Standard Bank Group
provisional results and dividend announcement 2016

for the year ended 31 December

Standard Bank Moving Forward™

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The Standard Bank Group Limited's (group) summary consolidated financial statements, for the year ended 31 December 2016 (results) are prepared in accordance with the requirements of the JSE Limited (JSE) Listings Requirements for provisional reports, the requirements of International Financial Reporting Standards (IFRS) and its interpretations as adopted by the International Accounting Standards Board, the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, the presentation requirements of IAS 34 *Interim Financial Reporting* and the requirements of the South African Companies Act, 71 of 2008 applicable to summarised financial statements.

The accounting policies applied in the preparation of these consolidated financial statements from which the results have been derived are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the group's previous consolidated annual financial statements with the exception of changes referred to on pages 34 and 35.

While this report is itself not audited, the consolidated annual financial statements from which the summary consolidated annual financial statements on pages 9 to 35 have been derived were audited by KPMG Inc. and PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. That audit report does not necessarily report on all of the information contained in this report.

Shareholders are therefore advised that, in order to obtain a full understanding of the nature of the auditor's engagement and, more specifically, the nature of the information that has been audited, they should obtain a copy of the auditors' report together with the accompanying audited consolidated annual financial statements, both of which are available for inspection at the company's registered office. The group's reporting suite, including the Standard Bank Group's annual integrated report and risk and capital management report and annual financial statements will be made available during April 2017. Copies can be requested from our registered office or downloaded from the company's website following announcement in April 2017 on the JSE's Stock Exchange News Service (SENS).

The directors of Standard Bank Group Limited take full responsibility for the preparation of this report and that the selected financial information has been correctly extracted from the underlying audited consolidated annual financial statements.

The results discussed in this announcement are presented in terms of IFRS. For financial periods up to the end of December 2015, the group also presented normalised results to reflect the group's view of the economics of the Black Economic Empowerment Ownership (Tutuwa) initiative and the group's share exposures entered into to facilitate client trading activities and for the benefit of Liberty policyholders.

The preparation of the group's results was supervised by the group financial director, Arno Daehnke BSc, MSc, PhD, MBA, AMP.

The results were made publicly available on 2 March 2017.

This report contains *pro forma* constant currency financial information. For further details refer to page 36.

In line with changes to the JSE's Listings Requirements, the group no longer posts a physical copy of this announcement to its shareholders. Investors are referred to www.standardbank.com/reporting where a detailed analysis of the group's financial results, including an income statement and a statement of financial position for The Standard Bank of South Africa Limited, can be found. Scan the image on the inside of the back cover of this report to be taken there directly.

Highlights

R23 009 million ↑ 4%
HEADLINE EARNINGS
2015: R22 187 million

1 440 cents ↑ 4%
HEADLINE EARNINGS PER SHARE
2015: 1 389 cents

R22 062 million ↑ 9%
BANKING ACTIVITIES HEADLINE EARNINGS
2015: R20 323 million

780 cents ↑ 16%
DIVIDEND PER SHARE
2015: 674 cents

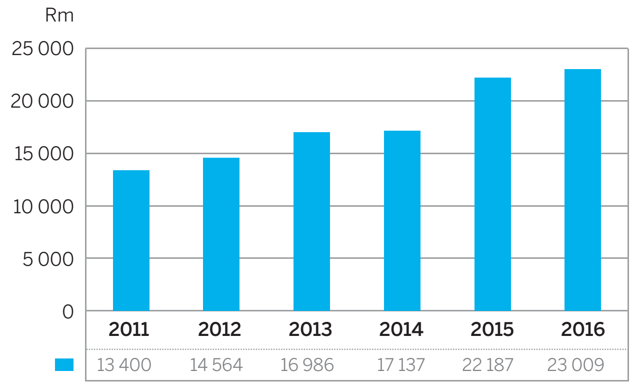
15.3%
RETURN ON EQUITY
2015: 15.6%

13.9%
COMMON EQUITY TIER 1 RATIO
2015: 12.9%

56.3%
COST-TO-INCOME RATIO
2015: 56.5%

0.86%
CREDIT LOSS RATIO
2015: 0.87%

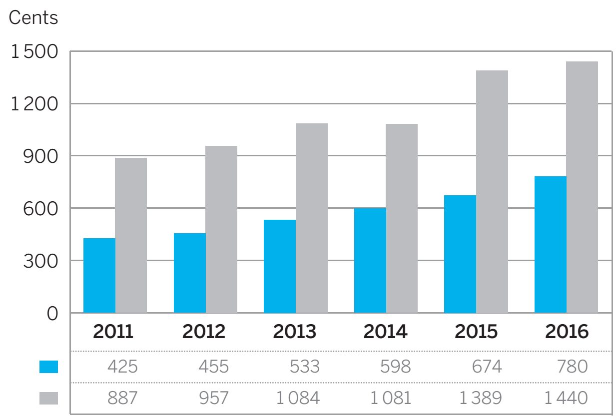
Headline earnings
CAGR[1] (2011 – 2016): 11%



	2011	2012	2013	2014	2015	2016
Headline earnings	13 400	14 564	16 986	17 137	22 187	23 009

[1] Compound annual growth rate.

Headline earnings and dividend per share
CAGR (2011 – 2016): Dividend per share: 13%
Headline earnings per share: 10%



	2011	2012	2013	2014	2015	2016
Dividend per share	425	455	533	598	674	780
Headline earnings per share	887	957	1 084	1 081	1 389	1 440

Dividend per share
Headline earnings per share

Overview of financial results

Group results

Group headline earnings and headline earnings per share increased by 4% to R23 009 million and 1 440 cents respectively. At year end, the group's capital position was in excess of the upper-end of the group's target range, which supported our decision to increase the dividend payout ratio to 54.2%. A final dividend of 440 cents per share has been declared bringing the total dividend for the year to 780 cents per share, representing an increase of 16% on 2015.

We were particularly pleased that our banking activities (which exclude our investments in Liberty Holdings, ICBC Standard Bank Plc (ICBCS) and ICBC Argentina) headline earnings grew by 9% to R22 062 million. This translates into an ROE of 16.8%, an improvement from a level of 16.3% in the previous year. Group ROE, impacted by Liberty's performance, was 15.3%, down from 15.6% in 2015.

Despite the elevated levels of macro, political and policy uncertainty experienced in many of the markets in which the group operates, we continued to grow our businesses both in South Africa and in our Africa Regions franchise, which in the 2016 financial year contributed 30% to the group's total income and 25% to the group's headline earnings.

In the prior year, group earnings were positively impacted by certain items which were non-recurring in nature. More specifically, 2015 earnings attributable to ordinary shareholders included R2.8 billion of earnings that were non-recurring, of which R1.6 billion were excluded from headline earnings.

Operating environment

2016 was a tumultuous year. Globally, two key events stole the limelight – the UK's "Brexit" vote and the US election. The ambiguity in the run-up to these events as well as the contrarian outcomes drove uncertainty and volatility. Overall, global growth is expected to have been in line with the International Monetary Fund's (IMF) expectations, at 3.1% for the year. This growth was supported by a stronger than expected trend in advanced economies, driven primarily by better than expected outcomes in the US and UK, while emerging markets growth plateaued. During the year, China's policy stimulus continued and growth stabilised, providing some support to commodity prices, whilst OPEC's decision to trim output helped to lift oil prices. In December 2016, the US Federal Reserve Bank raised rates by 25bps and, more importantly, provided a strong indication that it was the start of further increases to come, cementing views around the strength of the US economy.

Although sub-Saharan African growth is expected to have fallen to 1.6% (2015: 3.4%), the regional and country specific dynamics drove divergent outcomes. Widespread drought in east, central and southern Africa continued, which placed strain on food supply and drove inflation. Oil-export reliant countries remained constrained on the back of low prices, exacerbated in the case of Nigeria by supply interruptions. Many countries tightened monetary policy in an attempt to control inflation. In addition, specific issues and policy decisions, such as the Mozambique IMF review, illiquid currency markets in Angola and Nigeria, Kenya rate caps and floors, and geo-political issues, including elections and political unrest, impacted specific countries. Despite these headwinds, the more diversified oil-importing east African countries continued to offer better macro prospects, attract investment and outperform.

In South Africa, the threat of a sovereign downgrade by rating agencies to sub-investment grade persisted throughout the year. This in turn negatively impacted the already weak business and consumer confidence and further delayed much needed domestic investment and job creation opportunities. Idiosyncratic politically driven actions added to uncertainty and heightened international investor caution. Inflationary pressures brought about by the drought and the weak exchange rate placed additional pressure on already constrained consumers. Demand for credit was weaker year-on-year and displayed a decelerating trend over the year, with household demand broadly flat. Overall GDP growth for 2016 is expected to have been 0.4%, a marginal improvement on the 0% forecast at the start of the year. In certain sectors, such as manufacturing, agriculture and mining, growth oscillated between expansion and contraction over the year, while other sectors, such as finance, real estate and business services and personal services, continued to report growth quarter-on-quarter despite the difficult conditions. In 2H16, on the back of positive global sentiment, firmer commodity prices and some recovery in the currency, South Africa's economic outlook improved. This momentum, combined with the fiscal rectitude shown by the Treasury, the fortitude shown by our key institutions, and the progress made on certain of the other areas of concern raised by the rating agencies, aided the country in maintaining an investment grade rating. There remains a broad recognition that there is still considerable work to be done, not only to avoid a downgrade in June 2017, but more importantly, to deliver the inclusive growth required to tackle poverty and unemployment and transform the economy into one in which everyone can share in its benefits.

The commentary which follows refers to the group's banking activities. Other banking interests and Liberty's results are discussed separately.

