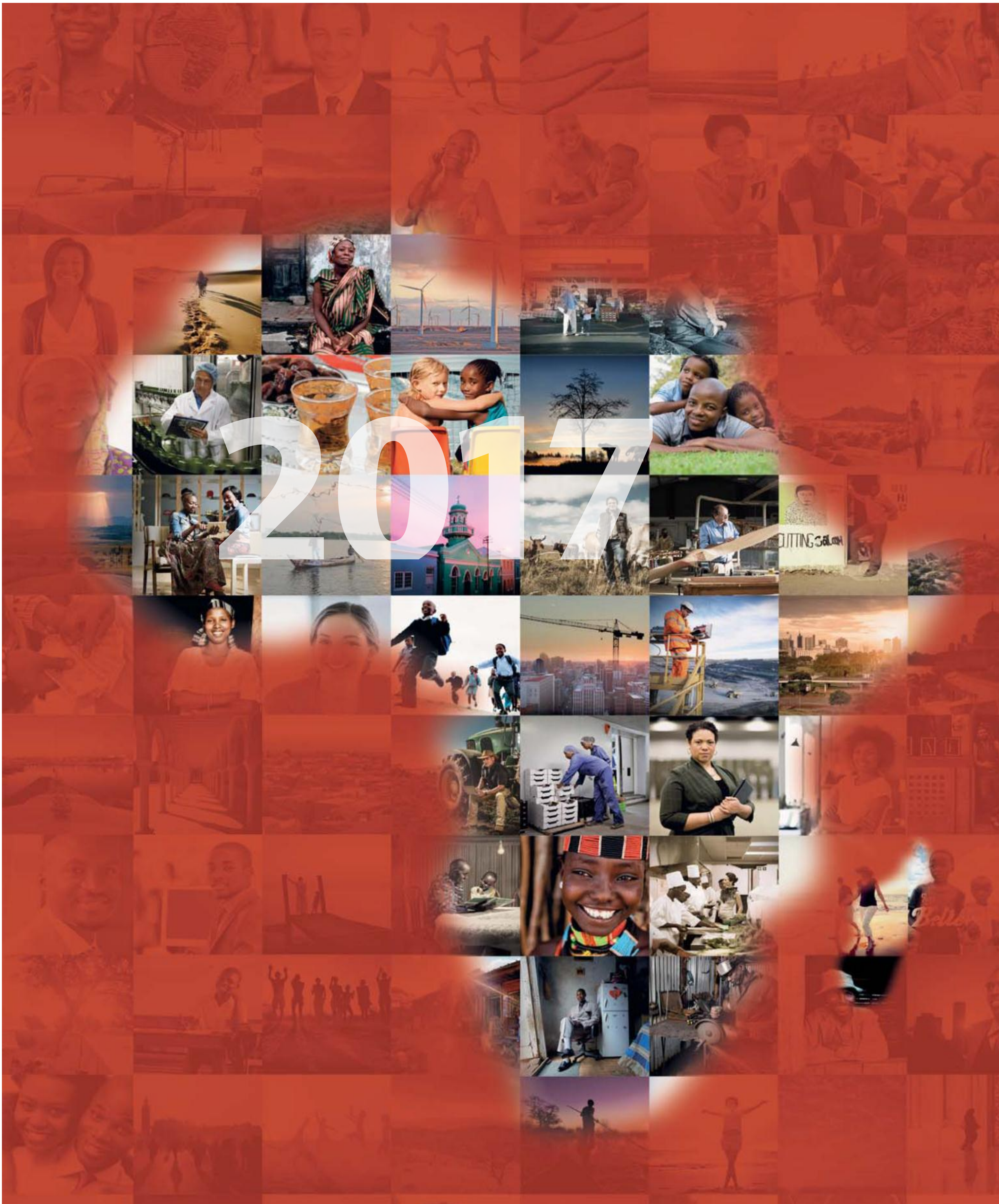

Absa Bank Limited

Unaudited condensed consolidated interim financial results for the reporting period ended 30 June 2017

Contents

Absa Bank 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: 1986/004794/06

Incorporated in the Republic of South Africa

JSE share code: ABSP

ISIN: ZAE000079810

(Absa, Absa Bank, the Bank or the Company)

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

Profit and dividend announcement

Overview of results

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

Commentary relating to the Bank's unaudited condensed consolidated interim financial results is included in the Barclays Africa Group Limited results, as presented to shareholders on 28 July 2017.

Basis of presentation

The Bank's 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 Johannesburg Stock Exchange (JSE) Listings Requirements and the requirements of the Companies Act. The principal accounting policies applied are set out in the Bank's most recent audited annual consolidated financial statements.

The Bank's unaudited condensed consolidated interim financial results comply with IAS 34 Interim Financial Reporting (IAS 34).

The preparation of financial information requires the use of estimates and assumptions about future conditions. Use of available information and application of judgement are inherent in the formation of estimates. The accounting policies that are deemed critical to the Bank's results and financial position, in terms of the materiality of the items to which the policies are applied, and which involve a high 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 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 and business portfolio changes which have been presented on the reporting changes overview. Refer to note 15.

Standards issued not yet effective

IFRS 9 Financial Instruments

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 Bank account for 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 Bank 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 (SOFP) balance sheet 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 Bank 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 Bank 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 Bank will not restate comparatives on initial application of IFRS 9 on 1 January 2018 but will provide detailed transitional disclosures in accordance with the amended requirements of IFRS 7. Any change in the carrying value of financial instruments 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 Bank capital planning.

IFRS15 Revenue from contracts with customers

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

Normalised financial results as a consequence of Barclays PLC separation

On 1 March 2016, Barclays PLC announced its intention to sell down its 62,3% interest in the Bank's holding Company, Barclays Africa Group Limited (BAGL/Group). A comprehensive separation programme was initiated to focus on the future state of Barclays PLC, the Group and possible interaction between the companies to ensure that BAGL 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 BAGL 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 7. The normalised results have been presented for illustrative purposes only and that information is of the responsibility of the 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 consolidated financial statements (as defined per IAS 10 *Events after the Reporting Period* (IAS 10)).

On behalf of the Board

W E Lucas-Bull
Chairman

M Ramos
Chief Executive Officer

Johannesburg
27 July 2017

Declaration of preference share dividend number 23

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

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

Absa Bank's current prime rate is 10,25%.

Notice is hereby given that preference dividend number 23, equal to 70% of the average prime rate for 1 March 2017 to 31 August 2017, per Absa Bank preference share has been declared for the period 1 March 2017 to 31 August 2017. The dividend is payable on Monday, 11 September 2017, to shareholders of the Absa Bank preference shares recorded in the register of members of the Company at the close of business on Friday, 8 September 2017.

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

Based on the current prime rate, the preference dividend payable for the period 1 March 2017 to 31 August 2017 would indicatively be 3 705,20548 cents per Absa Bank preference share.

The dividend will be subject to dividends withholding tax at a rate of 20%. In accordance with paragraphs 11.17(a)(i) to (ix) and 11.17(c) of the JSE Listings Requirements, the following additional information is disclosed:

- The dividend has been declared out of income reserves.
- The local dividend tax rate is twenty per centum (20%).
- The gross local dividend amount is 3 685,06849 cents per preference share for shareholders exempt from the dividend tax.
- The net local dividend for shareholders subject to withholding tax at a rate of 20% amounts to 2 948,05479 cents per
- preference share.
- Absa Bank currently has 4 944 839 preference shares in issue.
- Absa Bank's income tax reference number is 9575117719.

