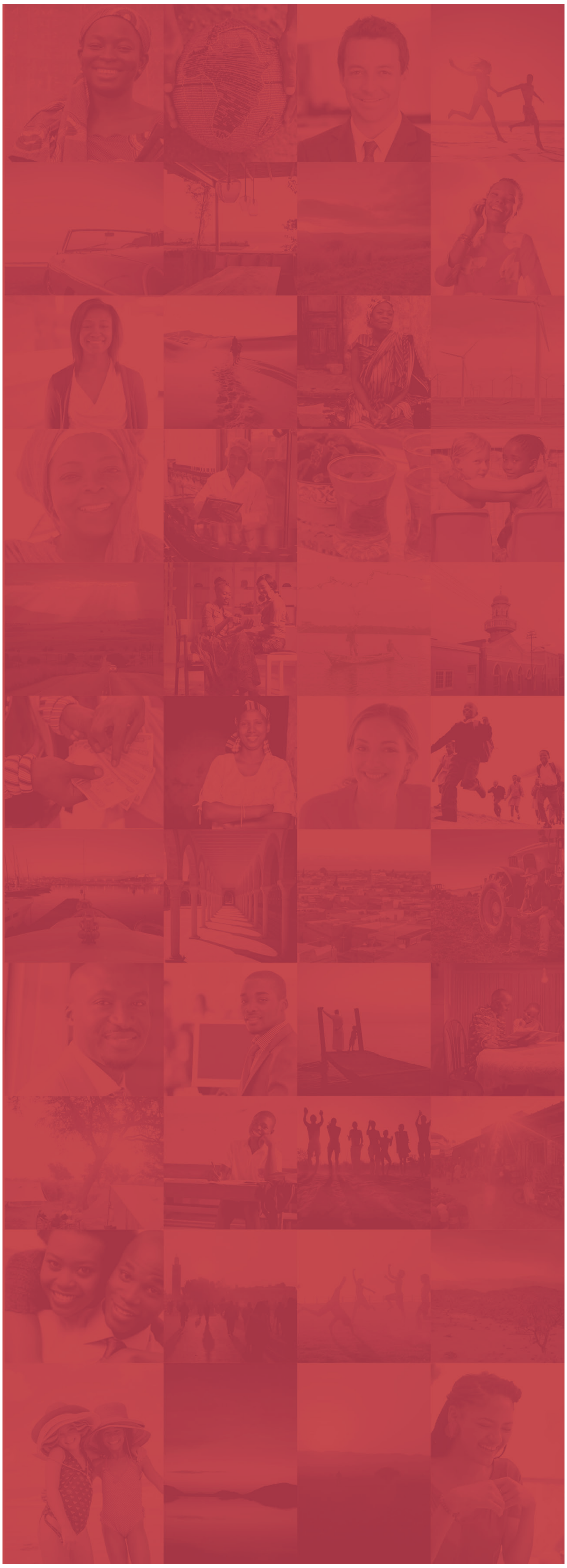
Absa Bank Limited

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



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Absa Bank Limited

Summary consolidated financial results for the reporting period ended 31 December 2016.

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

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

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 summary consolidated financial results are published to provide information to holders of the Bank's listed non-cumulative, non-redeemable preference shares.

Commentary relating to the Bank's summary consolidated financial results is included in the Barclays Africa Group Limited results, as presented to shareholders on 23 February 2017.

Basis of presentation

The Bank's audited annual financial results have been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards (IFRS), interpretations issued by the IFRS Interpretations Committee (IFRS-IC), the South African Institute of Chartered Accountants' Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the Johannesburg Stock Exchange (JSE) Listings Requirements and the requirements of the Companies Act, No. 71 of 2008 (as amended). The principal accounting policies applied are set out in the Bank's most recent annual consolidated financial statements.

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, and the requirements of the Companies Act applicable to summary financial statements. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of IFRS and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting (IAS 34).

The information disclosed in the SENS is derived from the information contained in the audited annual consolidated financial statements and does not contain full or complete disclosure details. Any investment decisions by shareholders should be based on consideration of the audited annual consolidated financial statements, which is available on request. The presentation and disclosure comply with 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 audited summary consolidated financial statements are the same as those in place for the reporting period ended 31 December 2015 except for business portfolio changes between operating segments. Refer to note 15.

Auditors' report

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

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

Events after the reporting period

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

On behalf of the Board

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

Johannesburg

22 February 2017

Declaration of preference share dividend number 22

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 10,50%.

Notice is hereby given that preference dividend number 22, equal to 70% of the average prime rate for 1 September 2016 to 28 February 2017, per Absa Bank preference share has been declared for the period 1 September 2016 to 28 February 2017. The dividend is payable on Monday, 10 April 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, 7 April 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 September 2016 to 28 February 2017 would indicatively be 3 644,79452 cents per Absa Bank preference share.

The dividend will be subject to dividends withholding tax at a rate of 15% that was introduced on 1 April 2012. In accordance with paragraphs 11.17(a)(i) to (ix) and 11.17(c) of the JSE Listings Requirements, the following additional information is disclosed:

- The dividend has been declared out of income reserves.
- The local dividend tax rate is fifteen per centum (15%).
- The gross local dividend amount is 3 644,79452 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 15% amounts to 3 098,07534 cents per preference share. This number may be revised downwards having regard to the announcement by the Minister of Finance on dividend withholding tax on 22 February 2017.
- 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, 4 April 2017
Shares commence trading ex dividend	Wednesday, 5 April 2017
Record date	Friday, 7 April 2017
Payment date	Monday, 10 April 2017

Share certificates may not be dematerialised or rematerialised between Wednesday, 5 April 2017 and Friday, 7 April 2017, both dates inclusive.