Revenue

Total income grew by 10% in 2016, supported by strong growth in net interest income (NII). NII increased by 15% on the back of stronger margins, up 31bps to 383bps. The margin expansion drivers noted in 1H16 continued into 2H16, namely a positive endowment impact of higher average interest rates and improved loan pricing and funding margin.

Non-interest revenue (NIR) grew by 3%, supported by net fees and commission revenues and CIB trading revenue, which both grew by 8%. Other revenue was 23% lower than in the prior year due to the non-recurrence of certain gains on real estate investment related disposals and investment portfolio revaluations.

Credit impairment charges

Overall total credit impairment charges were largely flat and the total credit loss ratio (CLR) of 86bps was in line with the 87bps recorded in the prior year. In South Africa, the CLR declined on the back of lower impairments in mortgages and vehicle and asset finance, as the performance of those portfolios continued to improve, combined with the non-recurrence of large corporate impairments. In contrast, the Africa Regions CLR deteriorated primarily as a result of increased impairments in Nigeria and Mozambique. The group's coverage and non-performing loan (NPL) ratios remained broadly in line with prior years.

CIB's credit impairment charges increased from R1 279 million to R1 603 million and its CLR to customers increased from 39bps to 44bps, driven by higher provisions in the Africa Regions portfolio, in particular Nigeria. CIB's NPLs declined, reflective of a combination of write-offs, successful restructurings and the impact of currency translation. PBB's CLR reduced marginally from 127bps to 125bps, driven predominantly by a decline in mortgage-related impairment charges year-on-year, reflective of the good performance of the book and collection-related actions taken. Vehicle and asset finance impairments declined by 11%, whilst business and commercial lending impairments were 41% higher, primarily within the Africa Regions. Overall personal unsecured impairments rose, reflective of constrained consumer affordability.

Operating expenses

Operating expenses increased by 9% year-on-year and the group's cost-to-income ratio improved from 56.5% to 56.3%. Staff costs increased by 11% while other operating expenses increased by 8%. Growth in staff costs was driven by salary increases, the impact of the conversion of temporary staff to permanent employment and increases in headcount in the Africa Regions. On the back of a conscious focus on costs, the business was able to absorb the R300 million loss related to a fraud incident in Japan in May and the R496 million increase in capitalised software related amortisation, as well as the adverse translation impact of a weaker ZAR exchange rate in 1H16. Continued focus on IT cost saving initiatives helped contain growth in IT-related costs to 2% over the year. Despite inflationary pressures, the group was able to deliver positive JAWs of 30bps.

The currency-related headwinds experienced in 1H16 on the back of a weak ZAR largely reversed in 2H16 on the back of a combination of ZAR strength and weakness in various African currencies. On a constant currency basis, the group recorded positive JAWs of 60bps.

Loans and advances

Gross loans and advances to customers grew by 1% year-on-year, and 4% on a constant currency basis. PBB loans to customers grew 2% year-on-year, underpinned by a 3% growth in residential mortgages and partially offset by a 1% decline in business lending and a 5% decline in personal unsecured lending on the back of tighter risk appetite. The CIB portfolio declined 1% year-on-year; but would have reflected growth of 3% on a constant currency basis. Corporate loans contracted 4%. The CIB South Africa portfolio continued to grow, but the Africa Regions portfolio recorded a decline year-on-year, exacerbated by currency weakness in our key markets.

Capital, funding and liquidity

The group remains well capitalised with common equity tier I ratio at 13.9% (2015: 12.9%) and total capital adequacy at 16.6% (2015: 15.7%). The group's capital position remains strong and in excess of capital requirements as prescribed by the South African Reserve Bank (SARB) and the group's own target ranges. In January 2017, post receipt of the necessary approvals required, ICBC and the group injected additional regulatory capital into ICBCS, with the group's *pro rata* portion amounting to USD106 million. Given that the injection was made in January 2017 the impact thereof is not included in the group's capital position as at 31 December 2016.

Deposits and current accounts from customers increased 4% year-on-year, and 12% on a constant currency basis. Retail-priced deposits declined 1% whilst wholesale-priced funding grew by 7%. On a constant currency basis, retail-priced deposits increased by 11% and wholesale-priced funding increased by 12%.

The group's liquidity position remained strong and within approved risk appetite and tolerance limits. As at 31 December 2016, the group's total contingent liquidity amounted to R335.9 billion (2015: R312.7 billion), and remains adequate to meet all internal stress testing, prudential and regulatory requirements. As at 31 December 2016 the group's quarterly average Basel III liquidity coverage ratio (LCR) amounted to 117.1%, exceeding the 70% minimum phased-in Basel III LCR requirement. From January 2018, the group will be required to comply with the Basel III net stable funding ratio (NSFR). The group supports the amended framework issued by the SARB in August 2016, whereby funding received from financial corporates, excluding banks, maturing within six months receives an available stable funding factor of 35%. The group, together with the local banking industry, continues to engage, through the Banking Association South Africa (BASA), with the SARB on the remaining items requiring clarification and to explore market-based solutions to ensure that the NSFR framework aligns to local industry conditions and requirements.

Gross loans and advances to customers

	Change %	2016 Rm	2015 Rm
Personal & Business Banking	2	**588 353**	576 078
Mortgage loans	3	**336 451**	325 867
Vehicle and asset finance	1	**81 035**	80 278
Card debtors		**31 229**	31 174
Other loans and advances	1	**139 638**	138 759
Corporate & Investment Banking	(1)	**360 336**	363 596
Corporate loans	(4)	**294 817**	307 546
Commercial property finance	17	**65 519**	56 050
Central & other		**(5 056)**	(5 033)
Gross loans and advances to customers	1	**943 633**	934 641

Deposits and current accounts from customers

	Change %	2016 Rm	2015 Rm
Personal & Business Banking		**497 558**	498 189
Retail priced deposits	(1)	**401 497**	404 341
Wholesale priced deposits	2	**96 061**	93 848
Corporate & Investment Banking	8	**616 601**	572 635
Central & other	32	**(4 413)**	(6 477)
Deposits and current accounts from customers	4	**1 109 746**	1 064 347
Comprising:			
Retail priced deposits and current accounts	(1)	**401 497**	404 341
Wholesale priced deposits	7	**708 249**	660 006
Deposits and current accounts from customers	4	**1 109 746**	1 064 347

Overview of financial results continued

Headline earnings by business unit

	Change %	2016 Rm	2015 Rm
Personal & Business Banking	12	**12 630**	11 280
Corporate & Investment Banking	16	**10 558**	9 076
Central & other	(>100)	**(1 126)**	(33)
Banking activities	9	**22 062**	20 323
Other banking interests	99	**(8)**	(569)
Liberty	(61)	**955**	2 433
Standard Bank Group	4	**23 009**	22 187

Overview of business unit performance

Personal & Business Banking

PBB's headline earnings grew by 12% to R12 630 million. Strong NII growth of 14% and NIR growth of 8% translated into total income growth of 11% to R67 480 million. Credit impairment charges were 3% higher than in 2015. Operating expenses increased by 11%, of which the Japan fraud incident, the increase in permanent employees to comply with legislation, and higher information technology systems related amortisation contributed 2% to the operating expenses growth. PBB's ROE increased to 18.7% from 18.2%. PBB South Africa's headline earnings rose by 11% to R11 769 million, PBB International increased by 21% to R558 million and the PBB Africa Regions headline earnings increased by 66% to R303 million. On a constant currency basis, total income and operating expenses both grew by 12%.

Transactional products headline earnings grew by 5% to R3 500 million, net of the operational risk losses associated with the Japan fraud incident. Total income increased by 12% driven by a steady growth in balances, a positive endowment impact and higher transactional volumes.

Mortgage lending headline earnings grew by 20% to R2 964 million. Total income grew 10% driven by underlying growth in new registrations and a slight decrease in prepayments. The roll-off of older lower-margin vintages written in the period 2006 to 2008 assisted portfolio margins. Credit impairments fell 9% and the CLR declined from 66bps to 58bps on the back of the continued roll-off of the older vintages combined with optimised collection strategies.

Vehicle and asset finance headline earnings grew by 38% to R421 million. Total income increased by 12% supported by both portfolio growth and improved margins. Credit impairments were lower on the back of improved collections and asset disposal processes. Good book growth and lower impairments led to a decrease in the CLR from 150bps to 124bps.

Card products headline earnings grew by 4% to R1 550 million, slightly dampened by higher impairments. Total income growth slowed to 5% on the back of muted balance growth, interchange reform related headwinds and account attrition. Ongoing consumer strain associated with the worsening macro-economic environment was reflected in the slight increase in NPLs, with the CLR increasing from 462bps in the prior year to 470bps.

Lending products headline earnings grew by 21% to R1 720 million. Total income increased by 14%, resulting from growth in revolving credit plans and term loans, and better pricing. Lending products' CLR increased from 169bps to 184bps in line with the constrained macro-economic environment.

Wealth (including bancassurance) headline earnings grew by 9% to R2 475 million. Total income increased by 12%, driven by growth in deposit balances and increased client activity in Wealth International as well as growth in assets under management in the Nigeria pension business. Actions taken to improve the claims experience have improved insurance returns and underwriting profits.

Corporate & Investment Banking

CIB's headline earnings grew by 16% to R10 558 million. Total income grew by 12% to R35 249 million, with client revenue growing by 10%, indicative of the resilience of our strong, diversified CIB client franchise. Our focus on multinational corporates is paying dividends and revenue from these customers contributed more than half our total revenues. Partnering with local corporates in their respective markets has resulted in a strong performance across our franchise with revenue from local corporates within the South African franchise growing by 18%. NII increased 25%, reflecting the successes of the liability-led model complemented by targeted credit growth within selected sectors such as consumer, industrials and real estate. The CLR to customers of 44bps, although up on the prior year ratio of 39bps, is within risk appetite and in line with expectations. Diligent cost management delivered cost growth of 7% and strong positive JAWs of 5%. CIB's continued disciplined approach to capital allocation resulted in ROE improving to 20.0% from 18.0% in the prior year.