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

Last day to trade cum dividend	Tuesday, 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 dematerialized 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

Company Secretary

Johannesburg

28 July 2017

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

Condensed consolidated salient features

	30 June 2017	30 June 2016	31 December 2016
Statement of comprehensive income (Rm)			
Revenue	24 806	24 467	48 801
Operating expenses	14 696	13 115	27 525
Profit attributable to ordinary equity holders	4 546	4 452	9 568
Headline earnings[(1)]	4 805	4 641	9 778
Statement of financial position			
Loans and advances to customers (Rm)	638 552	620 901	630 646
Total assets (Rm)	948 523	947 241	918 311
Deposits due to customers (Rm)	577 925	557 940	564 812
Loans-to-deposits ratio (%)	89,0	88,4	89,5
Financial performance (%)			
Return on average equity	14,3	16,1	16,3
Return on average assets	1,04	1,00	1,06
Return on average risk-weighted assets	1,96	1,90	1,96
Non-performing loans (NPLs) ratio on gross loans and advances	3,3	3,4	3,0
Operating performance (%)			
Net interest margin on average interest bearing assets[(2)]	3,93	3,99	4,02
Credit loss ratio on gross loans and advances to customers and banks	0,81	1,17	0,93
Credit loss ratio on net loans and advances to customers	0,88	1,31	1,04
Non-interest income as % of total revenue	41,6	41,1	41,0
Cost-to-income ratio	59,2	53,6	56,4
JAWS	(10,67)	6,14	1,62
Effective tax rate, excluding indirect taxation	27,4	27,4	25,9
Share statistics (million)			
Number of ordinary shares in issue	448.3	420.1	431.3
Weighted average number of ordinary shares in issue	433.1	413.2	417.7
Diluted weighted average number of ordinary shares in issue	433.1	413.2	417.7
Share statistics (cents)			
Headline earnings per ordinary share	1 109.4	1 122.6	2 340.9
Diluted headline earnings per ordinary share	1 109.4	1 123.2	2 340.9
Basic earnings per ordinary share	1 049.6	1 077.4	2 290.6
Diluted basic earnings per ordinary share	1 049.6	1 077.4	2 290.6
Dividend per ordinary share relating to income for the reporting period	892.3	-	1 169.4
Dividend cover (time)	1.2	-	2.0
Net asset value per ordinary share	17 659	14 181	14 984
Tangible net asset value per ordinary share	17 176	13 746	14 442
Capital adequacy (%)			
Absa Bank Limited	17,4	14,0	15,0
Common Equity Tier 1 (%)			
Absa Bank Limited	14,1	10,8	11,6

Note

[(1)] After allowing for R180m (30 June 2016: R168m, 31 December 2016: R351m) profit attributable to preference equity holders.

[(2)] The Bank changed its definition of 'Interest-bearing assets and liabilities' to only include assets and liabilities that generate 'Net Interest income'. This resulted in certain inter-group assets and liabilities being excluded from 'Interest-bearing assets and liabilities' as these generate 'non-interest income. Consequently, interest-bearing assets and liabilities have been restated for 30 June 2016 and 31 December 2016.

Condensed consolidated normalised salient features

	30 June		31 December
	2017	2016	2016
Statement of comprehensive income (Rm)			
Revenue	24 522	24 467	48 801
Operating expenses	14 236	13 115	27 525
Profit attributable to ordinary equity holders	4 936	4 452	9 568
Headline earnings	4 957	4 641	9 778
Statement of financial position			
Total assets (Rm)	936 703	947 241	918 311
Financial performance (%)			
Return on average equity	15,1	16,1	16,3
Return on average assets	1,08	1,00	1,06
Return on risk-weighted assets	2,02	1,90	1,96
Operating performance (%)			
Non-interest income as percentage of total revenue	41,2	41,1	41,0
Cost-to-income ratio	58,1	53,6	56,4
Jaws	(8,32)	6,14	1,62
Effective tax rate, excluding indirect taxation	27,0	27,4	25,9
Share statistics (million)			
Number of ordinary shares in issue	448.3	420.1	431.3
Weighted average number of ordinary shares in issue	433.1	413.2	417.6
Diluted weighted average number of ordinary shares in issue	433.1	413.2	417.6
Share statistics (cents)			
Headline earnings per ordinary share	1 144.5	1 123.2	2 340.9
Diluted headline earnings per ordinary share	1 144.5	1 123.2	2 340.9
Basic earnings per ordinary share	1 139.7	1 077.4	2 290.6
Diluted basic earning per ordinary share	1 139.7	1 077.4	2 290.6
NAV per ordinary share	15 046	14 181	14 984
Tangible NAV per ordinary share	14 563	13 746	14 442
Capital adequacy (%)			
Absa Bank Limited	15,2	14,0	15,0
Common Equity Tier 1 (%)			
Absa Bank Limited	11,9	10,8	11,6

Condensed consolidated normalised reconciliation

Reconciliation of normalised to IFRS results	Unadjusted IFRS Bank Performance	Adjustments for Barclays separation 30 June 2017	Normalised Bank performance
Statement of comprehensive income (Rm)			
Net interest income	14 475	(46)	14 429
Non - interest income	10 331	(238)	10 093
Total income	24 806	(284)	24 522
Impairment losses on loans and advances	(2 779)	-	(2 779)
Operating expenses	(14 696)	460	(14 236)
Other operating expenses	(821)	325	(496)
Operating profit before income tax	6 510	501	7 011
Tax expenses	(1 783)	(111)	(1 894)
Profit for the reporting period	4 727	390	5 117
Profit attributable to:			
Ordinary equity holders	4 546	390	4 936
Non-controlling interest - ordinary shares	(1)	-	(1)
Non-controlling interest - preference shares	(180)	-	(180)
	4 365	(390)	4 755
Headline earnings	4 805	152	4 957
Operating performance (%)			
Net interest margin on average interest-bearing assets	3,93	n/a	3,93
Credit loss ratio	0,82	n/a	0,82
Non-interest income as % of income	41,6	n/a	41,2
Income growth	1,4	n/a	0,2
Operating expenses growth	12,0	n/a	8,5
Cost-to-income ratio	59,2	n/a	58,1
Statement of financial position (Rm)			
Loans and advances to customers	638 552	-	638 552
Loans and advances to banks	50 824	-	50 824
Investment securities	81 876	-	81 876
Other assets	177 270	(11 819)	165 451
Total assets	948 523	(11 819)	936 703
Deposits due to customers	577 925	-	577 925
Debt securities in issue	139 906	-	139 906
Other liabilities	146 878	(105)	146 773
Total liabilities	864 710	(105)	864 605
Equity	83 813	(11 715)	72 097
Total equity and liabilities	948 523	(11 819)	936 703
Key performance ratios (%)			
RoRWA	1,96	n/a	2,02
RoA	1,04	n/a	1,08
RoE	14,3	n/a	15,1
Capital adequacy	17,4	n/a	15,2
Common Equity Tier 1	14,1	n/a	11,9