On Monday, 10 April 2017, the dividend will be electronically transferred to the bank accounts of certificated shareholders.

The accounts of those shareholders who have dematerialized their shares (which are held at their participant or broker) will also be credited on Monday 10 April 2017.

On behalf of the board

N R Drutman

Company Secretary

Johannesburg

23 February 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.

Summary consolidated salient features
for the reporting period ended 31 December

	2016	2015
Statement of comprehensive income (Rm)		
Revenue	48 801	46 076
Operating expenses	27 525	26 390
Profit attributable to ordinary equity holders	9 568	9 726
Headline earnings[(1)]	9 778	9 657
Statement of financial position		
Loans and advances to customers (Rm)	630 646	602 002
Total assets (Rm)	918 311	936 141
Deposits due to customers (Rm)	564 812	560 650
Loans-to-deposits ratio (%)	89.5	87.4
Financial performance (%)		
Return on average equity[(3)]	16.3	17.6
Return on average assets[(3)]	1.06	1.11
Return on average risk-weighted assets[(3)]	1.96	2.03
Non-performing loans (NPLs) ratio on gross loans and advances[(2)]	3.0	4.6
Operating performance (%)		
Net interest margin on average interest bearing assets[(3)]	3.91	3.91
Credit loss ratio on gross loans and advances to customers and banks[(3)]	0.93	0.79
Credit loss ratio on net loans and advances to customers[(3)]	1.04	0.89
Non-interest income as % of total revenue	41.0	40.3
Cost-to-income ratio	56.40	57.30
JAWS	1.62	(0.33)
Effective tax rate, excluding indirect taxation	25.90	26.70
Share statistics (million)		
Number of ordinary shares in issue	420.1	412.8
Weighted average number of ordinary shares in issue	417.7	401.5
Diluted weighted average number of ordinary shares in issue	417.7	401.5
Share statistics (cents)		
Headline earnings per ordinary share	2 340.9	2 405.2
Diluted headline earnings per ordinary share	2 340.9	2 405.2
Basic earnings per ordinary share	2 290.6	2 422.4
Diluted basic earnings per ordinary share	2 290.6	2 422.4
Dividend per ordinary share relating to income for the reporting period	1 169.4	2 365.6
Dividend cover (time)	2.0	1.0
Net asset value per ordinary share	15 386	13 537
Tangible net asset value per ordinary share	14 829	13 037
Capital adequacy (%)		
Absa Bank Limited[(3)]	15.0	13.6
Common Equity Tier 1 (%)		
Absa Bank Limited[(3)]	11.6	10.3

Notes

(1) After allowing for R351m (31 December 2015: R321m) profit attributable to preference equity holders.

(2) The calculation of the NPLs ratio has been changed to also include loans and advances to banks. Based on the previous methodology the NPLs ratio would have been 3.7% (31 December 2015: 3,3%)

(3) These ratios are unaudited

Summary consolidated statement of financial position
for the reporting period ended 31 December

	Note	2016 Rm	2015 Rm
Assets			
Cash, cash balances and balances with central banks		28 252	26 101
Investment securities		84 174	73 065
Loans and advances to banks		39 296	58 585
Trading portfolio assets		74 389	116 455
Hedging portfolio assets		1 734	2 216
Other assets		16 645	18 839
Current tax assets		616	410
Non-current assets held for sale	1	367	109
Loans and advances to customers	2	630 646	602 002
Loans to Group Companies		25 794	23 850
Investments in associates and joint ventures		1 065	962
Investment property		222	518
Property and equipment		12 726	10 955
Goodwill and intangible assets		2 339	2 029
Deferred tax assets		46	44
Total assets		918 311	936 141
Liabilities			
Deposits from banks		60 148	61 026
Trading portfolio liabilities		42 503	87 567
Hedging portfolio liabilities		2 054	4 531
Other liabilities		21 150	18 306
Provisions		2 060	1 970
Current tax liabilities		4	72
Non-current liabilities held for sale		9	-
Deposits due to customers		564 812	560 650
Debt securities in issue		139 573	128 453
Borrowed funds	3	15 679	12 954
Deferred tax liabilities		1 020	115
Total liabilities		849 012	875 644
Equity			
Capital and reserves			
Attributable to ordinary equity holders:			
Ordinary Share capital		304	304
Ordinary Share premium		24 964	21 455
Preference share capital		1	1
Preference share premium		4 643	4 643
Retained earnings		36 099	32 033
Other reserves		3 262	2 050
		69 273	60 486
Non - controlling interest - ordinary shares		26	11
Total equity		69 299	60 497
Total liabilities and equity		918 311	936 141