Global markets headline earnings growth was robust at 23% to R4 655 million. Total income increased by 13%, supported by continued client activity across all our regions despite the market volatility and dislocations in some currency markets.

Transactional products and services headline earnings grew by 17% to R3 073 million. Total income was 19% higher than the prior year due to the positive endowment impact and a strong performance from our investor services business. Impairment charges increased >100%, driven primarily by the Africa Regions where we saw the most stress. Cost growth was well contained at 10%, translating into positive JAWs of 9%.

Investment banking headline earnings increased 15% to R3 098 million. Total income increased 6% year-on-year, impairment charges declined 6% and good cost discipline resulted in flat cost growth, delivering positive JAWs of 6% for the year.

Real estate and principal investment management (PIM) recorded a headline earnings loss of R268 million, reflective of the associated business' wind-down costs.

Central & other
In the current year, the segment recorded a R1 126 million headline earnings loss, attributable to group hedging activities and costs of servicing group capital requirements. In the prior year, the central & other segment included a R515 million gain related to the cash flow hedge release on disposal of the group's operations in Brazil and the controlling interest in Standard Bank Plc. Excluding this amount, and other one-off items in 2015, prior year headline earnings would have been a R1 181 million loss.

Other banking interests
Headline earnings loss from the group's other banking interests improved to a net loss of R8 million, from R569 million in the prior year. The headline earnings contribution from the group's 20% interest in ICBC Argentina declined 3% year-on-year to R583 million on the back of a weaker Argentinian Peso (on a constant currency basis ICBC Argentina headline earnings increased by 37%). The equity-accounted headline earnings loss from the group's interest in ICBCS more than halved in 2016 to R591 million from R1 294 million in 2015 (excluding one-offs related to the insurance recovery linked to the aluminium fraud in China and the deferred prosecution agreement fine agreed with the UK's Serious Fraud Office).

Liberty
The financial results reported are the consolidated results of the group's 55% investment in Liberty, adjusted for the group's shares held by Liberty for the benefit of Liberty policyholders and treated as treasury shares in the group's consolidated accounts. Liberty's normalised headline earnings for the year decreased by 39% to R2 527 million, affected by lower returns from investment markets and a challenging consumer environment. Liberty's IFRS headline earnings, post the impact of the BEE preference shares and the Liberty Two Degrees (L2D) listed Real Estate Investment Trust (REIT) accounting mismatch, decreased by 46% to R2 207 million. Shareholders are referred to the full Liberty announcement dated 24 February 2017 for further detail. Liberty's IFRS headline earnings attributable to the group, adjusted for the impact of the Liberty deemed treasury shares, decreased by 61% to R955 million.

Prospects
The economic growth momentum that built towards the end of 2016, driven by China and the US, has continued into the start of 2017. The IMF is forecasting an uptick in global growth from 3.1% in 2016 to 3.4% and 3.6% in 2017 and 2018 respectively. Global trade activity should pick up on the back of policy stimulus and a gradual normalisation of large economies, such as Brazil and Russia. However, uncertainty surrounding US policy direction under the new administration, Brexit negotiations and the broader European macro outlook may pose downside risks to global growth prospects.

Sub-Saharan Africa's GDP growth is expected to be 2.8%, buoyed by global trade, resource demand and improved economic prospects generally. Rains in late 2016 and early 2017 bode well for the agriculture sectors in the countries previously afflicted by the drought. Commodity exporters will welcome higher prices. Nigeria is expected to return to positive growth, post a contraction of 1.5% in 2016, subject to oil supply and foreign exchange restrictions being eased. South Africa's forecast growth at 1.5% is an improvement, but remains subject to idiosyncratic event risk, such as rating agency and political decision points during the year. Lastly, the SARB has indicated that it expects rates to remain on hold, subject to inflation and exchange rate developments, which is likely to continue to constrain household consumptions and fixed investment.

With these dynamics in mind, we look to our clients, to the challenges and opportunities they may face, and seek ways to partner with them on their journeys in 2017 and beyond. As we focus on delivering market-leading client experiences, we continue to invest in our client-facing digital capabilities to enable our clients to transact independently and safely anytime anywhere. We recognise and value the trust that our clients place in us and remain vigilant in our efforts to protect our clients' resources and data. Accordingly, we continue to monitor developments and potential threats, engage with industry bodies and invest in our defences to enhance our resilience.

The businesses we operate are complex and we rely on our people across our network to navigate the challenges each business faces and make appropriate decisions in line with strategic priorities and our values. To this end, we continue to invest and equip our people with the skills required, empower them to make decisions, hold them accountable and celebrate their successes. Furthermore, we are seeking opportunities to use technology to leverage our data to inform decisions, deliver client specific solutions and drive process efficiency and productivity gains.

With regards to Liberty, we are working closely with its board and management and are supportive of their efforts to address their shorter term challenges relating to sales, the competitiveness of Liberty's product suite and ongoing cost management.

In April 2015 the South African Competition Commission announced that it had initiated a complaint against Standard New York Securities Inc. (SNYS) and 21 other institutions concerning possible contravention of the Competition Act in relation to USD/ZAR trading between 2007 and 2013. No mention was made of The Standard Bank of South Africa Limited (SBSA). On 15 February 2017 the Competition Commission lodged five complaints with the Competition Tribunal against 18 institutions, including SBSA and SNYS, in which it alleges unlawful collusion between those institutions in the trading of USD/ZAR. We only learned of the SBSA-related complaints at this time and are engaging with the Competition Commission to better understand the basis for the complaints and the appropriate response. We consider these allegations in an extremely serious light and remain committed to maintaining the highest levels of control and compliance with all relevant regulations. The allegations are confined to USD/ZAR trading activities within SBSA and do not relate to the conduct of the group more broadly.

As we look to the year ahead, we remain steadfast in our commitment to doing the right business the right way. In this context, we continue to embed a culture of responsible business practices. We remain committed to delivering through-the-cycle headline earnings growth and ROE within our target range of 15% – 18% over the medium term. In order to do so, we recognise the need to balance prudent capital management with appropriate return-based resource allocation and leverage.

Lastly, we wish to highlight that banks play an important role in society which is broader than creating shareholder value. We seek to create value for all our stakeholders – clients, employees, shareholders, government and communities alike. In doing so, we continue to contribute meaningfully to the social, economic and environmental prosperity and wellbeing in the markets in which we operate.

Sim Tshabalala
Group chief executive

Ben Kruger
Group chief executive

Thulani Gcabashe
Chairman

1 March 2017

Declaration of dividends

Shareholders of Standard Bank Group Limited (the company) are advised of the following dividend declarations out of income reserves in respect of ordinary shares and preference shares.

Ordinary shares

Ordinary shareholders are advised that the board of directors (the board) has resolved to declare a final gross cash dividend No. 95 of 440,00 cents per ordinary share (the cash dividend) to ordinary shareholders recorded in the register of the company at the close of business on Friday, 31 March 2017. The last day to trade to participate in the dividend is Tuesday, 28 March 2017. Ordinary shares will commence trading *ex* dividend from Wednesday, 29 March 2017.

The salient dates and times for the cash dividend are set out in the table that follows.

Ordinary share certificates may not be dematerialised or rematerialised between Wednesday, 29 March 2017, and Friday, 31 March 2017, both days inclusive. Ordinary shareholders who hold dematerialised shares will have their accounts at their Central Securities Depository Participant (CSDP) or broker credited on Monday, 3 April 2017.

Where applicable, dividends in respect of certificated shares will be transferred electronically to shareholders' bank accounts on the payment date. In the absence of specific mandates, dividend cheques will be posted to shareholders.

Preference shares

Preference shareholders are advised that the board has resolved to declare the following interim distributions:

- 6.5% first cumulative preference shares (first preference shares) dividend No. 95 of 3,25 cents (gross) per first preference share, payable on Monday, 27 March 2017, to holders of first preference shares recorded in the books of the company at the close of business on the record date, Friday, 24 March 2017. The last day to trade to participate in the dividend is Monday, 20 March 2017. First preference shares will commence trading *ex* dividend from Wednesday, 22 March 2017.
- Non-redeemable, non-cumulative, non-participating preference shares (second preference shares) dividend No. 25 of 407,57 cents (gross) per second preference share, payable on Monday, 27 March 2017, to holders of second preference shares recorded in the books of the company at the close of business on the record date, Friday, 24 March 2017. The last day to trade to participate in the dividend is Monday, 20 March 2017. Second preference shares will commence trading *ex* dividend from Wednesday, 22 March 2017.

The salient dates and times for the preference share distributions are set out in the table that follows.

Preference share certificates (first and second) may not be dematerialised or rematerialised between Wednesday, 22 March 2017 and Friday, 24 March 2017, both days inclusive. Preference shareholders (first and second) who hold dematerialised shares will have their accounts at their CSDP or broker credited on Monday, 27 March 2017.

Where applicable, dividends in respect of certificated shares will be transferred electronically to shareholders' bank accounts on the payment date. In the absence of specific mandates, dividend cheques will be posted to shareholders.