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	30 June 2017 Rm	30 June 2016 Rm	31 December 2016 Rm
Assets				
Cash, cash balances and balances with central banks		26 346	25 902	28 252
Investment securities		81 876	75 011	84 174
Loans and advances to banks		50 824	62 411	39 296
Trading portfolio assets		74 961	85 853	74 389
Hedging portfolio assets		2 270	1 438	1 734
Other assets		29 225	26 858	16 645
Current tax assets		386	1 167	616
Non-current assets held for sale	1	1 391	369	367
Loans and advances to customers	2	638 552	620 901	630 646
Loans to Group Companies		26 117	32 980	25 794
Investments in associates and joint ventures		1 144	1 005	1 065
Investment property		-	240	222
Property and equipment		13 222	11 271	12 726
Goodwill and intangible assets		2 168	1 826	2 339
Deferred tax assets		41	9	46
Total assets		948 523	947 241	918 311
Liabilities				
Deposits from banks		56 475	82 743	60 148
Trading portfolio liabilities		39 680	49 209	42 503
Hedging portfolio liabilities		1 470	2 357	2 054
Other liabilities		31 207	30 537	21 150
Provisions		1 233	1 166	2 060
Current tax liabilities		-	8	4
Non-current liabilities held for sale		-	9	9
Deposits due to customers		577 925	557 940	564 812
Debt securities in issue		139 906	144 281	139 573
Borrowed funds	3	15 930	13 416	15 679
Deferred tax liabilities		884	1 336	1 020
Total liabilities		864 710	883 002	849 012
Equity				
Capital and reserves				
Attributable to ordinary equity holders:				
Ordinary Share capital		304	304	304
Ordinary Share premium		36 880	22 964	24 964
Preference share capital		1	1	1
Preference share premium		4 643	4 643	4 643
Retained earnings		38 642	33 125	36 099
Other reserves		3 341	3 177	3 262
		83 811	64 214	69 273
Non - controlling interest - ordinary shares		2	25	26
Total equity		83 813	64 239	69 299
Total equity and liabilities		948 523	947 241	918 311

Condensed consolidated statement of comprehensive income

	Note	30 June 2017 Rm	30 June 2016 Rm	31 December 2016 Rm
Net interest income		14 475	14 403	28 809
Interest and similar income		35 820	35 626	69 894
Interest expense and similar charges		(21 345)	(21 223)	(41 085)
Non-interest income		10 331	10 064	19 992
Net fee and commission income		8 429	7 881	16 168
Fee and commission income		9 076	8 597	17 628
Fee and commission expense		(647)	(716)	(1 460)
Gains and losses from banking and trading activities		1 752	1 694	2 969
Gains and losses from investment activities		-	(6)	2
Other operating income		150	495	853
Total Income		24 806	24 467	48 801
Impairment losses on loans and advances		(2 779)	(3 967)	(6 408)
Operating income before operating expenditure		22 027	20 500	42 393
Operating expenditure		(14 696)	(13 115)	(27 525)
Other expenses		(900)	(1 063)	(1 575)
Other impairments	4	(326)	(583)	(577)
Indirect taxation		(574)	(480)	(998)
Share of post-tax results of associates and joint ventures		79	58	118
Operating profit before income tax		6 510	6 380	13 411
Taxation expense		(1 783)	(1 746)	(3 477)
Profit for the reporting period		4 727	4 634	9 934
Profit attributable to:				
Ordinary equity holders		4 546	4 452	9 568
Non-controlling interest		1	14	15
Preference equity holders		180	168	351
		4 727	4 634	9 934
Earnings per share:				
Basic earnings per share (cents per share)		1 049.6	1 077.4	2 290.6
Diluted earnings per share (cents per share)		1 049.6	1 077.4	2 290.6

	Note	30 June 2017 Rm	30 June 2016 Rm	31 December 2016 Rm
Profit for the reporting period		4 727	4 634	9 934
Other comprehensive income				
Items that will not be reclassified to the profit or loss		(19)	-	(12)
Changes in own credit risk on liabilities measured at FVTPL		(13)	-	-
Fair value losses arising from changes in own credit risk during the reporting period		(13)	-	-
Movement in retirement benefit fund assets and liabilities		(6)	-	(12)
Decrease in retirement benefit surplus		(5)	-	(17)
Deferred tax		(1)	-	5
Items that are or may be subsequently reclassified to profit or loss		215	1 044	928
Movement in foreign currency translation reserve		54	(452)	(453)
Differences in translation of foreign operations		54	(132)	(133)
Gains released to profit or loss		-	(320)	(320)
Movement in cash flow hedging reserve		519	1 568	1 726
Fair value gains arising during the reporting period		876	2 390	2 714
Amount removed from other comprehensive income and recognised in the profit or loss		(157)	(212)	(314)
Deferred tax		(200)	(610)	(674)
Movement in available-for-sale reserve		(358)	(72)	(345)
Fair value losses arising during the reporting period		(515)	(101)	(475)
Release to the profit or loss		18	-	(3)
Deferred tax		139	29	133
Total comprehensive income for the reporting period		4 923	5 678	10 850
Total comprehensive income attributable to:				
Ordinary equity holders		4 742	5 496	10 484
Non-controlling interest		1	14	15
Preference equity holders		180	168	351
		4 923	5 678	10 850

Condensed consolidated statement of changes in equity

	Number of ordinary shares[1] '000	Share capital Rm	Share premium Rm	Preference share capital Rm	Preference share premium Rm
Balance at the beginning of the reporting period	431 318	304	24 964	1	4 643
Total comprehensive income for the reporting period	-	-	-	-	-
Profit for the reporting period	-	-	-	-	-
Other comprehensive income	-	-	-	-	-
Dividends paid during the reporting period	-	-	-	-	-
Shares issued	16 983	-	3 500	-	-
Purchase of Barclays Africa Group Limited shares in respect of equity-settled share-based payment arrangements	-	-	-	-	-
Elimination of movement in treasury shares held by Group entities	-	-	-	-	-
Transfer of vesting options	-	-	-	-	-
Movement in share-based payment reserve	-	-	-	-	-
Transfer from share-based payment reserve	-	-	-	-	-
Value of employee services	-	-	-	-	-
Conversion from cash-settled schemes	-	-	-	-	-
Deferred tax	-	-	-	-	-
Share of post-tax results of associates and joint ventures	-	-	-	-	-
Disposal of non-controlling interest and related transaction costs[2]	-	-	-	-	-
Barclays separation[3]	-	-	8 416	-	-
Balance at the end of the reporting period	448 301	304	36 880	1	4 643

Notes
All movements are reflected net of taxation.
[1] This includes ordinary shares and 'A' ordinary shares.
[2] The Group disposed of its controlling stake in a non-core subsidiary which was classified as held for sale.
[3] As part of the Barclays PLC disinvestment, the Bank issued share capital to Barclays PLC for R8,4bn and received R3,7bn in cash. The resultant cash received meets the definition of a transaction with a shareholder and in terms of IAS 1 Presentation of Financial statements was recognized in equity on the date that the Bank became entitled to cash.