Summary consolidated statement of comprehensive income

for the reporting period ended 31 December

	Note	2016 Rm	2015 Rm
Net interest income		28 809	27 524
Interest and similar income		69 894	60 979
Interest expense and similar charges		(41 085)	(33 455)
Non-interest income		19 992	18 552
Net fee and commission income		16 168	15 732
Fee and commission income		17 628	17 028
Fee and commission expense		(1 460)	(1 296)
Gains and losses from banking and trading activities		2 969	2 097
Gains and losses from investment activities		2	11
Other operating income		853	712
Total Income		48 801	46 076
Impairment losses on loans and advances		(6 408)	(5 113)
Operating income before operating expenditure		42 393	40 963
Operating expenditure		(27 525)	(26 390)
Other expenses		(1 575)	(999)
Other impairments	4	(577)	43
Indirect taxation		(998)	(1 042)
Share of post-tax results of associates and joint ventures		118	136
Operating profit before income tax		13 411	13 710
Taxation expense		(3 477)	(3 663)
Profit for the reporting period		9 934	10 047
Profit attributable to:			
Ordinary equity holders		9 568	9 726
Non-controlling interest		15	-
Preference equity holders		351	321
		9 934	10 047
Earnings per share:			
Basic earnings per share (cents per share)		2 290,6	2 422,4
Diluted earnings per share (cents per share)		2 290,6	2 422,4

Summary consolidated statement of comprehensive income

for the reporting period ended 31 December

	Note	Bank 2016 Rm	2015 Rm
Profit for the reporting period		9 934	10 047
Other comprehensive income			
Items that will not be reclassified to the profit or loss		(12)	9
Movement in retirement benefit fund assets and liabilities		(12)	9
(Decrease)/ increase in retirement benefit surplus		(17)	12
Deferred tax		5	(3)
Items that are or may be subsequently reclassified to profit or loss		928	(2 429)
Movement in foreign currency translation reserve		(453)	126
Differences in translation of foreign operations		(133)	393
Gains released to profit or loss		(320)	(267)
Movement in cash flow hedging reserve		1 726	(2 222)
Fair value (losses)/gains arising during the reporting period		2 714	(2 028)
Amount removed from other comprehensive income and recognised in the profit or loss		(314)	(1 058)
Deferred tax		(674)	864
Movement in available-for-sale reserve		(345)	(333)
Fair value gains arising during the reporting period		(475)	(678)
Release to the profit or loss		(3)	210
Deferred tax		133	135
Total comprehensive income for the reporting period		10 850	7 627
Total comprehensive income attributable to:			
Ordinary equity holders		10 484	7 306
Non-controlling interest		15	-
Preference equity holders		351	321
		10 850	7 627

Summary consolidated statement of changes in equity
for the reporting period ended 31 December

	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 reporting period	-	-	-	-	-
Other comprehensive income	-	-	-	-	-
Dividends paid duirng the reporting period	-	-	-	-	-
Shares issued	18 520	-	3 500	-	-
Purchase of Barclays Africa Limited shares in respect of equity-settled share-based payment arrangements	-	-	-	-	-
Transfer of vesting options	-	-	9	-	-
Movement in share-based payment reserve	-	-	-	-	-
Transfer from share-based payment reserve	-	-	-	-	-
Value of employee services	-	-	-	-	-
Conversion from cash-settled schemes	-	-	-	-	-
Deferred tax	-	-	-	-	-
Share of post-tax results of associates and joint ventures	-	-	-	-	-
Disposal of interest in subsidiary	-	-	-	-	-
Acquisition of subsidiary	-	-	-	-	-
Balance at the end of the reporting period	**431 318**	**304**	**24 964**	**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	396 151	303	16 465	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	16 647	1	5 000	-	-
Purchase of Barclays Africa Group Limited shares in respect of equity-settled share-based payment arrangements	-	-	(10)	-	-
Movement in 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	-	-	-	-	-
Disposal of interest in subsidiary[(2)]	-	-	-	-	-
Acquisition of subsidiary	-	-	-	-	-
Balance at the end of the reporting period	412 798	304	21 455	1	4 643

Note
All movements are reflected net of taxation, refer to note 15.
[(1)]This includes ordinary shares and 'A' ordinary shares
[(2)]This movement relates to certain subsidiaries being deregistered and the Bank's equity being adjusted accordingly.

Summary consolidated statement of changes in equity
for the reporting period ended 31 December

Bank

2016

Retained earnings Rm	Total other reserves Rm	Available-for-sale reserve Rm	Cash flow hedging reserve Rm	Foreign insurance subsidiary regulatory reserve Rm	Capital reserve Rm	Share-based payment reserve Rm	Associates' and joint ventures' reserve Rm	Total equity attributalbe to equity holders	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

2015

Retained earnings Rm	Total other reserves Rm	Available-for-sale reserve Rm	Cash flow hedging reserve Rm	Foreign currency translation reserve Rm	Capital reserve Rm	Share based payment reserve Rm	Associates' and Joint ventures' reserve Rm	Total equity attributable to equity holders	Non-controlling interest-ordinary shares	Total equity Rm
33 713	3 799	937	351	273	1 422	3	813	58 924	2	58 926
10 056	(2 429)	(333)	(2 222)	126	-	-	-	7 627	-	7 627
10 047	-	-	-	-	-	-	-	10 047	-	10 047
9	(2 429)	(333)	(2 222)	126	-	-	-	(2 420)	-	(2 420)
(11 437)	-	-	-	-	-	-	-	(11 437)	-	(11 437)
-	-	-	-	-	-	-	-	5 001	-	5 001
(154)	-	-	-	-	-	-	-	(164)	-	(164)
-	544	-	-	-	-	544	-	544	-	544
-	209	-	-	-	-	209	-	209	-	209
-	372	-	-	-	-	372	-	372	-	372
-	(37)	-	-	-	-	(37)	-	(37)	-	(37)
(136)	136	-	-	-	-	-	136	-	-	-
(9)	-	-	-	-	-	-	-	(9)	-	(9)
-	-	-	-	-	-	-	-	-	9	9
32 033	2 050	604	(1 871)	399	1 422	547	949	60 486	11	60 497