The relevant dates for the payment of dividends are as follows:

	Ordinary shares	6.5% cumulative preference shares (First preference shares)	Non-redeemable, non-cumulative, non-participating preference shares (Second preference shares)
JSE Limited			
Share code	SBK	SBKP	SBPP
ISIN	ZAE000109815	ZAE000038881	ZAE000056339
Namibian Stock Exchange (NSX)			
Share code	SNB		
ISIN	ZAE000109815		
Dividend number	95	95	25
Dividend per share (cents)	440,00	3,25	407,57
Last day to trade in order to be eligible for the cash dividend	Tuesday, 28 March 2017	Monday, 20 March 2017	Monday, 20 March 2017
Shares trade ex the cash dividend	Wednesday, 29 March 2017	Wednesday, 22 March 2017	Wednesday, 22 March 2017
Record date in respect of the cash dividend	Friday, 31 March 2017	Friday, 24 March 2017	Friday, 24 March 2017
Dividend cheques posted and CSDP/broker account credited/ updated (payment date)	Monday, 3 April 2017	Monday, 27 March 2017	Monday, 27 March 2017

The above dates are subject to change. Any changes will be released on the SENS and published in the South African and Namibian press.

Tax implications

The cash dividend received under the ordinary shares and the preference shares is likely to have tax implications for both resident and non-resident ordinary and preference shareholders. Such shareholders are therefore encouraged to consult their professional tax advisers.

In terms of the South African Income Tax Act, 58 of 1962, the cash dividend will, unless exempt, be subject to dividends tax that was introduced with effect from 1 April 2012. South African resident ordinary and preference shareholders that are not exempt from dividends tax, will be subject to dividends tax at a rate of 20% of the cash dividend, and this amount will be withheld from the cash dividend with the result that they will receive a net amount of 352 cents per ordinary share, 2,6 cents per first preference share and 326.056 cents per second preference share. Non-resident ordinary and preference shareholders may be subject to dividends tax at a rate of less than 20% depending on their country of residence and the applicability of any Double Tax Treaty between South Africa and their country of residence.

The issued share capital of the company, as at the date of declaration, is as follows:

- 1 618 421 166 ordinary shares
- 8 000 000 first preference shares
- 52 982 248 second preference shares.

The company's tax reference number is 9800/211/71/7 and registration number is 1969/017128/06.

Financial statistics

for the year ended 31 December 2016

	Change %	2016	2015
Number of ordinary shares in issue (000's)			
End of period		**1 596 583**	1 601 417
Weighted average		**1 597 739**	1 597 399
Diluted weighted average		**1 619 444**	1 611 522
Cents per ordinary share			
Headline earnings	4	**1 440.1**	1 388.9
Continuing operations	3	**1 440.1**	1 394.5
Discontinued operation	100		(5.6)
Diluted headline earnings	3	**1 420.8**	1 376.8
Continuing operations	3	**1 420.8**	1 382.4
Discontinued operation	100		(5.6)
Dividend	16	**780**	674
Net asset value		**9 442**	9 433
Financial performance (%)			
ROE		**15.3**	15.6
Net interest margin on continuing banking activities		**3.83**	3.52
Credit loss ratio on continuing banking activities		**0.86**	0.87
Cost-to-income ratio on continuing banking activities		**56.3**	56.5
Capital adequacy ratios (%)			
Basel III			
Tier I capital adequacy ratio		**14.3**	13.3
Total capital adequacy ratio		**16.6**	15.7
Common equity tier 1 capital adequacy ratio		**13.9**	12.9

Condensed consolidated statement of financial position

as at 31 December 2016

	Change[3] %	2016 Rm	2015[1] Rm	2014[1] Rm
Assets				
Cash and balances with central banks	3	**77 474**	75 112	64 302
Derivative assets	(38)	**68 620**	111 089	61 633
Trading assets	51	**129 845**	86 219	72 040
Pledged assets	(45)	**18 777**	34 429	14 185
Financial investments	(1)	**483 774**	486 704	450 921
Current tax assets	(10)	**479**	534	498
Loans and advances	(1)	**1 065 405**	1 076 917	928 241
Non-current assets held for sale[2]				219 958
Policyholders' assets	(3)	**7 314**	7 579	6 507
Other assets	(12)	**21 547**	24 552	20 691
Interest in associates and joint ventures	(16)	**8 196**	9 703	3 727
Investment property	2	**31 155**	30 508	27 022
Property and equipment	(9)	**16 041**	17 670	16 737
Goodwill and other intangible assets	(2)	**23 675**	24 031	21 175
Deferred tax assets	6	**1 988**	1 881	1 715
Total assets	(2)	**1 954 290**	1 986 928	1 909 352
Equity and liabilities				
Equity		**179 359**	178 908	161 634
Equity attributable to ordinary shareholders		**150 757**	151 069	136 985
Preference share capital and premium		**5 503**	5 503	5 503
Non-controlling interests	3	**23 099**	22 336	19 146
Liabilities	(2)	**1 774 931**	1 808 020	1 747 718
Derivative liabilities	(44)	**75 083**	133 958	72 281
Trading liabilities	11	**47 867**	43 304	43 761
Current tax liabilities	28	**5 522**	4 304	4 505
Deposits and debt funding	2	**1 213 621**	1 186 514	1 047 212
Non-current liabilities held for sale[2]				182 069
Policyholders' liabilities	1	**307 230**	305 194	293 617
Subordinated debt	(4)	**25 997**	27 141	25 521
Provisions and other liabilities	(6)	**96 816**	102 511	74 277
Deferred tax liabilities	(45)	**2 795**	5 094	4 475
Total equity and liabilities	(2)	**1 954 290**	1 986 928	1 909 352

[1] Refer to the accounting policy elections and restatements regarding details of the change in presentation policy.
[2] The group's controlling interests in Standard Bank Plc (SB Plc) and Standard de Investimentos S.A.'s (now ICBCS Argentina) total assets and liabilities are presented as non-current assets and liabilities held for sale in 2014 in accordance with IFRS. Both were disposed of during 2015. During 2015, the group's associate interest in Ünlü Menkul Değerler A.Ş. was classified as a non-current asset held for sale and disposed of on 21 October 2015.
[3] Change percentage between 2015 and 2016.

Condensed consolidated income statement

for the year ended 31 December 2016

	Change %	2016 Rm	2015 Rm
Continuing operations			
Income from banking activities	10	99 857	91 113
Net interest income	15	56 892	49 310
Non-interest revenue	3	42 965	41 803
Income from investment management and life insurance activities	(11)	21 365	23 997
Total income	5	121 222	115 110
Credit impairment charges	(2)	(9 533)	(9 371)
Net income after credit impairment charges	6	111 689	105 739
Operating expenses in banking activities	(9)	(56 235)	(51 434)
Operating expenses in insurance activities	(7)	(17 374)	(16 184)
Net income before non-trading and capital related items and equity accounted earnings		38 080	38 121
Non-trading and capital related items	26	(1 123)	(1 512)
Share of post tax profit/(loss) from associates and joint ventures	>100	187	(323)
Net income before indirect taxation	2	37 144	36 286
Indirect taxation	12	(2 418)	(2 739)
Net Income before direct taxation	4	34 726	33 547
Direct taxation	(9)	(8 932)	(8 187)
Profit for the year from continuing operations	2	25 794	25 360
Profit from discontinued operation[1]	(100)		2 741
Profit for the year	(8)	25 794	28 101
Attributable to non-controlling interests	(20)	3 182	3 970
Attributable to preference shareholders	8	406	377
Attributable to ordinary shareholders	(7)	22 206	23 754
Earnings per share from continuing operations and discontinued operation			
Basic earnings per ordinary share (cents)		1 389.8	1 487.0
Diluted earnings per ordinary share (cents)		1 371.2	1 474.0
Earnings per share from continuing operations			
Basic earnings per ordinary share (cents)		1 389.8	1 315.5
Diluted earnings per ordinary share (cents)		1 371.2	1 303.9

[1] Gains and losses relating to SB Plc have been presented as a single amount relating to its post tax profit.

Headline earnings

for the year ended 31 December 2016

	Change %	2016 Rm	2015 Rm
Profit for the year from continuing operations	6	**22 206**	21 013
Headline adjustable items added		**989**	1 687
Goodwill impairment – IAS 36		**482**	333
Gains on a disposal of a business – IAS 27/IAS 28		**(11)**	(195)
Loss on sale of property and equipment – IAS 16		**50**	48
Realised foreign currency translation profit on foreign operations – IAS 21		**(62)**	(5)
Impairment of associate – IAS 28 / IAS 36		**10**	112
Impairment of intangible assets – IAS 36		**654**	1 330
Realised (gains)/losses on available-for-sale assets – IAS 39		**(134)**	64
Taxation on headline earnings adjustable items		**(178)**	(381)
Non-controlling interests' share of headline earnings adjustable items		**(8)**	(42)
Standard Bank Group headline earnings from continuing operations	3	**23 009**	22 277
Profit for the year from discontinued operation	(100)		2 741
Headline adjustable items reversed			(2 831)
Loss on disposal of subsidiary – IFRS 10			1 303
Realised foreign currency translation profit on foreign operation – IAS 21			(4 054)
Net investment hedge gain – IAS 39[1]			(68)
Realised gains on available-for-sale assets - IAS 39[1]			(12)
Standard Bank Group headline earnings from discontinued operation	(100)		(90)
Standard Bank Group headline earnings	4	**23 009**	22 187

[1] In the previous year, a total of R80 million of net investment hedge gains were disclosed as being excluded from headline earnings. This amount included realised gains on available-for-sale assets. The comparative period has been restated to reflect the correct amounts and descriptions. The restatement only affects this disclosure table.

