Debt securities in issue	36	4 251	484	4 771	243	5 067	770	6 080
Liabilities under investment contracts	-	29 918	-	29 918	-	28 019	-	28 019
Total financial liabilities	8 219	100 711	1 848	110 778	5 192	118 281	2 198	125 671
Non-financial assets								
Commodities	1 678	-	-	1 678	1 406	-	-	1 406
Investment properties	-	-	268	268	-	-	894	894
Non-recurring fair value measurements								
Non-current assets held for sale(1)	-	-	2 601	2 601	-	-	1 623	1 623
Non-current liabilities held for sale(1)	-	-	114	114	-	-	9	9

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

Recurring fair value measurements		31 December 2016 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
Investment securities		60 051	50 906	3 358	114 315
Loans and advances to banks		-	19 286	571	19 857
Trading and hedging portfolio assets		33 572	61 419	1 505	96 496
Debt instruments		15 689	6 740	1 324	23 753
Derivative assets		-	46 717	181	46 898
Commodity derivatives		-	797	-	797
Credit derivatives		-	70	114	184
Equity derivatives		-	1 540	67	1 607
Foreign exchange derivatives		-	15 221	-	15 221
Interest rate derivatives		-	29 089	-	29 089
Equity instruments		17 883	-	-	17 883
Money market assets		-	7 962	-	7 962
Other assets		-	4	5	9
Loans and advances to customers		-	19 186	4 890	24 076
Investments linked to investment contracts		16 335	2 481	-	18 816
Total financial assets		112 346	155 774	10 329	278 449
Financial Liabilities					
Deposits from banks		-	9 085	-	9 085
Trading and hedging portfolio liabilities		6 508	42 677	308	49 493
Derivative liabilities		-	42 677	308	42 985
Commodity derivatives		-	875	-	875
Credit derivatives		-	137	101	238
Equity derivatives		-	1 306	60	1 366
Foreign exchange derivatives		-	14 173	-	14 173
Interest rate derivatives		-	26 186	147	26 333
Short positions		6 508	-	-	6 508
Other liabilities		-	4	41	45
Deposits due to customers		154	15 828	1 139	17 121
Debt securities in issue		261	4 652	604	5 517
Liabilities under investment contracts		-	29 055	-	29 055
Total financial liabilities		6 923	101 301	2 092	110 316
Non-financial assets					
Commodities		1 485	-	-	1 485
Investment properties		-	-	478	478
Non-recurring fair value measurements					
Non-current assets held for sale	(1)	-	-	823	823
Non-current liabilities held for sale	(1)	-	-	9	9

[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 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 and/or money market curves
Investment securities and investments linked to investment contracts	Listed equity: market 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:

	30 June 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	Investments linked to Investment contracts Rm	Total assets at fair value Rm
Opening balance at the beginning of the reporting period	1 505	5	4 890	571	3 358	478	-	10 807
Net interest income	-	-	51	-	10	-	-	61
Other income	-	-	-	-	-	(2)	-	(2)
Gains and losses from banking and trading activities	(2)	-	-	-	-	-	-	(2)
Gains and losses from investment activities	-	-	-	(51)	12	-	-	(39)
Purchases	534	-	618	-	2 803	22	-	3 977
Sales	(250)	(1)	(897)	(70)	(560)	(230)	-	(2 008)
Movement in/(out) of Level 3	-	-	-	-	658	-	-	658
Closing balance at the end of the reporting period	1 787	4	4 662	450	6 281	268	-	13 452

	30 June 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	-	488	167	85	30	-	573	1 343
Gains and losses from banking and trading activities	192	-	-	-	-	-	323	515
Gains and losses from investment activities	-	-	(10)	-	11	45	92	138
Purchases	1 332	37	1 962	-	3 209	15	7 784	14 339
Sales	(47)	(2 816)	(2 689)	(2 109)	(1 127)	-	-	(8 788)
Movement in other comprehensive income	-	-	-	35	-	-	35	70
Transferred to/(from) assets/liabilities	-	-	-	-	-	(430)	-	(430)
Closing balance at the end of the reporting period	2 895	(2 266)	6 941	120	6 089	894	8 807	23 480