Summary consolidated statement of cash flows
for the reporting period ended 31 December

	Note	2016 Rm	2015[1] Rm
Net cash generated from operating activities		2 300	12 055
Net cash utilised in investing activities		(4 090)	(3 594)
Net cash utilised in financing activities		(168)	(4 101)
Net increase in cash and cash equivalents		(1 958)	4 360
Cash and cash equivalents at the beginning of the reporting period	1	14 374	10 014
Cash and cash equivalents at the end of the reporting period	2	12 416	14 374

Notes to the summary consolidated statement of cash flows

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

	2016 Rm	2015[1] Rm
Cash, cash balances and balances with central banks[(1)]	8 607	8 777
Loans and advances to banks[(2)]	5 767	1 237
	14 374	10 014

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

	2016 Rm	2015[1] Rm
Cash, cash balances and balances with central banks[(1)]	9 662	8 607
Loans and advances to banks[(2)]	2 754	5 767
	12 416	14 374

Notes

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

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

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

- RBB transferred a subsidiary with total assets of R367m and total liabilities of R9m to non-current assets and non-current liabilities held for sale. The Commercial Property Finance (CPF) Equity division disposed of an investment security with a carrying value of R15m.
- Head Office disposed of property and equipment with a carrying value of R94m.

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

- CPF disposed of investment securities with a carrying value of R39m.
- Head Office disposed of property and equipment with a carrying value of R102m.

2. Loans and advances to customers

	2016 Rm	2015 Rm
Corporate overdrafts and specialised finance loans	8 285	8 784
Credit cards	31 376	32 847
Foreign currency loans	27 354	22 419
Instalment credit agreements	75 655	74 154
Gross advances	93 865	91 160
Unearned finance charges	(18 210)	(17 006)
Loans to associates and joint ventures	20 183	17 079
Micro loans	3 544	2 870
Mortgages	268 180	270 144
Other advances	5 980	4 831
Overdrafts	35 945	31 287
Overnight finance	15 552	15 236
Personal and term loans	31 920	30 426
Preference shares	17 454	16 137
Reverse repurchase agreements (Carries)	16 116	20 310
Wholesale overdrafts	87 312	67 473
Gross loans and advances to customers	644 856	613 997
Impairments losses on loans and advances	(14 210)	(11 995)
	630 646	602 002

The Bank has securitised certain loans and advances to customers, the total value of these securitised assets is R3 412m (2015: R1 003m). Included above are collateralised loans of R191m (2015: R1 086m) relating to securities borrowed.

The amount pledged is the required threshold of cash collateral based on specific arrangements with different counterparties. Exposures are reviewed on a periodic basis, whereby these thresholds are adjusted accordingly.

Other advances include working capital solutions and collateralised loans.

2. Loans and advances to customers *(continued)*

Impairment losses on loans and advances

	2016						
	Performing loans			Non-performing loans			
	Exposure Rm	Impairment Rm	Coverage ratio %	Exposure Rm	Impairment Rm	Coverage ratio %	Net total exposure Rm
RBB	423 773	3 910	0.92	21 320	8 417	39.48	432 766
Retail Banking South Africa	355 069	3 116	0.88	18 033	7 256	40.24	362 730
Credit cards	27 375	596	2.18	4 001	2 919	72.96	27 861
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	1 208	0.56	9 920	2 097	21.14	221 225
Other loans and advances	492	-	-	-	-	-	492
Overdrafts	3 923	54	1.38	220	142	64.55	3 947
Personal and term loans	16 206	523	3.23	1 807	1 173	64.91	16 317
Business Banking South Africa	68 147	794	1.17	3 287	1 161	35.32	69 479
Mortgages (including CPF)	34 547	179	0.52	1 566	535	34.16	35 399
Overdrafts	18 284	366	2.00	929	421	45.32	18 426
Term loans	15 316	249	1.63	792	205	25.88	15 654
RBB Rest of Africa	557	-	-	-	-	-	557
CIB	191 112	624	0.33	2 266	1 184	52.25	191 570
Wealth	5 615	14	0.25	116	57	49.14	5 660
Head office and other operations	654	4	0.61	-	-	-	650
Loans and advances to customers	621 154	4 552	0.73	23 702	9 658	40.75	630 646
Loans and advances to customers and banks	660 450	4 552	0.69	23 702	9 658	40.75	669 942