Condensed consolidated statement of other comprehensive income

for the year ended 31 December 2016

	2016 Rm	2015 Rm
Profit for the year	**25 794**	28 101
Other comprehensive income after tax for the year	**(14 647)**	3 009
Items that may be reclassified subsequently to profit and loss	**(14 773)**	3 109
Exchange (loss)/profit on translating foreign operations	**(14 680)**	4 103
Net change on hedges of net investments in foreign operations	**(197)**	(325)
Movements in the cash flow hedging reserve	**227**	(903)
Net change in fair value of cash flow hedges	**(1 122)**	1 551
Realised fair value adjustments of cash flow hedges transferred to profit or loss	**1 349**	(2 454)
Movements in the available for sale revaluation reserve	**(123)**	234
Items that may not be reclassified to profit and loss	**126**	(100)
Defined benefit fund remeasurements	**128**	(121)
Other (losses)/gains	**(2)**	21
Total comprehensive income for the year	**11 147**	31 110
Attributable to non-controlling interests	**(141)**	5 227
Attributable to preference shareholders	**406**	377
Attributable to equity holders of the parent	**10 882**	25 506

Condensed consolidated statement of changes in equity

for the year ended 31 December 2016

	Ordinary shareholders' equity Rm	Preference share capital and premium Rm	Non-controlling interest Rm	Total equity Rm
Balance at 1 January 2015	136 985	5 503	19 146	161 634
Total comprehensive income for the year	25 506	377	5 227	31 110
Transactions with owners, recorded directly in equity	(11 422)	(377)	(1 893)	(13 692)
Equity-settled share-based payment transactions	(1 392)		73	(1 319)
Deferred tax on share-based payment transactions	(72)			(72)
Transactions with non-controlling shareholders	(369)		(778)	(1 147)
Net decrease in treasury shares	66		49	115
Net repurchase of share capital and share premium and capitalisation of reserves	(641)			(641)
Redemption of preference shares	1 317			1 317
Net Dividends paid	(10 331)	(377)	(1 237)	(11 945)
Unincorporated property partnerships capital reductions and distributions			(144)	(144)
Balance at 31 December 2015	151 069	5 503	22 336	178 908
Balance at 1 January 2016	151 069	5 503	22 336	178 908
Total comprehensive income for the year	**10 882**	**406**	**(141)**	**11 147**
Transactions with owners, recorded directly in equity	**(11 194)**	**(406)**	**1 123**	**(10 477)**
Equity-settled share-based payment transactions	**126**		**48**	**174**
Deferred tax on share-based payment transactions	**207**			**207**
Transactions with non-controlling shareholders	**(648)**		**2 105**	**1 457**
Net decrease in treasury shares	**741**		**68**	**809**
Net repurchase of share capital and share premium and capitalisation of reserves	**(252)**			**(252)**
Redemption of preference shares	**95**			**95**
Net dividends paid	**(11 463)**	**(406)**	**(1 098)**	**(12 967)**
Unincorporated property partnerships capital reductions and distributions			**(219)**	**(219)**
Balance at 31 December 2016	**150 757**	**5 503**	**23 099**	**179 359**

Condensed consolidated statement of cash flows

for the year ended 31 December 2016

	2016 Rm	2015 Rm
Net cash flows from operating activities	**40 255**	35 504
Direct taxation paid	**(9 232)**	(8 012)
Other operating cash flows	**49 487**	43 516
Net cash flows used in investing activities	**(13 377)**	(31 828)
Capital expenditure	**(7 537)**	(9 527)
Other investing cash flows	**(5 840)**	(22 301)
Net cash flows used in financing activities	**(12 030)**	(11 509)
Cash outflow from share buybacks net of issue of share capital	**(252)**	(641)
Net cash flow from equity transactions with non-controlling interests[1]	**1 575**	(1 118)
Release of empowerment reserve	**95**	1 317
Subordinated debt issued	**2 694**	4 005
Subordinated debt redeemed	**(3 175)**	(3 127)
Dividends paid	**(12 967)**	(11 945)
Effect of exchange rate changes on cash and cash equivalents	**(12 486)**	2 066
Net increase/(decrease) in cash and cash equivalents	**2 362**	(5 767)
Cash and cash equivalents at beginning of the year	**75 112**	80 879
Cash and cash equivalents at the end of the year	**77 474**	75 112
Comprising:		
Cash and balances with central banks	**77 474**	75 112

[1] Materially comprises of the following:
- Proceeds from the sale of units in L2D to external third party investors. Refer to other reportable items and post balance sheet event for further information.
- The purchase of an additional interest of 17.65% by Stanbic IBTC Holdings Plc in its subsidiary Stanbic IBTC Pensions Managers Limited (SIPML) during December 2016.

Notes

Condensed segment report

For the year ended 31 December 2016

	Change %	2016 Rm	2015[1] Rm
Revenue contribution by business unit			
Personal & Business Banking	11	**67 480**	60 637
Corporate & Investment Banking	12	**35 249**	31 388
Central & other	(>100)	**(2 872)**	(912)
Banking activities	10	**99 857**	91 113
Other banking interests[2]			
Liberty	(11)	**21 365**	23 997
Standard Bank Group	5	**121 222**	115 110
Profit or loss attributable to ordinary shareholders			
Personal & Business Banking	17	**12 519**	10 681
Corporate & Investment Banking	21	**10 466**	8 660
Central & other	(>100)	**(1 726)**	2 600
Banking activities	(3)	**21 259**	21 941
Other banking interests[2]	(99)	**(8)**	(569)
Liberty	(60)	**955**	2 382
Standard Bank Group	(7)	**22 206**	23 754
Total assets by business unit			
Personal & Business Banking	1	**689 183**	682 080
Corporate & Investment Banking	(4)	**897 565**	930 644
Central & other	2	**(42 990)**	(42 114)
Banking activities	(2)	**1 543 758**	1 570 610
Other banking interests[2]	(19)	**6 445**	7 933
Liberty	(1)	**404 087**	408 385
Standard Bank Group	(2)	**1 954 290**	1 986 928
Total liabilities by business unit			
Personal & Business Banking	1	**618 113**	614 614
Corporate & Investment Banking	(3)	**842 751**	871 597
Central & other	1	**(62 425)**	(61 748)
Banking activities	(2)	**1 398 439**	1 424 463
Other banking interests[2]			
Liberty	(2)	**376 492**	383 557
Standard Bank Group	(2)	**1 774 931**	1 808 020

[1] Where responsibility for individual cost centres and divisions within business units change, the comparative figures have been reclassified accordingly.
[2] For the group's 2016 financial reporting period the group's primary segments comprise the group's banking activities, which consist of PBB, CIB and central and other. The group's banking activities, together with the group's other banking interests and Liberty, represent the group's total activities and operations. The group's interests in ICBC Argentina, previously included in central and other, and ICBCS (previously known as SB Plc) previously included in CIB's results, are now included as part of the group's other banking interests and represent the group's associate interests in previously consolidated entities that are held in terms of strategic partnerships with ICBC. Comparative financial results have been restated to align with the current year's presentation.

Notes continued

Contingent liabilities and commitments
as at 31 December 2016

	2016 Rm	2015 Rm
Letters of credit and bankers' acceptances	**12 607**	11 437
Guarantees	**64 076**	67 161
Contingent liabilities	**76 683**	78 598
Investment property	**633**	835
Property and equipment	**315**	405
Other intangible assets	**399**	1 169
Commitments	**1 347**	2 409

Private equity associates and joint ventures
The following table provides disclosure of those private equity associates and joint ventures that are equity accounted in terms of IAS 28 *Investments in Associates and Joint Ventures* and have been ring-fenced in terms of the requirements of Circular 2/2015 *Headline Earnings*, issued by the SAICA at the request of the JSE. On the disposal of these associates and joint ventures held by the group's private equity division, the gain or loss on the disposal will be included in headline earnings.

	2016 Rm	2015 Rm
Cost	**48**	48
Carrying value	**389**	492
Fair value	**389**	482
Realised gains on disposal for the year included in headline earnings	**45**	
Attributable income before impairment	**3**	51

Day one profit or loss
The table below sets out the aggregate net day one profits yet to be recognised in profit or loss at the beginning and end of the year with a reconciliation of changes in the balances during the year.

	Derivative instruments Rm	Trading assets Rm	Total Rm
Balance as at 1 January 2015	61	418	479
Additional net profit on new transactions during the year	346	268	614
Recognised in profit or loss during the year	(159)	(104)	(263)
Exchange differences	47		47
Balance as at 31 December 2015	295	582	877
Balance as at 1 January 2016	295	582	877
Additional net profit on new transactions during the year	**2**	**137**	**139**
Recognised in profit or loss during the year	**(16)**	**(131)**	**(147)**
Exchange differences	**(120)**		**(120)**
Balance as at 31 December 2016	**161**	**588**	**749**

Related party transactions
Tutuwa related parties
Tutuwa participants were allowed to access their underlying equity value post the expiry of the lock-in period on 31 December 2014.

Tutuwa share movement since lock-in period ended

	2016		2015	
	Issued number of shares 000's	Weighted number of shares 000's	Issued number of shares 000's	Weighted number of shares 000's
Shares financed by Standard Bank Group – beginning of the year	5 751	5 751	27 726	27 726
Less: sale of shares by participants			(21 975)	(20 127)
Shares financed by Standard Bank Group - end of the year	5 751	5 751	5 751	7 599

Post-employment benefit plans
Details of balances between the group and the group's post-employment benefit plans are listed below:

	2016 Rm	2015 Rm
Value of assets under management	11 918	11 776
Investments held in bonds and money market instruments	947	667
Value of ordinary group shares held	570	471

Balances and transactions with ICBCS
The following significant balances were entered into between the group and ICBCS, an associate of the group.