	31 December 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)
Transferred to/(from) assets/liabilities	-	-	-	-	1 136	(748)	-	388
Movement 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

	30 June 2017					
	Deposits from banks Rm	**Trading and hedging portfolio liabilities Rm**	**Other liabilities Rm**	**Deposits due to customers Rm**	**Debt securities in issue Rm**	**Total liabilities at fair value Rm**
Opening balance at the beginning of the reporting period	-	308	41	1 139	604	2 092
Gains and losses from banking and trading activities	-	146	-	-	-	146
Issues	-	-	-	295	-	295
Settlements	-	-	(41)	(540)	(120)	(701)
Movement in/(out) of Level 3	-	-	-	16	-	16
Closing balance at the end of the reporting period	-	454	-	910	484	1 848

	30 June 2016					
	Deposits from banks Rm	Trading and hedging portfolio liabilities Rm	Other liabilities Rm	Deposits due to customers Rm	Debt securities in issue Rm	Total liabilities at fair value Rm
Opening balance at the beginning of the reporting period	7	217	5	2 557	624	3 410
Net interest income	-	-	-	70	28	98
Gains and losses from banking and trading activities	-	132	-	-	-	132
Issues	-	-	165	1 958	142	2 265
Settlements	(7)	(12)	-	(689)	(24)	(732)
Movement in/(out) of Level 3	-	-	-	(2 975)	-	(2 975)
Closing balance at the end of the reporting period	-	337	170	921	770	2 198

	31 December 2016					
	Deposits from banks Rm	Trading and hedging portfolio liabilities Rm	Other liabilities Rm	Deposits due to customers Rm	Debt securities in issue Rm	Total liabilities at fair value Rm
Opening balance at the beginning of the reporting period	7	217	5	2 557	624	3 410
Net interest income	-	-	-	-	-	-
Gains and losses from banking and trading activities	-	91	-	-	-	91
Gains and losses from investment activities	-	-	-	139	(9)	130
Issues	-	-	36	1 953	-	1 989
Settlements	(7)	-	-	(3 510)	(11)	(3 528)
Movement in/(out) of Level 3	-	-	-	-	-	-
Closing balance at the end of the reporting period	-	308	41	1 139	604	2 092

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:

	30 June 2017					
	Trading and hedging portfolio assets Rm	Loans and advances to customers Rm	Investment securities Rm	Total assets Rm	Trading and hedging portfolio liabilities Rm	Total liabilities Rm
Gains and losses from banking and trading activities	65	43	44	152	136	136

	30 June 2016					
	Trading and hedging portfolio assets Rm	Loans and advances to customers Rm	Investment securities Rm	Total assets Rm	Trading and hedging portfolio liabilities Rm	Total liabilities Rm
Gains and losses from banking and trading activities	109	46	34	189	-	-

	31 December 2016					
	Trading and hedging portfolio assets Rm	Loans and advances to customers Rm	Investment securities Rm	Total assets Rm	Trading and hedging portfolio liabilities Rm	Total liabilities Rm
Gains and losses from banking and trading activities	3	35	29	67	86	86

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:

		30 June 2017	
		Potential effect recorded in profit or loss	Potential effect recorded directly in equity
	Significant unobservable parameters	Favourable/(Unfavourable) Rm	Favourable/(Unfavourable) Rm
Deposits due to customers	BAGL/Absa funding spread	-/-	-/-
Investment securities and investments linked to investment contracts	Risk adjustment yield curves, future earnings and marketability discount	40/(62)	129/(125)
Loans and advances to customers	Credit spreads	90/(88)	-/-
Other assets	Volatility, Credit spreads	-/-	-/-
Trading and hedging portfolio assets	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	153/(153)	-/-
Trading and hedging portfolio liabilities	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	39/(39)	-/-
Other liabilities	Volatility, credit spreads	-/-	-/-
		322/(342)	129/(125)