	2015						
	Performing loans			Non-performing loans			
	Exposure Rm	Impairment Rm	Coverage ratio %	Exposure Rm	Impairment Rm	Coverage ratio %	Net total exposure Rm
RBB	417 309	3 514	0.84	19 740	7 665	38.83	425 870
Retail Banking South Africa	355 233	2 853	0.80	16 435	6 513	39.63	362 302
Credit cards	29 034	597	2.06	3 813	2 737	71.78	29 513
Instalment credit agreements	72 433	548	0.76	1 595	621	38.93	72 859
Loans to associates and joint ventures	16 176	-	-	-	-	-	16 176
Mortgages	219 469	1 237	0.56	9 252	2 052	22.18	225 432
Other loans and advances	343	-	-	-	-	-	343
Overdrafts	2 780	35	1.26	173	99	57.23	2 819
Personal and term loans	14 998	436	2.91	1 602	1 004	62.67	15 160
Business Banking South Africa	62 053	661	1.07	3 305	1 152	34.86	63 545
Mortgages (including CPF)	30 018	189	0.63	1 618	586	36.22	30 861
Overdrafts	17 287	272	1.57	962	370	38.46	17 607
Term loans	14 748	200	1.36	725	196	27.03	15 077
RBB Rest of Africa	23	-	-	-	-	-	23
CIB	170 535	554	0.32	298	197	66.11	170 082
Wealth	5 346	32	0.60	69	33	47.83	5 350
Head office and other operations	700	-	-	-	-	-	700
Loans and advances to customers	593 890	4 100	0.69	20 107	7 895	39.26	602 002
Loans and advances to customers and banks	652 475	4 100	0.63	20 107	7 895	39.26	660 587

3. Borrowed funds

During the reporting period the significant movements in borrowed funds were as follows: **R2 381m** (31 December 2015: R4 500m) of subordinated notes were issued and **R0m** (31 December 2015: R2 000m) were redeemed.

4. Other impairments

	2016 Rm	2015 Rm
Reversal of impairment raised on financial instruments	(13)	(43)
Intangible assets[1]	590	-
	577	(43)

5. Headline earnings

	2016 Gross Rm	2016 Net[2] Rm	2015 Gross Rm	2015 Net[2] Rm
Headline earnings are determined as follows:				
Profit attributable to ordinary equity holders of the Bank		9 568		9 726
Total headline earnings adjustment:		210		(69)
IAS 16 – Profit on disposal of property and equipment	(22)	(16)	(17)	(12)
IAS 21 – Recycled foreign currency translation reserve	(320)	(297)	(267)	(267)
IAS 38 – Impairment of intangible assets	590	590	-	-
IAS 39 – Release of available-for-sale reserves	(3)	(2)	210	151
IAS 40 – Change in fair value of investment properties	(84)	(65)	73	59
Headline earnings/diluted headline earnings		9 778		9 657
Headline earnings per share/diluted headline earnings per share (cents)		2 340.9		2 405.2

6. Dividends per share

	2016 Rm	2015 Rm
Dividends declared to ordinary equity holders		
Interim dividend (29 July 2015: 631,07 cents)	-	2 500
Special dividend **(6 December 2016: 476.12 cents)(10 June 2016: 363,37 cents)**(30 September 2015: 745,15 cents)(31 July 2015: 504,86 cents)	3 500	5 000
Final dividend **(23 February 2017: 486,88017)** (1 March 2016: 484,49896 cents)	2 100	2 000
	5 600	9 500
Dividends declared to preference equity holders		
Interim dividend **(29 July 2016: 3 696,57534 cents)**(29 July 2015: 3 282,8082 cents)	183	162
Final dividend **(23 February 2017: 3 644,79452 cents)**(1 March 2016: 3 395,47945 cents)	180	168
	363	330
Dividends paid to ordinary equity holders		
Final dividend **(1 March 2016: 484,49896 cents)**(3 March 2015: 912,78268 cents)	2 000	3 616
Interim dividend (29 July 2015: 631,07 cents)	-	2 500
Special dividend **(6 December 2016: 476.12 cents)(10 June 2016: 363,37 cents)**(30 September 2015: 745,15 cents)(31 July 2015: 504,86 cents)	3 500	5 000
	5 500	11 116
Dividends paid to preference equity holders		
Final dividend **(1 March 2016: 3 395,47945 cents)**(3 March 2015: 3 210,8904 cents)	168	159
Interim dividend **(29 July 2016: 3 696,57534 cents)**(29 July 2015: 3 282,8082 cents)	183	162
	351	321

Notes
(1) During the current year, two of the Bank's intangible assets were impaired. An acquired customer list was fully impaired following an adjustment to the interest rate outlook for the related business. The second impairment relates to the costs previously spent by the Bank on the Virtual Bank initiative. In calculating the impairment to be recognised, the Group determined the value in use based on a discounted cash flow methodology.
(2) 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

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

7.2 Acquisitions and disposals of businesses during the previous reporting period

The Bank purchased additional shares in a non-core joint venture which resulted in an increase in the Bank's effective shareholding from 50% to 67%, and a business combination in terms of IFRS 3. The profit share to which the Bank is entitled is 74%. The acquisition occurred on 18 November 2015. A bargain purchase amount of R4m was recognised in the statement of comprehensive income.

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

	2015 Fair value recognised on acquisition Rm
Consideration at November 2015:	
Cash	14
Total consideration	14
Other assets	5
Investment properties	292
Other liabilities	(1)
Deferred tax liabilities	(4)
Loans from Subsidiaries	(176)
Loans from Absa Group Companies	(90)
Total identifiable net assets	26
Total NCI	(8)
Goodwill/ (bargain purchase)	(4)
Total	14

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:

	Bank 2016 Rm	2015 Rm
Summary of net cash outflow due to acquisitions	-	14

8. Related parties

The ultimate holding company, Barclays Bank Plc, sold 12,2% of its Barclays Africa Group Limited shareholding for R13,1bn on 5 May 2016, leaving the Barclays Plc shareholding at 50,1%.

9. Financial guarantee contracts

	2016 Rm	2015 Rm
Financial guarantee contracts	10	24

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

	2016 Rm	2015 Rm
Authorised capital expenditure		
Contracted but not provided for	509	591

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.