	2016 Rm	2015 Rm
Derivative assets	1 856	4 780
Trading assets	24	35
Loans and advances	30 111	29 902
Other assets	232	158
Derivative liabilities	(2 271)	(5 351)
Deposits and debt funding	(1 315)	(6 756)
Provisions and other liabilities	(287)	(218)

The group entered into certain transitional service level arrangements with ICBCS in order to manage the orderly separation of ICBCS from the group post the sale of 60% of SB Plc to ICBC. In terms of these arrangements, services are delivered to and received from ICBCS for the account of each respective party.

Balances and transactions with ICBC
The following significant balances were entered into between the group and ICBC, a 20.1% shareholder of the group.

	2016 Rm	2015 Rm
Trading assets		7
Loans and advances	246	153
Other assets[1]	656	918
Deposits and debt funding	(6 583)	
Provisions and other liabilities		(71)

[1] The group recognised losses in respect of certain commodity reverse repurchase agreements with third parties prior to the date of conclusion of the disposal of a controlling interest in SB Plc to ICBC. As a consequence of the disposal of SB Plc, the group holds the right to 60% of insurance and other recoveries, net of costs, relating to claims for those recognised losses prior to the date of conclusion of the transaction. Settlement of these amounts will occur based on audited information on pre-agreed anniversaries of the completion of the transaction and the full and final settlement of all claims in respect of losses incurred. As at 31 December 2016, a balance of R656 million (2015: R619 million) is receivable from ICBC in respect of this arrangement. In 2015 an amount of R595 million was recognised as part of the group's results from the discontinued operation in respect of this right.

Notes continued

Change in group directorate

The following changes in directorate took place during the 2016 financial year:

Appointments		
Dr ML Oduor-Otieno	As director	1 January 2016
Dr A Daehnke	As financial director	1 May 2016
JH Maree	As deputy chairman	21 November 2016
G Fraser-Moleketi	As director	21 November 2016
G Kennealy	As director	21 November 2016
N Matyumza	As director	21 November 2016
J Vice	As director	21 November 2016
Retirements		
S Ridley	As financial director	30 April 2016

Fair value disclosures

Financial assets and liabilities measured at fair value

In terms of IFRS, the group is either required to or elects to measure a number of its financial assets and financial liabilities at fair value, being the price that would, respectively, be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market between market participants at the measurement date. Regardless of the measurement basis, the fair value is required to be disclosed, with some exceptions, for all financial assets and financial liabilities. Fair value is a market-based measurement and uses the assumptions that market participants would use when pricing an asset or liability under current market conditions. When determining fair value it is presumed that the entity is a going concern and is not an amount that represents a forced transaction, involuntary liquidation or a distressed sale. Information obtained from the valuation of financial instruments is used to assess the performance of the group and, in particular, provides assurance that the risk and return measures that the group has taken are accurate and complete.

Valuation process

The group's valuation control framework governs internal control standards, methodologies, and procedures over its valuation processes, which include:

Prices quoted in an active market: The existence of quoted prices in an active market represents the best evidence of fair value. Where such prices exist, they are used in determining the fair value of financial assets and financial liabilities.

Valuation techniques: Where quoted market prices are unavailable, the group establishes fair value using valuation techniques that incorporate observable inputs, either directly, such as quoted prices, or indirectly, such as those derived from quoted prices, for such assets and liabilities. Parameter inputs are obtained directly from the market, consensus pricing services or recent transactions in active markets, whenever possible. Where such inputs are not available, the group makes use of theoretical inputs in establishing fair value (unobservable inputs). Such inputs are based on other relevant input sources of information and incorporate assumptions that include prices for similar transactions, historic data, economic fundamentals, and research information, with appropriate adjustment to reflect the terms of the actual instrument being valued and current market conditions. Changes in these assumptions would affect the reported fair values of these financial instruments.

Valuation techniques used for financial instruments include the use of financial models that are populated using market parameters that are corroborated by reference to independent market data, where possible, or alternative sources, such as, third party quotes, recent transaction prices or suitable proxies. The fair value of certain financial instruments is determined using industry standard models such as, discounted cash flow analysis and standard option pricing models. These models are generally used to estimate future cash flows and discount these back to the valuation date. For complex or unique instruments, more sophisticated modelling techniques may be required, which require assumptions or more complex parameters such as correlations, prepayment spreads, default rates and loss severity.

Valuation adjustments: Valuation adjustments are an integral part of the valuation process. Adjustments include, but are not limited to:

- Credit spreads on illiquid issuers
- Implied volatilities on thinly traded stocks
- Correlation between risk factors
- Prepayment rates
- And other illiquid risk drivers.

In making appropriate valuation adjustments, the group applies methodologies that consider factors such as bid-offer spreads, liquidity, counterparty and own credit risk. Exposure to such illiquid risk drivers is typically managed by:

- Using bid-offer spreads that are reflective of the relatively low liquidity of the underlying risk driver
- Raising day one profit provisions in accordance with IFRS
- Quantifying and reporting the sensitivity to each risk driver
- Limiting exposure to such risk drivers and analysing exposure on a regular basis.

Validation and control: All financial instruments carried at fair value, regardless of classification, and for which there are no quoted market prices for that instrument, are fair valued using models that conform to international best practice and established financial theory. These models are validated independently by the group's model validation unit and formally reviewed and approved by the market risk methodologies committee. This control applies to both off-the-shelf models as well as those developed internally by the group. Further, all inputs into the valuation models are subject to independent price validation procedures carried out by the group's market risk unit. Such price validation is performed on at least a monthly basis, but daily where possible given the availability of the underlying price inputs. Independent valuation comparisons are also performed and any significant variances noted are appropriately investigated. Less liquid risk drivers, which are typically used to mark level 3 assets and liabilities to model, are carefully validated and tabled at the monthly price validation forum to ensure that these are reasonable and used consistently across all entities in the group. Sensitivities arising from exposures to such drivers are similarly scrutinised, together with movements in level 3 fair values. They are also disclosed on a monthly basis at the market risk and asset and liability committees.

Portfolio exception: The group has, on meeting certain qualifying criteria, elected the portfolio exception to measure the fair value of certain groups of financial assets and financial liabilities on a net basis.

Fair value hierarchy

The table that follows analyses the group's financial instruments carried at fair value, by level of fair value hierarchy. The different levels are based on the extent that available market data is used in the calculation of the fair value of the financial instruments. The levels have been defined as follows:

Level 1 – fair value is based on quoted market prices (unadjusted) in active markets for an identical financial asset or liability. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – fair value is determined through valuation techniques based on observable inputs, either directly, such as quoted prices, or indirectly, such as those derived from quoted prices. This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3 – fair value is determined through valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instrument being valued and the similar instrument.

Notes continued

Accounting classifications and fair values of financial assets and liabilities

The table below categorises the group's assets and liabilities as at 31 December 2016 between that which is financial and non-financial. All financial assets and liabilities have been classified according to their measurement category with disclosure of the fair value being provided for those items.

	Held-for-trading Rm	Designated at fair value Rm
2016		
Assets		
Cash and balances with central banks		
Derivative assets	68 620	
Trading assets	129 845	
Pledged assets	1 178	16 169
Policyholders' assets		7 314
Financial investments		352 445
Loans and advances to banks		
Loans and advances to customers		96
Interest in associates and joint ventures		
Investment property		
Other financial assets[3]		
Other non-financial assets		
	199 643	376 024
Liabilities		
Derivative liabilities	75 083	
Trading liabilities	47 867	
Deposits and debt funding from banks		
Deposits and debt funding from customers		13 627
Policyholders' liabilities[4]		91 613
Subordinated debt		
Other financial liabilities[3]		44 046
Other non-financial liabilities		
	122 950	149 286

[1] Includes financial assets and financial liabilities for which the carrying value has been adjusted for changes in fair value due to designated hedged risks.
[2] Carrying value has been used where it closely approximates fair values, excluding non-financial assets and liabilities.
[3] The fair value of the other financial assets and liabilities approximates the carrying value due to their short-term nature.
[4] The fair value has been provided for financial liabilities under investment contracts which have been designated at fair value. The remaining liabilities for which fair value disclosure has not been provided relate to insurance contracts and investment contracts with discretionary participation features that are not financial instruments as defined.

Held-to-maturity Rm	Loans and receivables[1] Rm	Available-for-sale Rm	Other amortised cost[1] Rm	Other assets/ liabilities Rm	Total carrying amount Rm	Fair value[2] Rm
	77 474				77 474	77 474
					68 620	68 620
					129 845	129 845
	198	1 232			18 777	18 779
					7 314	7 314
75 201	17 252	38 876			483 774	484 163
	143 788				143 788	143 674
	921 521				921 617	913 949
				8 196	8 196	
				31 155	31 155	31 155
	11 843				11 843	
				51 887	51 887	
75 201	1 172 076	40 108		91 238	1 954 290	
					75 083	75 083
					47 867	47 867
			119 246		119 246	118 909
			1 080 748		1 094 375	1 111 276
				215 617	307 230	91 613
			25 997		25 997	26 384
			21 408		65 454	
				39 679	39 679	
			1 247 399	255 296	1 774 931	

Notes continued

Accounting classifications and fair values of financial assets and liabilities

as at 31 December 2015 (restated)

	Held-for-trading Rm	Designated at fair value Rm
2015		
Assets		
Cash and balances with central banks		
Derivative assets	111 089	
Trading assets	86 219	
Pledged assets	8 220	22 319
Policyholders' assets[5]		7 579
Financial investments		350 544
Loans and advances to banks[6]		
Loans and advances to customers[6]		78
Interest in associates and joint ventures		
Investment property		
Other financial assets[3]		
Other non-financial assets		
	205 528	380 520
Liabilities		
Derivative liabilities	133 958	
Trading liabilities	43 304	
Deposits and debt funding from banks		
Deposits and debt funding from customers		18 929
Policyholders' liabilities[4, 5]		88 459
Subordinated debt		
Other financial liabilities[3]		46 329
Other non-financial liabilities[5]		
	177 262	153 717

[1] Includes financial assets and financial liabilities for which the carrying value has been adjusted for changes in fair value due to designated hedged risks.
[2] Carrying value has been used where it closely approximates fair values, excluding non-financial assets and liabilities.
[3] The fair value of the other financial assets and liabilities approximates the carrying value due to their short-term nature.
[4] The fair value has been provided for financial liabilities under investment contracts which have been designated at fair value. The remaining liabilities for which fair value disclosure has not been provided relate to insurance contracts and investment contracts with discretionary participation features that are not financial instruments as defined.
[5] Refer to the accounting policy elections and restatements regarding detail on the change in presentation policy.
[6] A balance of R19 836 million was reclassified from loans and advances to customers to loans and advances to banks in order to align the counterparty to the underlying lending agreement and to conform with the basis of disclosure in the current financial period.