		30 June 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 and investments linked to investment contracts	Risk adjustment yield curves, future earnings and marketability discount	12/(12)	110/(105)
Loans and advances to customers	Credit spreads	103/(101)	-/-
Other assets	Volatility, credit spreads	-/-	-/-
Trading and hedging portfolio assets	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	90/(90)	-/-
Trading and hedging portfolio liabilities	Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads	11/(11)	-/-
Other liabilities	Volatility, credit spreads	-/-	-/-
		216/(214)	110/(105)

		31 December 2016	
		Potential effect recorded in profit or loss	Potential effect recorded directly in equity
	Significant unobservable parameters	Favourable/(Unfavourable) Rm	Favourable/(Unfavourable) Rm
Deposits due to customers	BAGL/Absa funding spread	-/-	-/-
Investment securities 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	Volatility, 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)

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	30 June 2017	30 June 2016	31 December 2016
			Range of estimates utilised for the unobservable inputs		
Loans and advances to customers	Discounted cash flow and/or dividend yield models	Credit spreads	(0,1%) to 2,10%	0,96% to 3,99%	0,5% to 5%
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 9,5% and 13,25%, 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	0,07% to 27,5%	0,9% to 3,5%	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	(0,3%) to 38,3%	0,0% to 23,67%	0,0% to 40%
Equity derivatives	Discounted cash flow, option pricing and/or futures pricing models	Volatility and/or dividend streams (greater than 3 years)	16,6% to 21%	0,0% to 81,20%	17,82% to 67,71%
Foreign exchange derivatives	Discounted cash flow and/ or option pricing models	African basis curves (greater than 1 year)	(12,2%) to 3,27%	(6,0%) to 24,99%	(16,6%) to 13,1%
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	(0,1%) to 8,33%	(0,67%) to 7,9%	0,31% to 3,38%
Deposits due to customers	Discounted cash flow models	Barclays Africa Group Limited's funding spreads (greater than 5 years)	(0,1%) to 2,10%	0,0% to 2,15%	(0,27%) to 2,13%
Debt securities in issue	Discounted cash flow models	Funding curves (greater than 5 years)	(0,1%) to 1,55%	(0,16%) to 3,5%	(0,27%) to 2,13%
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 6% 1% to 7% 25% to 50% 1% to 7% 10% to 11% 14%	1 to 10 years 0% to 7% 0% to 10% 26,35% to 44% 1% to 18% 8% to 11% 9,5% to 14%	1 to 10 years 1% to 7% 1% to 7% 25% to 50% 1% to 7% 10% to 11% 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 (losses)/gains as a result of the use of valuation models using unobservable inputs

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

	30 June		31 December
	2017	2016	2016
	Rm	Rm	Rm
Opening balance at the beginning of the reporting period	(139)	(105)	(105)
New transactions	17	(20)	(64)
Amounts recognised in profit or loss during the reporting period	(18)	17	30
Closing balance at the end of the reporting period	(140)	(108)	(139)

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

15.1 Accounting policy changes

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

- 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 other 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 Group's reported results.

15.2 Changes in reportable segments

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

- Barclays PLC disposed of 12,2% and 33,7% of the Group's shares on 5 May 2016 and 1 June 2017, respectively. As part of its divestment Barclays PLC contributed £765 million to the Group in June 2017, primarily in recognition of the investments required for the Group 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 Group over time. The separation process will increase the capital base of the Group in the near-term and generate endowment revenue thereon, with increased costs over time as the separation investments are concluded. The Group has therefore included an additional reportable segment, 'Barclays separation' in its segment results.
- In the second half of 2016, the Group 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 WIMI (historically reporting was by customer only i.e. RBB, CIB and WIMI). The reporting changes to financial disclosures were implemented from 1 January 2017.
- The Group refined its cost allocation methodology, resulting in the restatement of operating expenses between and within segments.
- Commercial Property Finance (CPF) customers with loan balances exceeding R40m were moved from Retail and Business Banking (RBB) to Corporate Investment Banking (CIB) to reflect the Group's customer segmentation and coverage model.

Our contact details

Barclays Africa Group Limited

Incorporated in the Republic of South Africa

Registration number: 1986/003934/06

Authorised financial services and registered credit provider (NCRCP7)

JSE share code: BGA

ISIN: ZAE000174124

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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

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