	2016 Rm	2015 Rm
Operating lease payments due		
No later than one year	947	758
Later than one year and no later than five years	2 367	1 742
Later than five years	1 195	956
	4 509	3 456

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

	2016 Rm	2015 Rm
Sponsorship payments due		
No later than one year	84	147
Later than one year and no later than five years	20	177
	104	324

The Bank has sponsorship commitments in respect of sports, arts and culture sponsorships.

11. Contingencies

	2016 Rm	2015 Rm
Guarantees	30 469	31 266
Irrevocable debt facilities	122 958	138 807
Letters of credit	4 645	6 319
Other	135	21
	158 207	176 413

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

The 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.

11. Contingencies *(continued)*

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 and earnings.

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

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

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

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 are many transactions and calculations for which the ultimate tax treatment is uncertain or in respect of which the relevant tax authorities may have indicated disagreement with the Bank's treatment and accordingly the final tax charge cannot be determined until resolution has been reached with the relevant tax authority. The Bank recognises 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

	2016 Rm	2015[(1)] Rm
12.1 Headline earnings contribution by segment		
RBB	8 266	8 608
Corporate and Investment Bank (CIB)	2 701	2 338
Wealth	(120)	(93)
Head Office, Treasury and other operations	(1 069)	(1 196)
Total headline earnings	9 778	9 657

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

12. Segment reporting *(continued)*

	2016 Rm	2015[(1)] Rm
12.2 Total income by segment		
RBB	39 747	38 143
CIB	9 704	8 651
Wealth	449	446
Head Office, Treasury and other operations	(1 099)	(1 164)
Total income	48 801	46 076

	2016 Rm	2015[(1)] Rm
12.3 Total internal income by segment		
RBB	(9 327)	(7 889)
CIB	(6 307)	54
Wealth	10	43
Head Office, Treasury and other operations	14 162	10 733
Total internal income	(1 462)	2 941

	2016 Rm	2015[(1)] Rm
12.4 Total assets by segment		
RBB	716 023	704 743
CIB	478 103	489 329
Wealth	6 308	5 769
Head Office, Treasury and other operations	(282 123)	(263 700)
Total assets	918 311	936 141

	2016 Rm	2015[(1)] Rm
12.5 Total liabilities by segment		
RBB	706 590	694 837
CIB	474 518	485 590
Wealth	6 414	5 851
Head Office, Treasury and other operations	(338 511)	(310 634)
Total liabilities	849 011	875 644

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

13. Assets and liabilities not held at fair value

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

	2016 Carrying value Rm	2016 Fair value Rm	2015 Carrying value Rm	2015 Fair value Rm
Financial assets				
Balances with the South African Reserve Bank	18 552	18 552	17 459	17 459
Coins and bank notes	9 662	9 662	8 607	8 607
Money market assets	38	38	34	34
Cash, cash balances and balances with central banks	28 252	28 252	26 100	26 100
Loans and advances to banks	19 439	19 439	34 257	34 257
Other assets	14 822	14 895	17 354	17 354
Retail Banking South Africa	362 730	362 621	362 303	361 273
Credit cards	27 861	27 861	29 515	29 515
Instalment credit agreements	73 955	73 650	72 860	71 798
Loans to associates and joint ventures	18 933	18 933	16 176	16 176
Mortgages	221 225	221 237	225 431	225 441
Other loans and advances	492	492	343	343
Overdrafts	3 947	3 947	2 819	2 819
Personal and term loans	16 317	16 501	15 159	15 181
Business Banking South Africa	69 375	69 387	63 412	63 440
Mortgages (including CPF)	35 295	35 307	30 730	30 742
Overdrafts[(1)]	18 426	18 426	17 604	17 620
Term loans[(1)]	15 654	15 654	15 078	15 078
RBB Rest of Africa	557	557	22	22
CIB	167 602	167 602	140 796	140 796
Wealth	5 660	5 660	5 350	5 350
Head Office and other operations	645	645	696	696
Loans and advances to customers – net of impairment losses	606 569	606 472	572 579	571 577
Loans to Group companies	25 794	25 794	23 850	23 958
Total assets	694 876	694 852	674 140	673 246
Financial liabilities				
Deposits from banks	42 514	42 514	44 394	44 394
Other liabilities	19 039	19 279	16 346	16 250
Call deposits	62 270	62 270	72 130	72 130
Cheque account deposits	152 474	152 474	150 842	150 842
Credit card deposits	1 906	1 906	2 002	2 002
Fixed deposits	116 049	116 113	118 278	118 390
Foreign currency deposits	23 325	23 325	26 168	26 168
Notice deposits	59 358	59 457	48 954	48 963
Other deposits	2 059	2 059	1 943	1 943
Saving and transmission deposits	130 208	130 208	122 522	122 522
Deposits due to customers	547 649	547 812	542 839	542 960
Debt securities in issue	133 906	131 329	121 730	119 153
Borrowed funds	15 679	15 900	12 954	13 323
Total liabilities	758 787	756 834	738 263	736 080

Note

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

14. Assets and liabilities held at fair value

14.1 Fair value measurement and valuation processes

Financial assets and financial liabilities

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

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

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

The IVC independently verifies the results of trading and investment operations and all significant fair value measurements. They source independent data from external independent parties, as well as internal risk areas when performing independent price verification for all financial instruments held at fair value. They also assess and document the inputs obtained from external, independent sources to measure the fair value which supports conclusions that valuations are performed in accordance with 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 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 classified as Level 2 have been determined using models for which inputs are observable in an active market.