30 June
2017

Retained earnings Rm	Total other reserves Rm	Available-for-sale reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Capital reserve Rm	Share based payment reserve Rm	Associates' and Joint ventures' reserve Rm	Total attributable to ordinary equity holders Rm	Non-controlling interest-ordinary shares Rm	Total equity Rm
36 099	3 262	259	(145)	(54)	1 422	713	1 067	69 273	26	69 299
4 707	215	(358)	519	54	-	-	-	4 922	1	4 923
4 726	-	-	-	-	-	-	-	4 726	1	4 727
(19)	215	(358)	519	54	-	-	-	196	-	196
(5 780)	-	-	-	-	-	-	-	(5 780)	-	(5 780)
-	-	-	-	-	-	-	-	3 500	-	3 500
5	-	-	-	-	-	-	-	5	-	5
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	(215)	-	-	-	-	(215)	-	(215)	-	(215)
-	(425)	-	-	-	-	(425)	-	(425)	-	(425)
-	229	-	-	-	-	229	-	229	-	229
-	-	-	-	-	-	-	-	-	-	-
-	(19)	-	-	-	-	(19)	-	(19)	-	(19)
(79)	79	-	-	-	-	-	79	-	-	-
-	-	-	-	-	-	-	-	-	(25)	(25)
3 690	-	-	-	-	-	-	-	12 106	-	12 106
38 642	3 341	(99)	374	-	1 422	498	1 146	83 811	2	83 813

	Number of ordinary shares(1) '000	Share capital Rm	Share premium Rm	Preference share capital Rm	Preference share premium Rm
Balance at the beginning of the reporting period	412 798	304	21 455	1	4 643
Total comprehensive income for the reporting period	–	–	–	–	–
Profit for the period	–	–	–	–	–
Other comprehensive income	–	–	–	–	–
Dividends paid during the reporting period	–	–	–	–	–
Shares issued	7 266	–	1 500	–	–
Purchase of Barclays Africa Group Limited shares in respect of equity-settled share-based payment arrangements	–	–	9	–	–
Movement in share-based payment reserve	–	–	–	–	–
Transfer from share-based payment reserve	–	–	–	–	–
Conversion from cash-settled to equity-settled Schemes	–	–	–	–	–
Deferred tax	–	–	–	–	–
Share of post-tax results of associates and joint ventures	–	–	–	–	–
Balance at the end of the reporting period	420 064	304	22 964	1	4 643

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

Notes

All movements are reflected net of taxation.

(1)This includes ordinary shares and 'A' ordinary shares.

30 June
2016

Retained earnings Rm	Total other reserves Rm	Available-for-sale reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Capital reserve Rm	Share based payment reserve Rm	Associates' and Joint ventures' reserve Rm	Total attributable to ordinary equity holders Rm	Non-controlling interest-ordinary shares Rm	Total equity Rm
32 033	2 050	604	(1 871)	399	1 422	547	949	60 486	11	60 497
4 620	1 044	(72)	1 568	(452)	-	-	-	5 664	14	5 678
4 620	-	-	-	-	-	-	-	4 620	14	4 634
-	1 044	(72)	1 568	(452)	-	-	-	1 044	-	1 044
(3 668)	-	-	-	-	-	-	-	(3 668)	-	(3 668)
-	-	-	-	-	-	-	-	1 500	-	1 500
198	-	-	-	-	-	-	-	207	-	207
-	25	-	-	-	-	25	-	25	-	25
-	(202)	-	-	-	-	(202)	-	(202)	-	(202)
-	219	-	-	-	-	219	-	219	-	219
-	8	-	-	-	-	8	-	8	-	8
(58)	58	-	-	-	-	-	58	-	-	-
33 125	3 177	532	(303)	(53)	1 422	572	1 007	64 214	25	64 239

31 December
2016

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

Condensed consolidated statement of cash flows

	Note	30 June 2017 Rm	30 June 2016 Rm	31 December 2016 Rm
Net cash (utilised in)/generated from operating activities		(3 913)	1 581	2 300
Net cash utilised in investing activities		(956)	(1 439)	(4 090)
Net cash generated by/(utilised in) financing activities[3]		10 831	(1 730)	(168)
Net increase/(decrease) in cash and cash equivalents		5 962	(1 588)	(1 958)
Cash and cash equivalents at the beginning of the reporting period	1	12 416	14 374	14 374
Cash and cash equivalents at the end of the reporting period	2	18 378	12 786	12 416

Notes to the summary consolidated statement of cash

	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]	9 662	8 607	8 607
Loans and advances to banks[2]	2 754	5 767	5 767
	12 416	14 374	14 374
2. Cash and cash equivalents at the end of the reporting period			
Cash, cash balances and balances with central banks[1]	7 673	7 683	9 662
Loans and advances to banks[2]	10 705	5 103	2 754
	18 378	12 786	12 416

Notes

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

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

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

2. Loans and advances

	30 June 2017						
	Performing loans			Non-performing loans			
	Exposure Rm	Impairment Rm	Coverage ratio %	Exposure Rm	Impairment Rm	Coverage ratio %	Net total exposure Rm
South Africa Banking	622 352	4 596	0,74	22 956	9 072	39,52	631 640
RBB South Africa	418 064	3 992	0,95	21 352	8 455	39,60	426 969
Retail Banking South Africa	356 819	3 148	0,88	18 288	7 339	40,13	364 620
Credit cards	26 900	622	2,31	3 943	2 875	72,91	27 346
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	213 920	1 211	0,57	10 102	2 118	20,97	220 693
Other loans and advances	687	-	-	-	-	-	687
Overdrafts	4 575	40	0,87	286	171	59,79	4 650
Personal and term loans	16 558	516	3,12	1 736	1 123	64,69	16 655
Business Banking South Africa	61 245	844	1,38	3 064	1 116	36,42	62 349
Mortgages (including CPF)	25 803	168	0,65	1 501	533	35,51	26 603
Overdrafts	19 366	425	2,19	853	390	45,72	19 404
Term loans	16 076	251	1,56	710	193	27,18	16 342
CIB South Africa	204 288	604	0,30	1 604	617	38,47	204 671
Rest of Africa Banking	684	-	-	-	-	-	684
Wealth	5 430	12	0,22	128	61	47,66	5 485
Head office and other operations In South Africa	752	9	1,20	-	-	-	743
Loans and advances to customers	629 218	4 617	0,73	23 084	9 133	39,56	638 552
Loans and advances to banks	50 824	-	-	-	-	-	50 824
	680 042	4 617	0,68	23 084	9 133	39,56	689 376