	Held-to-maturity Rm	Loans and receivables[1] Rm	Available-for-sale Rm	Other amortised cost[1] Rm	Other assets/ liabilities Rm	Total carrying amount Rm	Fair value[2] Rm
		75 112				75 112	75 112
						111 089	111 089
						86 219	86 219
		175	3 715			34 429	34 434
						7 579	7 579
	73 689	21 418	41 053			486 704	487 147
		165 156				165 156	163 005
		911 683				911 761	896 045
					9 703	9 703	
					30 508	30 508	30 508
		11 767				11 767	
					56 901	56 901	
	73 689	1 185 311	44 768		97 112	1 986 928	
						133 958	133 958
						43 304	43 304
				137 202		137 202	134 531
				1 030 383		1 049 312	1 035 638
					216 735	305 194	88 459
				27 141		27 141	23 456
				46 580		92 909	
					19 000	19 000	
				1 241 306	235 735	1 808 020	

Notes continued

Financial assets and liabilities measured at fair value
as at 31 December 2016

The following table analyses the group's fair value measured financial assets and financial liabilities by levels of the fair value hierarchy:

	2016				2015			
	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Assets								
Measured on a recurring basis[1]								
Derivative assets	183	66 322	2 115	68 620	59	108 573	2 457	111 089
Trading assets	54 635	70 459	4 751	129 845	31 486	45 791	8 942	86 219
Pledged assets	16 829	1 750		18 579	29 977	4 277		34 254
Policyholders' assets[2]		7 314		7 314		7 579		7 579
Financial investments	214 451	168 915	7 955	391 321	202 120	179 464	10 013	391 597
Loans and advances to customers		96		96	2	76		78
Total Assets at fair value	286 098	314 856	14 821	615 775	263 644	345 760	21 412	630 816
Liabilities								
Measured on a recurring basis[1]								
Derivative liabilities	145	66 384	8 554	75 083	19	119 298	14 641	133 958
Trading liabilities	26 995	16 691	4 181	47 867	21 388	19 432	2 484	43 304
Deposits and debt funding from customers		13 627		13 627		18 929		18 929
Policyholders' liabilities[2]		91 613		91 613		88 459		88 459
Other financial liabilities		44 046		44 046		46 329		46 329
Total Liabilities at fair value	27 140	232 361	12 735	272 236	21 407	292 447	17 125	330 979

[1] Recurring fair value measurements of assets or liabilities are those assets and liabilities that IFRS require or permit to be carried at fair value in the statement of financial position at the end of each reporting period.
[2] Refer to the accounting policy elections and restatements regarding detail on the change in presentation policy.

Level 2 and 3 – valuation techniques and inputs

Item and description	Valuation technique	Main inputs and assumptions
Derivative financial instruments Derivative financial instruments comprise foreign exchange, interest rate, commodity, credit and equity derivatives that are either held-for-trading or designated as hedging instruments in hedge relationships.	Standard derivative contracts are valued using market accepted models and quoted parameter inputs. More complex derivative contracts are modelled using sophisticated modelling techniques applicable to the instrument. Techniques include: • Discounted cash flow model • Black-Scholes model • Combination technique models	**For level 2 and 3 fair value hierarchy items** • Discount rate* • Spot prices of the underlying • Correlation factors • Volatilities • Dividend yields • Earnings yield • Valuation multiples
Trading assets and trading liabilities Trading assets and liabilities comprise instruments which are part of the group's underlying trading activities. These instruments primarily include sovereign and corporate debt, commodities, collateral, collateralised lending agreements and equity securities. **Pledged assets** Pledged assets comprise instruments that may be sold or repledged by the group's counterparty in the absence of default by the group. Pledged assets include sovereign and corporate debt, equities, commodities pledged in terms of repurchase agreements and commodities that have been leased to third parties. **Financial investments** Financial investments are non-trading financial assets and primarily comprise sovereign and corporate debt, listed and unlisted equity instruments, listed sovereign or corporate debt, investments in debentures issued by the SARB, investments in mutual fund investments and unit-linked investments.	Where there are no recent market transactions in the specific instrument, fair value is derived from the last available market price adjusted for changes in risks and information since that date. Where a proxy instrument is quoted in an active market, the fair value is determined by adjusting the proxy fair value for differences between the proxy instrument and the instrument being fair valued. Where proxies are not available, the fair value is estimated using more complex modelling techniques. These techniques include discounted cash flow and Black-Scholes models using current market rates for credit, interest, liquidity, volatility and other risks. Combination techniques are used to value unlisted equity securities and include inputs such as earnings and dividend yields of the underlying entity.	
Loans and advances to banks and customers Loans and advances comprise: • Loans and advances to banks: call loans, loans granted under resale agreements and balances held with other banks. • Loans and advances to customers: mortgage loans (home loans and commercial mortgages), other asset-based loans, including collateralised debt obligations (instalment sale and finance leases), and other secured and unsecured loans (card debtors, overdrafts, other demand lending, term lending and loans granted under resale agreements).	For certain loans fair value may be determined from the market price of a recently occurring transaction adjusted for changes in risks and information between the transaction and valuation dates. Loans and advances are reviewed for observed and verified changes in credit risk and the credit spread is adjusted at subsequent dates if there has been an observable change in credit risk relating to a particular loan or advance. In the absence of an observable market for these instruments, discounted cash flow models are used to determine fair value. Discounted cash flow models incorporate parameter inputs for interest rate risk, foreign exchange risk, liquidity and credit risk, as appropriate. For credit risk, probability of default and loss given default parameters are determined using credit default swaps (CDS) markets, where available and appropriate, as well as the relevant terms of the loan and loan counterparty such as the industry classification and subordination of the loan.	**For level 2 and 3 fair value hierarchy items** • Discount rate*

* Discount rates, where applicable, include the risk-free rate, risk premiums, liquidity spreads, credit risk (own and counterparty as appropriate), timing of settlement, storage/service costs, prepayment and surrender risk assumptions and recovery rates/loss given default.

Notes continued

Financial assets and liabilities measured at fair value continued

Level 2 and 3 – valuation techniques and inputs continued

Item and description	Valuation technique	Main inputs and assumptions
Deposits and debt funding Deposits from banks and customers comprise amounts owed to banks and customers, deposits under repurchase agreements, negotiable certificates of deposit, credit-linked deposits and other deposits.	For certain deposits, fair value is determined from the market price on a recently occurring transaction adjusted for all changes in risks and information between the transaction and valuation dates. In the absence of an observable market for these instruments, discounted cash flow models are used to determine fair value based on the contractual cash flows related to the instrument. The fair value measurement incorporates all market risk factors including a measure of the group's credit risk relevant for that financial liability. The market risk parameters are valued consistently to similar instruments held as assets stated in the section on loans and advances above. The credit risk of the reference asset in the embedded CDS in credit-linked deposits is incorporated into the fair value of all credit-linked deposits that are designated to be measured at fair value through profit or loss. For collateralised deposits that are designated to be measured at fair value through profit or loss, such as securities repurchase agreements, the credit enhancement is incorporated into the fair valuation of the liability.	**For level 2 and 3 fair value hierarchy items** • Discount rate*
Policyholder assets and liabilities Policyholder assets and liabilities comprise unit-linked policies and annuity certains. .	Unit-linked policies: assets which are linked to the investment contract liabilities are owned by the group. The investment contract obliges the group to use these assets to settle these liabilities. The fair value of investment contract liabilities is therefore, determined with reference to the fair value of the underlying assets (i.e. amount payable on surrender of the policies). Annuity certains: discounted cash flow models are used to determine the fair value of the stream of future payments.	**For level 2 and 3 fair value hierarchy items** • Discount rate* • Spot price of underlying
Third party financial liabilities arising on the consolidation of mutual funds (included in other liabilities) These are liabilities that arise on the consolidation of mutual funds.	The fair values of third party financial liabilities arising on the consolidation of mutual funds are determined using the quoted put (exit) price provided by the fund manager and discounted for the applicable notice period. The fair value of a financial liability with a demand feature is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.	**For level 2 and 3 fair value hierarchy items** • Discount rate*

* Discount rates, where applicable, include the risk-free rate, risk premiums, liquidity spreads, credit risk (own and counterparty as appropriate), timing of settlement, storage/service costs, prepayment and surrender risk assumptions and recovery rates/loss given default.