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

Valuation technique using significant unobservable inputs – Level 3

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

Judgemental inputs on valuation of principal instruments

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

Debt securities and treasury and other eligible bills

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

14 Assets and Liabilities held at fair value *(continued)*

14.2 Fair value measurements *(continued)*

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

14. Assets and liabilities held at fair value *(continued)*

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.

	2016				2015			
	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Financial Assets								
Cash, cash balances and balances with central banks	-	-	-	-	-	1	-	1
Investment Securities	50 909	32 203	1 062	84 174	46 507	25 273	1 285	73 065
Loans and advances to banks	-	19 286	571	19 857	-	22 219	2 109	24 328
Trading and hedging portfolio assets	16 360	56 773	1 505	74 638	20 083	95 168	1 415	116 666
Debt instruments	15 417	2 573	1 324	19 314	18 674	7 957	897	27 528
Derivative assets	-	46 570	181	46 751	-	79 235	518	79 753
Commodity derivatives	-	794	-	794	-	223	-	223
Credit derivatives	-	70	114	184	-	885	23	908
Equity derivatives	-	1 526	67	1 593	-	2 118	43	2 161
Foreign exchange derivatives	-	15 121	-	15 121	-	26 996	-	26 996
Interest rate derivatives	-	29 059	-	29 059	-	49 013	452	49 465
Listed equity instruments - HFT	943	-	-	943	1 409	-	-	1 409
Money market assets	-	7 630	-	7 630	-	7 976	-	7 976
Other assets	-	-	-	-	-	-	17	17
Loans and advances to customers	-	19 187	4 890	24 077	3	21 909	7 511	29 423
Total financial assets	67 269	127 449	8 028	202 746	66 593	164 570	12 337	243 500
Financial liabilities								
Deposits from banks	-	17 634	-	17 634	-	16 625	7	16 632
Trading and hedging portfolio liabilities	1 786	42 464	307	44 557	1 242	90 640	216	92 098
Derivative liabilities	-	42 464	307	42 771	-	90 640	216	90 856
Commodity derivatives	-	872	-	872	-	440	-	440
Credit derivatives	-	135	101	236	-	879	14	893
Equity derivatives	-	1 306	59	1 365	-	3 768	57	3 825
Foreign exchange derivatives	-	13 996	-	13 996	-	28 193	-	28 193
Interest rate derivatives	-	26 155	147	26 302	-	57 360	145	57 505
Short positions	1 786	-	-	1 786	1 242	-	-	1 242
Deposits due to customers	154	15 870	1 139	17 163	110	15 144	2 557	17 811
Debt securities in issue	412	4 651	604	5 667	678	5 421	624	6 723
Total financial liabilities	2 352	80 619	2 050	85 021	2 030	127 830	3 404	133 264
Non-financial assets								
Commodity	1 485	-	-	1 485	2 005	-	-	2 005
Investment Properties	-	-	222	222	-	-	518	518
Non-recurring fair value measurements								
Non-current assets held for sale[1]	-	-	367	367	-	-	109	109
Non-current liabilities held for sale[1]	-	-	9	9	-	-	-	-

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

14. Assets and liabilities held at fair value *(continued)*

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. Assets and liabilities held at fair value *(continued)*

14.6 Reconciliation of Level 3 assets and liabilities

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

2016

	Trading and hedging portfolio assets Rm	Other assets Rm	Loans and advances to customers Rm	Loans and advances to banks Rm	Investment securities Rm	Investment properties Rm	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)
Gains and losses from investment activities	-	-	-	-	-	-	-
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
Issues	-	-	-	-	-	-	-
Settlements	-	-	-	-	-	-	-
Transferred to/(from) assets	-	-	-	-	-	(292)	(292)
Movement in/(out) of Level 3	-	-	(962)	-	(154)	-	(1 116)
Closing balance at the end of the reporting period	1 505	-	4 890	571	1 062	222	8 250

2015

	Trading and hedging portfolio assets Rm	Other assets Rm	Loans and advances to customers Rm	Loans and advances to banks Rm	Investment securities Rm	Investment properties Rm	Total assets at fair value Rm
Opening balance at the beginning of the reporting period	1 151	17	4 731	-	2 316	252	8 467
Net interest income	-	-	488	-	78	-	566
Gains and losses from banking and trading activities	331	-	-	-	-	-	331
Gains and losses from investment activities	-	-	-	(18)	14	4	-
Purchases	16	-	5 108	2 127	14	294	7 559
Sales	(83)	-	(2 816)	-	(1 172)	(32)	(4 103)
Movement in other comprehensive income	-	-	-	-	35	-	35
Issues	-	-	-	-	-	-	-
Settlements	-	-	-	-	-	-	-
Transferred to/(from) assets	-	-	-	-	-	-	-
Movement in/(out) of Level 3	-	-	-	-	-	-	-
Closing balance at the end of the reporting period	1 415	17	7 511	2 109	1 285	518	12 855

14.6.1 Significant transfers between levels

During the 2016 and 2015 reporting periods, transfers between levels occurred because of changes in the observability of valuation inputs, in some instances owing to changes in the level of market activity.