	30 June 2016[1]						
	Performing loans			Non-performing loans			
	Exposure	Impairment	Coverage ratio	Exposure	Impairment	Coverage ratio	Net total exposure
	Rm	Rm	%	Rm	Rm	%	Rm
South Africa Banking	604 399	4 443	0,74	23 389	9 460	40,45	613 885
RBB South Africa	411 920	3 732	0,91	20 827	8 264	39,68	420 751
Retail Banking South Africa	354 814	2 980	0,84	17 621	7 116	40,38	362 339
Credit cards	27 993	643	2,30	4 117	2 972	72,19	28 495
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	217 744	1 222	0,56	9 585	2 105	21,96	224 002
Other loans and advances	461	-	-	-	-	-	461
Overdrafts	3 337	27	0,81	201	128	63,68	3 383
Personal and term loans	16 066	448	2,79	1 741	1 102	63,30	16 257
Business Banking South Africa	57 106	752	1,32	3 206	1 148	35,81	58 412
Mortgages (including CPF)	23 281	171	0,73	1 524	556	36,48	24 078
Overdrafts	19 180	354	1,85	895	396	44,25	19 325
Term loans	14 645	227	1,55	787	196	24,90	15 009
CIB South Africa	192 479	711	0,37	2 562	1 196	46,68	193 134
Rest of Africa Banking	19	-	-	-	-	-	19
Wealth	5 876	42	0,71	86	25	29,07	5 895
Head office and other operations In South Africa	1 103	1	0,09	-	-	-	1 102
Loans and advances to customers	611 397	4 486	0,73	23 475	9 485	40,40	620 901
Loans and advances to banks	62 411	-	-	-	-	-	62 411
	673 808	4 486	0,67	23 475	9 485	40,40	683 312

Note

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

	31 December 2016[1]						
	Performing loans			Non-performing loans			
	Exposure	Impairment	Coverage	Exposure	Impairment	Coverage	Net total
	Rm	Rm	%	Rm	Rm	%	Rm
South Africa Banking	614 324	4 531	0,74	23 590	9 604	40,71	623 779
RBB South Africa	412 768	3 887	0,94	21 325	8 420	39,48	421 786
Retail Banking South Africa	355 064	3 114	0,88	18 037	7 258	40,24	362 729
Credit cards	27 374	596	2,18	4 001	2 919	72,96	27 860
Instalment credit agreements	73 530	735	1,00	2 085	925	44,36	73 955
Loans to associates and joint ventures	18 933	-	-	-	-	-	18 933
Mortgages	214 610	1 219	0,57	9 920	2 097	21,14	221 214
Other loans and advances	492	-	-	-	-	-	492
Overdrafts	3 923	45	1,15	220	142	64,55	3 956
Personal and term loans	16 202	519	3,20	1 811	1 175	64,88	16 319
Business Banking South Africa	57 704	773	1,34	3 288	1 162	35,34	59 057
Mortgages (including CPF)	24 104	158	0,66	1 567	536	34,21	24 977
Overdrafts	18 284	366	2,00	929	421	45,32	18 426
Term loans	15 316	249	1,63	792	205	25,88	15 654
CIB South Africa	201 556	644	0,32	2 265	1 184	52,27	201 993
Rest of Africa Banking	557	-	-	-	-	-	557
Wealth	5 615	14	0,25	116	57	49,14	5 660
Head office and other operations In South Africa	654	4	0,61	-	-	-	650
Loans and advances to customers	621 150	4 549	0,73	23 706	9 661	40,75	630 646
Loans and advances to banks	39 296	-	-	-	-	-	39 296
	660 446	4 549	0,69	23 706	9 661	40,75	669 942

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

3. Borrowed funds

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

4. Other impairments

	30 June		31 December
	2017	2016	2016
	Rm	Rm	Rm
Reversal of impairments on financial instruments	-	-	(13)
Intangible assets [2]	326	583	590
	326	583	577

Note
[2] 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 Bank		4 546		4 452		9 568
Total headline earnings adjustment:		259		189		210
IFRS 5 – Gains on disposal of non-current assets held for sale	(7)	(5)	-	-	-	-
IAS 16 – Profit on disposal of property and equipment	(5)	(4)	(44)	(32)	(22)	(16)
IAS 21 – Recycled foreign currency translation reserve	52	52	(320)	(297)	(320)	(297)
IAS 36 – Impairment of intangible assets	326	238	583	583	590	590
IAS 39 – Release of available-for-sale reserves	18	12	-	-	(3)	(2)
IAS 40 – Change in fair value of investment properties	(37)	(29)	(84)	(65)	(84)	(65)
IAS 40 – Profit on disposal of investment property	(5)	(5)	-	-	-	-
Headline earnings/diluted headline earnings		4 805		4 641		9 778
Headline earnings per share/diluted headline earnings per share (cents)		1 109.4		1 123.2		2 340.9

6. Dividends per share

	30 June		31 December
	2017 Rm	2016 Rm	2016 Rm
Dividends declared to ordinary equity holders			
Interim Dividend **(28 July 2017: 892.25702 cents)**	4 000	-	-
Special Dividend **(30 June 2017: 780.72490)** (6 December 2016: 476.12 cents) (10 June 2016: 363.37 cents)	3 500	1 500	3 500
Final Dividend (23 February 2017: 486,88017 cents) (1 March 2016: 484,49896 cents)	-	-	2 100
	7 500	1 500	5 600
Dividends declared to preference equity holders			
Interim dividend **(28 July 2017: 3685.06849 cents)** (29 July 2016: 3696,57534 cents)	182	183	183
Final dividend (23 February 2017: 3644.79452 cents) (1 March 2016: 3395,47945 cents)	-	-	180
	182	183	363
Dividends paid to ordinary equity holders			
Final dividend **(10 April 2017: 1249.15983 cents)** (1 March 2016: 484.49896 cents)	5 600	2 000	2 000
Special dividend **(30 June 2017: 780.72490)** (6 December 2016: 476.12 cents) (10 June 2016: 363.37 cents)	3 500	1 500	3 500
	9 100	3 500	5 500
Dividends paid to preference equity holders			
Final dividend **(10 April: 3644.79452 cents)**(1 March 2016: 3395.47945 cents)	180	168	168
Interim dividend (29 July 2016: 3696,57534 cents)	-	-	183
	180	168	351

Note
[1] The net amount is reflected after taxation.

7. Acquisitions and disposals of businesses and other similar transactions

7.1 Acquisitions and disposals of businesses during the current reporting period

Apart from non-current assets/liabilities held for sale disposed of (refer to note 1) there were no other disposals or acquisitions of businesses during the current reporting period.

7.2 Acquisitions and disposals of businesses during the previous reporting period

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

8. Related parties

Absa Bank is a wholly owned subsidiary of Barclays Africa Group. Barclays Bank PLC, the holding company of Barclays Africa Group, 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 Bank undertakes to make specified payments to a counterparty, should the counterparty suffer a loss as a result of a specified debtor failing to make payment when due in accordance with the terms of a debt instrument. This amount represents the maximum off-statement of financial position exposure.

10. Commitments

	30 June **2017** **Rm**	30 June 2016 Rm	31 December 2016 Rm
Authorised capital expenditure			
Contracted but not provided for	767	1 294	509
The Bank has capital commitments in respect of computer equipment and property development. Management is confident that future net revenues and funding will be sufficient to cover these commitments.			
Operating lease payments due			
No later than one year	971	859	947
Later than one year and no later than five years	2 524	2 117	2 367
Later than five years	1 068	1 300	1 195
	4 563	4 276	4 509

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

11. Contingencies

	30 June		31 December
	2017	2016	2016
	Rm	Rm	Rm
Guarantees	29 182	29 665	30 469
Irrevocable debt facilities	126 605	127 962	122 958
Letters of credit	4 481	4 996	4 645
Other contingencies	91	6	135
	160 359	162 629	158 207

Guarantees include performance guarantee contracts and payment guarantee contracts.