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

14. Assets and liabilities held at fair value *(continued)*

14.6 Reconciliation of Level 3 assets and liabilities *(continued)*

	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	-	-	-	-	-
Gains and losses from banking and trading activities	-	91	-	-	91
Gains and losses from investment activities	-	-	139	(9)	130
Purchases	-	-	-	-	-
Sales	-	-	-	-	-
Movement in other comprehensive income	-	-	-	-	-
Issues	-	-	1 953	-	1 953
Settlements	(7)	-	(3 510)	(11)	(3 528)
Transferred to/(from) assets/liabilities	-	-	-	-	-
Movement in/(out) of Level 3	-	-	-	-	-
Closing balance at the end of the reporting period	-	307	1 139	604	2 050

	2015				
	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	-	320	5 530	42	5 892
Net interest income	-	-	-	-	-
Gains and losses from banking and trading activities	-	(21)	-	-	(21)
Gains and losses from investment activities	-	-	132	172	304
Purchases	-	-	-	-	-
Sales	-	-	-	-	-
Movement in other comprehensive income	-	-	-	-	-
Issues	7	-	3 112	410	3 529
Settlements	-	(83)	(3 265)	-	(3 348)
Transferred to/(from) liabilities	-	-	-	-	-
Movement in/(out) of Level 3	-	-	(2 952)	-	(2 952)
Closing balance at the end of the reporting period	7	216	2 557	624	3 404

14. Assets and liabilities held at fair value *(continued)*

14.7 Unrealised gains and losses on Level 3 assets and liabilities

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

	2016					
	Trading and hedging portfolio assets	Loans and advances to customers	Investment securities	Investment properties	Non-current assets held for sale	Total assets at fair value
	Rm	Rm	Rm	Rm	Rm	Rm
Gains and losses from banking and trading activities	(22)	39	9	-	-	26

	2015					
	Trading and hedging portfolio assets	Loans and advances to customers	Investment securities	Investment properties	Non-current assets held for sale	Total assets at fair value
	Rm	Rm	Rm	Rm	Rm	Rm
Gains and losses from banking and trading activities	96	(28)	48	-	-	116

	2016				
	Trading and hedging portfolio liabilities	Other liabilities	Deposits due to customers	Debt securities in issue	Total liabilities at fair value
	Rm	Rm	Rm	Rm	Rm
Gains and losses from banking and trading	(104)	-	-	-	(104)

	2015				
	Trading and hedging portfolio liabilities	Other liabilities	Deposits due to customers	Debt securities in issue	Total liabilities at fair value
	Rm	Rm	Rm	Rm	Rm
Gains and losses from banking and trading	79	-	-	-	79

14. Assets and liabilities held at fair value *(continued)*

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% or the underlying value of the affected item. This is demonstrated by the following sensitivity analysis which includes reasonable range of possible outcomes:

		2016	
		Potential effect recorded in profit and loss	Potential effect recorded directly in equity
	Significant 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.Assets and liabilities held at fair value *(continued)*

14.8 Sensitivity analysis of valuations using unobservable inputs *(continued)*

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

14. Assets and liabilities held at fair value *(continued)*

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	Range of estimates utilised for the unobservable inputs 2016	2015
Loans and advances to customers	Discounted cash flow and/or dividend yield models	Credit spreads	0,5% to 5%	0,96% to 3,99%
Investment securities	Discounted cash flow models, third-party valuations, earnings multiples and/or income capitalisation valuations	Risk adjusted yield curves, future earnings marketability discounts and/or comparator multiples	Discount rate of 13%,comparator multiples between 5 and 10,5	Discount rates between 8% and 11,5%,comparator multiples between 5 and 10,5
Trading and hedging portfolio assets and liabilities				
Debt instruments	Discounted cash flow models	Credit spreads	1,2% to 11,2%	0,9% to 3,5%
Derivative assets				
Credit derivatives	Discounted cash flow and/ or credit default swap (hazard rate) models	Credit spreads, recovery rates and/or quanto ratio	0% to 40%	0% to 23,64%
Equity derivatives	Discounted cash flow, option pricing and/or futures pricing models	Volatility and/or dividend streams (greater than 3 years)	17,82% to 67,71%	17,82% to 67,71%
Foreign exchange derivatives	Discounted cash flow and/ or option pricing models	African basis curves (greater than 1 year)	(16,6)% to 13,1%	(10.00%) to 10,50%
Interest rate derivatives	Discounted cash flow and/ or option pricing models	Real yield curves (less than 1 year), repurchase agreement curves (less than 1 year), funding spreads	0,31% to 3,38%	0,58% to 2,15%
Deposits due to customers	Discounted cash flow models	Barclays Africa Group Limited's funding spreads (greater than 5 years)	(0,27)% to 2,13%	1,52% to 2,15%
Debt securities in issue	Discounted cash flow models	Funding curves (greater than 5 years)	(0,27)% to 2,13%	(0,20%) to 3,35%
Investment Properties	Discounted cash flow models	Estimates of periods in which rental units will be disposed of Annual selling price escalations Annual rental escalations Expense ratios Vacancy rates Income capitalisation rates Risk adjusted discount rates	1 to 10 years 1% to 7% 1% to 7% 25% to 50% 1% to 7% 10% to 11% 14%	1 to 7 years 0% to 6% 0% to 10% 26% to 51% 1% to 18% 8% to 12% 13% to 14%

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

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. Assets and liabilities held at fair value *(continued)*

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:

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

14.11 Third-party credit enhancements

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

15. Reporting changes overview

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

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

Absa Bank Limited

Incorporated in the Republic of South Africa

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Note

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