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

Legal proceedings

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

- Pinnacle Point Holdings Proprietary Limited (PPG): New Port Finance Company and the trustees of the Winifred Trust (the plaintiffs) allege a local bank conducted itself unlawfully, and that Absa Bank Limited (the Bank) was privy to such conduct. They have instituted proceedings against the Bank for damages for an amount of R1 387m. Although Pinnacle Point Holding's claim has been withdrawn, the second to fifth plaintiff's claims remain and will proceed to trial.

- Ayanda Collective Investment Scheme (the Scheme): Absa Capital Investor Services was the trustee of the Scheme, in which Corporate Money Managers (CMM) managed a portfolio of assets within the Scheme. The joint curators of the CMM Bank of companies and the Altron Pension Fund (an investor in the fund) allege that the defendants caused damages to them arising from their alleged failure to meet their obligations in the trust deed together with their statutory obligations set out in the Collective Investment Scheme Act, in respect of which they seek payment of R1 157m.

- On June 19, 2017, the Public Protector released the final report of her office's investigation into the Bankorp assistance package provided by the SA Reserve Bank between 1985 and 1995, recommending certain remedial action. Absa acquired Bankorp in April 1992, for fair value, and had the responsibility of carrying out its existing legal obligations to the SARB, which were met in full by October 1995. 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 Bank is engaged in various other legal, competition and regulatory matters both in South Africa and a number of other jurisdictions. It is involved in legal proceedings which arise in the ordinary course of business from time to time, including (but not limited to) disputes in relation to contracts, securities, debt collection, consumer credit, fraud, trusts, client assets, competition, data protection, money laundering, employment, environmental and other statutory and common law issues.

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

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

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

Regulatory matters

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

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

Absa Bank Limited, a subsidiary of Barclays Africa Group Limited, identified potentially fraudulent activity by certain of its customers using advance payments for imports in 2014 and 2015 to effect foreign exchange transfers from South Africa to beneficiary accounts located in East Asia, UK, Europe and the US. As a result, the Bank conducted a review of relevant activity, processes, systems and controls. The Bank is continuing to provide information to relevant authorities as part of the Bank's ongoing cooperation. It is not currently practicable to provide an estimate of the financial impact of the actions described on the Bank or what effect that they might have upon the Bank's operating results, cash flows or financial position in any particular period, if any.

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

Income taxes

The Bank is subject to income taxes in numerous jurisdictions and the calculation of the Bank's tax charge and 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 Bank's treatment and accordingly the final tax charge cannot be determined until resolution has been reached with the relevant tax authority. The Bank recognises 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 asset and liabilities in the reporting period which such determination is made. These risks are managed in accordance with the Bank's Tax Risk Framework.

12. Segment reporting

	30 June		31 December
	2017	2016	2016[1]
	Rm	Rm	Rm
12.1 Headline earnings contribution by segment			
South Africa Banking	5 827	5 411	11 245
Rest of Africa Banking	5	(1)	7
Wealth	(167)	(126)	(261)
Head Office, Treasury and other operations in South Africa	(708)	(643)	(1 213)
Barclays separation	(152)	-	-
Total headline earnings	4 805	4 641	9 778

	30 June		31 December
	2017	2016	2016[1]
	Rm	Rm	Rm
12.2 Total income by segment			
South Africa Banking	24 959	24 621	49 442
Rest of Africa Banking	5	(2)	6
Wealth	215	231	448
Head Office, Treasury and other operations in South Africa	(656)	(383)	(1 095)
Barclays separation	283	-	-
Total income	24 806	24 467	48 801

Note

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

	30 June		31 December
	2017	2016	2016[1]
	Rm	Rm	Rm

12.3 Total internal income by segment

	30 June 2017 Rm	30 June 2016 Rm	31 December 2016[1] Rm
South Africa Banking	(4 321)	(6 231)	(15 609)
Rest of Africa Banking	(22)	(1)	(27)
Wealth	16	13	10
Head Office, Treasury and other operations in South Africa	6 024	6 369	14 164
Barclays separation	46	-	-
Total internal income	1 743	150	(1 462)

12.4 Total assets by segment

	30 June 2017 Rm	30 June 2016 Rm	31 December 2016[1] Rm
South Africa Banking	1 143 838	1 153 808	1 143 676
Rest of Africa Banking	696	29	568
Wealth	5 959	6 440	6 112
Head Office, Treasury and other operations in South Africa	(190 151)	(213 036)	(232 045)
Barclays separation	(11 819)	-	-
Total assets	948 523	947 241	918 311

12.5 Total liabilities by segment

	30 June 2017 Rm	30 June 2016 Rm	31 December 2016[1] Rm
South Africa Banking	1 135 188	1 146 390	1 130 424
Rest of Africa Banking	685	25	555
Wealth	6 120	6 555	6 359
Head Office, Treasury and other operations in South Africa	(277 388)	(269 968)	(288 326)
Barclays separation	105	-	-
Total liabilities	864 710	883 002	849 012

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 the South African Reserve Bank	18 673	18 673	18 183	18 183
Coins and bank notes	7 673	7 673	7 683	7 683
Money market assets	-	-	36	36
Cash, cash balances and balances with central banks	26 346	26 346	25 902	25 902
Loans and advances to banks	33 562	33 562	36 217	36 217
Other assets	27 241	27 241	25 499	25 499
South Africa Banking	604 358	604 466	588 942	588 463
RBB South Africa	426 863	426 971	420 616	420 137
Retail Banking South Africa	364 619	364 727	362 339	361 860
Credit cards	27 346	27 346	28 494	28 494
Instalment credit agreements	73 882	73 785	73 126	72 351
Loans to associates and joint ventures	20 707	20 707	16 615	16 615
Mortgages	220 713	220 722	224 020	224 215
Other loans and advances	687	687	460	460
Overdrafts	4 631	4 631	3 370	3 370
Personal and term loans	16 653	16 849	16 254	16 355
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	177 495	177 495	168 326	168 326
Rest of Africa Banking	684	684	19	19
Wealth	5 485	5 485	5 895	5 895
Head Office, Treasury and other operations in South Africa	740	740	1 097	1 097
Loans and advances to customers – net of impairment losses	611 267	611 375	595 953	595 474
Loans to Group companies	26 117	26 117	32 980	32 988
Total assets	724 533	724 641	716 551	716 080
Financial liabilities				
Deposits from banks	38 212	38 212	57 502	57 502
Other liabilities	28 872	28 872	28 314	28 314
Call deposits	56 008	56 008	57 305	57 305
Cheque account deposits	157 138	157 138	151 876	151 876
Credit card deposits	1 811	1 811	1 865	1 865
Fixed deposits	121 292	122 084	115 150	115 563
Foreign currency deposits	22 857	22 857	30 097	30 097
Notice deposits	63 125	63 138	58 516	58 528
Other deposits	2 113	2 113	2 109	2 109
Saving and transmission deposits	130 709	130 709	123 297	123 297
Deposits due to customers	555 053	555 858	540 215	540 640
Debt securities in issue	134 957	134 957	138 090	138 328
Borrowed funds	15 930	15 930	13 416	13 689
Total liabilities	773 024	773 829	777 537	778 473

Note

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

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 the South African Reserve Bank	18 552	18 552
Coins and bank notes	9 662	9 662
Money market assets	38	38
Cash, cash balances and balances with central banks	28 252	28 252
Loans and advances to banks	19 439	19 439
Other assets	14 822	14 895
South Africa Banking	599 707	599 610
RBB South Africa	421 681	421 584
Retail Banking South Africa	362 730	362 621
Credit cards	27 861	27 861
Instalment credit agreements	73 955	73 650
Loans to associates and joint ventures	18 933	18 933
Mortgages	221 225	221 237
Other loans and advances	492	492
Overdrafts	3 947	3 947
Personal and term loans	16 317	16 501
Business Banking South Africa	58 951	58 963
Mortgages (including CPF)	24 849	24 861
Overdrafts	18 448	18 448
Term loans	15 654	15 654
CIB South Africa	178 026	178 026
Rest of Africa Banking	557	557
Wealth	5 660	5 660
Head Office, Treasury and other operations in South Africa	645	645
Loans and advances to customers – net of impairment losses	606 569	606 472
Loans to Group companies	25 794	25 794
Total assets	694 876	694 852
Financial liabilities		
Deposits from banks	42 514	42 514
Other liabilities	19 039	19 279
Call deposits	62 270	62 270
Cheque account deposits	152 474	152 474
Credit card deposits	1 906	1 906
Fixed deposits	116 049	116 113
Foreign currency deposits	23 325	23 325
Notice deposits	59 358	59 457
Other deposits	2 059	2 059
Saving and transmission deposits	130 208	130 208
Deposits due to customers	547 649	547 812
Debt securities in issue	133 906	131 329
Borrowed funds	15 679	15 900
Total liabilities	758 787	756 834

14. Assets and liabilities held at fair value

14.1 Fair value measurement and valuation processes

Financial assets and financial liabilities

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

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

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

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

Investment properties

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

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

14.2 Fair value measurements

Valuation inputs

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

Quoted market prices – Level 1

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

Valuation technique using observable inputs – Level 2

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

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

Valuation technique using significant unobservable inputs – Level 3

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

Judgemental inputs on valuation of principal instruments

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

Debt securities and treasury and other eligible bills

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

Equity instruments

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

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

Derivatives

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

Loans and advances

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

Deposits, debt securities in issue and borrowed funds

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

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

14.3 Fair value adjustments

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

Bid-offer valuation adjustments

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

Uncollateralised derivative adjustments

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

Model valuation adjustments

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

14.4 Fair value hierarchy

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

	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								
Investment securities	45 985	31 263	4 628	81 876	52 606	18 541	3 864	75 011
Loans and advances to banks	-	16 812	450	17 262	-	26 194	-	26 194
Trading and hedging portfolio assets	23 978	49 787	1 787	75 552	20 616	62 375	2 894	85 885
Debt instruments	21 316	3 220	1 390	25 926	19 557	6 100	2 169	27 826
Derivative assets	-	40 511	177	40 688	-	51 001	725	51 726
Commodity derivatives	-	554	-	554	-	205	-	205
Credit derivatives	-	17	164	181	-	122	294	416
Equity derivatives	-	1 302	13	1 315	-	1 311	-	1 311
Foreign exchange derivatives	-	6 950	-	6 950	-	16 322	-	16 322
Interest rate derivatives	-	31 688	-	31 688	-	33 041	431	33 472
Equity instruments	667	-	-	667	1 059	-	-	1 059
Money market assets	1 995	6 056	220	8 271	-	5 274	-	5 274
Other assets	-	-	-	-	-	-	17	17
Loans and advances to customers	-	22 623	4 662	27 285	-	18 007	6 941	24 948
Total financial assets	69 963	120 485	11 527	201 975	73 222	125 117	13 716	212 055
Financial liabilities								
Deposits from banks	-	18 263	-	18 263	-	25 241	-	25 241
Trading and hedging portfolio liabilities	5 898	34 798	454	41 150	1 645	49 585	336	51 566
Derivative liabilities	-	34 798	454	35 252	-	49 585	336	49 921
Commodity derivatives	-	601	-	601	-	161	-	161
Credit derivatives	-	3	188	191	-	334	150	484
Equity derivatives	-	1 280	51	1 331	-	1 735	-	1 735
Foreign exchange derivatives	-	7 372	-	7 372	-	13 390	-	13 390
Interest rate derivatives	-	25 542	215	25 757	-	33 965	186	34 151
Short positions	5 898	-	-	5 898	1 645	-	-	1 645
Deposits due to customers	149	21 813	910	22 872	119	16 685	921	17 725
Debt securities in issue	398	4 067	484	4 949	354	5 067	770	6 191
Total financial liabilities	6 445	78 941	1 848	87 234	2 118	96 578	2 027	100 723
Non-financial assets								
Commodities	1 679	-	-	1 679	1 406	-	-	1 406
Investment properties	-	-	-	-	-	-	240	240
Non-recurring fair value measurements								
Non-current assets held for sale[(1)]	-	-	1 391	1 391	-	-	369	369
Non-current liabilities held for sale[(1)]	-	-	-	-	-	-	9	9

Note

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

Recurring fair value measurements	31 December 2016 Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Financial Assets				
Investment securities	50 909	32 203	1 062	84 174
Loans and advances to banks	-	19 286	571	19 857
Trading and hedging portfolio assets	16 360	56 773	1 505	74 638
Debt instruments	15 417	2 573	1 324	19 314
Derivative assets	-	46 570	181	46 751
Commodity derivatives	-	794	-	794
Credit derivatives	-	70	114	184
Equity derivatives	-	1 526	67	1 593
Foreign exchange derivatives	-	15 121	-	15 121
Interest rate derivatives	-	29 059	-	29 059
Equity instruments	943	-	-	943
Money market assets	-	7 630	-	7 630
Other assets	-	-	-	-
Loans and advances to customers	-	19 187	4 890	24 077
Total financial assets	67 269	127 449	8 028	202 746
Financial liabilities				
Deposits from banks	-	17 634	-	17 634
Trading and hedging portfolio liabilities	1 786	42 464	307	44 557
Derivative liabilities	-	42 464	307	42 771
Commodity derivatives	-	872	-	872
Credit derivatives	-	135	101	236
Equity derivatives	-	1 306	59	1 365
Foreign exchange derivatives	-	13 996	-	13 996
Interest rate derivatives	-	26 155	147	26 302
Short positions	1 786	-	-	1 786
Deposits due to customers	154	15 870	1 139	17 163
Debt securities in issue	412	4 651	604	5 667
Total financial liabilities	2 352	80 619	2 050	85 021
Non-financial assets				
Commodities	1 485	-	-	1 485
Investment properties	-	-	222	222
Non-recurring fair value measurements				
Non-current assets held for sale(1)	-	-	367	367
Non-current liabilities held for sale(1)	-	-	9	9

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

14.6 Reconciliation of Level 3 assets and liabilities

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

	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**	**Total assets at fair value Rm**
Opening balance at the beginning of the reporting period	1 505	-	4 890	571	1 062	222	8 250
Net interest income	-	-	51	-	10	-	61
Other income	-	-	-	-	-	9	9
Gains and losses from banking and trading activities	(2)	-	-	-	-	-	(2)
Gains and losses from investment activities	-	-	-	(51)	2	-	(49)
Purchases	534	-	618	-	2 806	-	3 958
Sales	(250)	-	(897)	(70)	-	(231)	(1 448)
Movement in/(out) of Level 3	-	-	-	-	748	-	748
Closing balance at the end of the reporting period	1 787	-	4 662	450	4 628	-	11 527

	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	Total assets at fair value Rm
Opening balance at the beginning of the reporting period	1 415	17	7 511	2 109	1 285	518	12 855
Net interest income	-	-	167	-	30	-	197
Gains and losses from banking and trading activities	192	-	-	-	-	-	192
Gains and losses from investment activities	-	-	(10)	-	9	78	77
Purchases	1 334	-	1 962	-	2 714	-	6 010
Sales	(47)	-	(2 689)	(2 109)	(174)	-	(5 019)
Transferred to/(from) assets	-	-	-	-	-	(365)	(365)
Closing balance at the end of the reporting period	1 479	17	6 941	-	3 864	231	13 947

	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	Total assets at fair value Rm
Opening balance at the beginning of the reporting period	1 415	17	7 511	2 109	1 285	518	12 855
Net interest income	-	-	297	-	56	61	414
Gains and losses from banking and trading activities	116	-	-	(139)	16	-	(7)
Purchases	1 308	-	-	70	2	-	1 380
Sales	(1 334)	(17)	(1 956)	(1 469)	(147)	(65)	(4 988)
Movement in other comprehensive income	-	-	-	-	4	-	4
Transferred to/(from) assets	-	-	-	-	-	(292)	(292)
Movement out of Level 3	-	-	(962)	-	(154)	-	(1 116)
Closing balance at the end of the reporting period	1 505	-	4 890	571	1 062	222	8 251

	30 June 2017				
	Deposits from banks Rm	Trading and hedging portfolio liabilities Rm	Deposits due to customers Rm	Debt securities in issue Rm	Total liabilities at fair value Rm
Opening balance at the beginning of the reporting period	-	307	1 139	604	2 050
Gains and losses from banking and trading activities	-	147	-	-	147
Issues	-	-	295	-	295
Settlements	-	-	(540)	(120)	(660)
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	Deposits due to customers Rm	Debt securities in issue Rm	Total liabilities at fair value Rm
Opening balance at the beginning of the reporting period	7	216	2 557	624	3 404
Net interest income	-	-	70	28	98
Gains and losses from banking and trading activities	-	131	-	-	131
Issues	-	-	1 958	142	2 100
Settlements	(7)	(11)	(689)	(24)	(731)
Movement out of Level 3	-	-	(2 975)	-	(2 975)
Closing balance at the end of the reporting period	-	336	921	770	2 027

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

14.6.1 Significant transfers between levels

During the 2017 and 2016 reporting periods, transfers between levels occurred because of changes in the observability of valuation inputs, in some instances owing to changes in the level of market activity.

Transfers have been reflected as if they had taken place at the beginning of the year.

14.7 Unrealised gains and losses on Level 3 assets and liabilities

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

	30 June 2017					
	Trading and hedging portfolio assets	**Loans and advances to customers**	**Investment securities**	**Total assets**	**Trading and hedging portfolio liabilities**	**Total liabilities**
	Rm	**Rm**	**Rm**	**Rm**	**Rm**	**Rm**
Gains and losses from banking and trading activities	65	43	38	146	136	136

	30 June 2016					
	Trading and hedging portfolio assets	Loans and advances to customers	Investment securities	Total assets	Trading and hedging portfolio liabilities	Total liabilities
	Rm	Rm	Rm	Rm	Rm	Rm
Gains and losses from banking and trading activities	72	46	16	134	-	-

	31 December 2016					
	Trading and hedging portfolio assets	Loans and advances to customers	Investment securities	Total assets	Trading and hedging portfolio liabilities	Total liabilities
	Rm	Rm	Rm	Rm	Rm	Rm
Gains and losses from banking and trading activities	(22)	39	9	26	(104)	(104)

14.8 Sensitivity analysis of valuations using unobservable inputs

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

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

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

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

		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	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	Risk adjustment yield curves, future earnings and marketability discount	12/(12)	37/(36)
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)	37/(36)

		31 December 2016	
		Potential effect recorded in profit and loss	Potential effect recorded directly in equity
	Significant unobservable parameters	Favourable/(Unfavourable) Rm	Favourable/(Unfavourable) Rm
Deposits due to customers	BAGL/Absa funding spread	-/-	-/-
Investment securities	Risk adjustment yield curves, future earnings and marketability discount	13/(14)	31/(33)
Loans and advances to customers	Credit spreads	72/(71)	-/-
Other assets	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	36/(36)	-/-
Other liabilities	Volatility, credit spreads	-/-	-/-
		296/(296)	31/(33)

14.9 Measurement of assets and liabilities at Level 3

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

			June		December
			2017	2016	2016
Category of asset/liability	**Valuation techniques applied**	**Significant unobservable inputs**	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	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%, compara-tor multiples between 5 and 10,5	Discount rates between 9,5% and 13,25%, compara-tor multiples between 5 and 10,5	Discount rate of 13%, compara-tor 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% 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%) to 24,99%	(16,6%) to 13,1%
Interest rate derivatives	Discounted cash flow and/or option pricing models	Real yield curves (less than 1 year), repurchase agreement curves (less than 1 year), funding spreads	(0,1%) to 8,33%	(0,67%) to 7,90%	0,31% to 3,38%
Deposits due to customers	Discounted cash flow models	BAGL'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 gains/(losses) as a result of the use of valuation models using unobservable inputs

The amount that has yet to be recognised in the statement of comprehensive income that relates to the difference between the transaction price and the amount that would have arisen had valuation models using unobservable inputs been used on initial recognition, less 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 during the current and previous reporting period.

15. Reporting changes overview

15.1 Accounting policy changes

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

- The requirements of IFRS 9 relating to the presentation of gains and losses on financial liabilities designated at fair value were adopted during the current reporting period. As a result, the effects of changes in those liabilities' credit risk are presented in 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 bank's reported results.

15.2 Changes in reportable segments

The following business portfolio changes have impacted the financial results for the comparative periods ended 30 June 2016 and 31 December 2016.

- Barclays PLC disposed of 12,2% and 33,7% of the Bank's holding Company's shares on 5 May 2016 and 6 June 2017, respectively. As part of its divestment Barclays PLC contributed £765 million to the Bank's holding Company 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 Bank has therefore included an additional reportable segment, 'Barclays separation' in its segment results.
- The Bank refined its cost allocation methodology, resulting in the restatement of operating expenses between and within segments.
- 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 Bank's customer segmentation and coverage model.
- In the second half of 2016, the Bank revised its operating model with 'geography' and 'customer' as primary dimensions, creating a platform for increased focus and dedicated management capacity: South Africa Banking, Rest of Africa Banking and Wealth (historically reporting was by customer only i.e. RBB, CIB and Wealth). The reporting changes to financial disclosures were implemented from 1 January 2017.

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