Reconciliation of Level 3 financial assets

The following table provides a reconciliation of the opening to closing balance for all financial assets that are measured at fair value and incorporate inputs that are not based on observable market data (level 3):

	Measured on a recurring basis				
	Derivative Assets Rm	Trading assets Rm	Financial investments Rm	Non-current assets held for sale[1] Rm	Total Rm
Balance at 1 January 2015	753	4 647	5 807	3 574	14 781
Total gains/(losses) included in profit or loss	649	212	(11)	(510)	340
Interest Income			65		65
Trading revenue	649	212	(2)	(510)	349
Other revenue			(172)		(172)
Investment gains			98		98
Total gains/(losses) included in OCI			129	(1)	128
Issuances and purchases	1 672	1 100	1 851		4 623
Sales and settlements	(626)	(495)	(1 696)	(3)	(2 820)
Transfers into level 3[2]		3 477	3 552		7 029
Transfers out of level 3[3]			(167)		(167)
Disposal of non-current assets held for sale				(3 143)	(3 143)
Exchange movement gains	9	1	548	83	641
Balance at 31 December 2015	2 457	8 942	10 013		21 412
Balance at 1 January 2016	**2 457**	**8 942**	**10 013**		**21 412**
Total gains/(losses) included in profit or loss	**960**	**(469)**	**(1 055)**		**(564)**
Interest Income			**30**		**30**
Trading revenue	**960**	**(469)**	**(47)**		**444**
Other revenue			**12**		**12**
Investment gains			**(1 050)**		**(1 050)**
Total gains/(losses) included in OCI			**117**		**117**
Issuances and purchases	**23**	**393**	**2 417**		**2 833**
Sales and settlements	**(1 575)**	**(3 846)**	**(3 000)**		**(8 421)**
Transfers into level 3[2]	**249**	**359**	**13**		**621**
Transfers out of level 3[3]		**(516)**	**(502)**		**(1 018)**
Reclassifications[4]		**(112)**			**(112)**
Exchange movement gains	**1**		**(48)**		**(47)**
Balance at 31 December 2016	**2 115**	**4 751**	**7 955**		**14 821**

1 Relates to financial assets within the disposal group that have been classified as level 3.
2 Transfers of financial assets between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. During the period, the valuation inputs of certain financial assets became unobservable. The fair value of these assets was transferred to level 3.
3 During the year, the valuation inputs of certain level 3 financial assets became observable. The fair value of these financial assets was transferred into level 2.
4 Level 3 financial assets were reclassified from held for trading to loans and receivables at amortised cost in terms of IFRS during 2016.

Notes continued

Level 3 financial assets

The following table below provides disclosure of the unrealised gains/(losses) included in profit or loss for level 3 financial assets that are held at the end of the respective reporting years:

	Measured on a recurring basis			
	Derivative Assets Rm	Trading assets Rm	Financial investments Rm	Total Rm
2016				
Interest Income			**47**	**47**
Trading revenue	**1 043**	**(469)**	**(48)**	**526**
Other revenue			**(540)**	**(540)**
	1 043	**(469)**	**(541)**	**33**
2015				
Interest Income			47	47
Trading revenue	414	266	(58)	622
Other revenue			165	165
	414	266	154	834

Reconciliation of level 3 liabilities

The following table provides a reconciliation of the opening to closing balance for all financial liabilities that are measured at fair value based on inputs that are not based on observable market data (level 3).

	Measured on a recurring basis		Measured on a non-recurring basis	
	Derivative liabilities Rm	Trading liabilities Rm	Non-current liabilities held for sale[1] Rm	Total Rm
Balance at 1 January 2015	5 958	1 922	6 482	14 362
Total losses included in profit or loss - trading revenue[3]	5 641	56	232	5 929
Issuances and purchases	3 344	924		4 268
Sales and settlements	(301)	(435)		(736)
Disposal of non-current liabilities held for sale			(6 905)	(6 905)
Exchange movement (gains)/losses	(1)	17	191	207
Balance at 31 December 2015	14 641	2 484		17 125
Balance at 1 January 2016	**14 641**	**2 484**		**17 125**
Total losses included in profit or loss - trading revenue[3]	**(4 896)**	**310**		**(4 586)**
Issuances and purchases		**1 804**		**1 804**
Sales and settlements	**(1 193)**	**(416)**		**(1 609)**
Transfers into level 3[2]	**1**			**1**
Exchange movement losses/(gains)	**1**	**(1)**		
Balance at 31 December 2016	**8 554**	**4 181**		**12 735**

[1] Relates to financial liabilities within the disposal group that have been classified as level 3.
[2] Transfers of financial liabilities between the levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. During 2016, the valuation inputs of certain financial liabilities became unobservable. The fair value of these liabilities was transferred into level 3.
[3] The change in fair value has been materially offset by changes in the fair value of financial assets and liabilities classified as level 2 in the fair value hierarchy which hedge this position.

Level 3 financial liabilities continued

The following table provides disclosure of the unrealised losses included in profit or loss for level 3 financial liabilities that are held at the end of the respective reporting years.

	Measured on a recurring basis		
	Derivative liabilities Rm	**Trading liabilities Rm**	**Total Rm**
2016			
Trading revenue	**(6 309)**	**26**	**(6 283)**
2015			
Trading revenue	5 879	56	5 935

Sensitivity and interrelationships of inputs

The behaviour of the unobservable parameters used to fair value level 3 assets and liabilities is not necessarily independent, and may often hold a relationship with other observable and unobservable market parameters. Where material and possible, such relationships are captured in the valuation by way of correlation factors, though these factors are, themselves, frequently unobservable. In such instances, the range of possible and reasonable fair value estimates is taken into account when determining appropriate model adjustments. The table that follows indicates the effect that a significant change in one or more of the inputs to a reasonably possible alternative assumption would have total comprehensive income at the reporting date (where the change in the unobservable input would change the fair value of the asset or liability significantly). The changes in the inputs that have been used in the analysis have been determined taking into account several considerations such as the nature of the asset or liability and the market within which the asset or liability is transacted. Stress tests have been conducted by only flexing/stressing a major significant unobservable input or risk factor (i.e. assumes that all risks are mutually exclusive).

The valuation techniques used in determining the fair value of financial assets and liabilities classified within level 3

		Effect on profit/loss	
		Favourable Rm	**(Unfavourable) Rm**
2016			
Derivative instruments	From (1%) to 1%	**606**	**(605)**
Trading assets	From (1%) to 1%	**578**	**(578)**
Financial investments	From (1%) to 1%	**79**	**(77)**
Trading liabilities	From (1%) to 1%	**260**	**(260)**
Total		**1 523**	**(1 520)**
2015			
Derivative instruments	From (1%) to 1%	48	(48)
Trading assets	From (1%) to 1%	239	(239)
Financial investments	From (1%) to 1%	283	(283)
Trading liabilities	From (1%) to 1%	163	(163)
Total		733	(733)

In 2016, a 1% change of the significant unobservable inputs relating to the measurement of an equity investment classified as available-for-sale resulted in a R120 million favourable or unfavourable effect in other comprehensive income (2015: nil).

Notes continued

Offsetting and other similar arrangements

Financial instruments subject to offsetting, enforceable master netting arrangements or similar agreements

IFRS requires a financial asset and a financial liability to be offset and the net amount presented in the statement of financial position when, and only when, the group has a current legally enforceable right to set off recognised amounts, as well as the intention to settle on a net basis or to realise the asset and settle the liability simultaneously. There are no instances where the group has a current legally enforceable right to offset without the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

The following table sets out the impact of offset, as well as the required disclosures where financial assets and financial liabilities that are subject to enforceable master netting arrangements, or similar agreements, irrespective of whether they have been offset in accordance with IFRS. It should be noted that the information below is not intended to represent the group's actual credit exposure nor will it agree to that presented in the statement of financial position.

Assets	Gross amount of recognised financial assets[1] Rm	Financial liabilities set off in the statement of financial position[2] Rm	Net amounts of financial assets presented in the statement of financial position[3] Rm	Collateral recieved[4] Rm	Net amount Rm
31 December 2016					
Derivative assets	**45 972**	**(38)**	**45 934**	**(41 316)**	**4 618**
Trading assets	**48 153**		**48 153**	**(45 370)**	**2 783**
Loans and advances[5]	**111 072**	**(33 190)**	**77 882**	**(76 589)**	**1 293**
	205 197	**(33 228)**	**171 969**	**(163 275)**	**8 694**
31 December 2015 (restated)[7]					
Derivative assets	74 455		74 455	(68 533)	5 922
Trading assets	23 577		23 577	(21 242)	2 335
Loans and advances[5]	110 748	(34 862)	75 886	(74 256)	1 630
	208 780	(34 862)	173 918	(164 031)	9 887

Liabilities	Gross amount of recognised financial liabilities[1] Rm	Financial assets set off in the statement of financial position[2] Rm	Net amounts of financial liabilities presented in the statement of financial position[3] Rm	Collateral pledged[6] Rm	Net amount Rm
31 December 2015					
Derivative liabilities	**53 915**	**(38)**	**53 877**	**(46 424)**	**7 453**
Trading liabilities	**31 147**		**31 147**	**(31 147)**	
Deposit and current accounts[5]	**39 374**	**(33 190)**	**6 184**		**6 184**
	124 436	**(33 228)**	**91 208**	**(77 571)**	**13 637**
31 December 2015 (restated)[7]					
Derivative liabilities	90 316		90 316	(72 405)	17 911
Trading liabilities	34 225		34 225	(31 890)	2 335
Deposit and current accounts[5]	45 463	(34 862)	10 601	(4 417)	6 184
	170 004	(34 862)	135 142	(108 712)	26 430

[1] Gross amounts are disclosed for recognised financial assets and financial liabilities that are either offset in the statement of financial position or are subject to a master netting arrangement or a similar agreement, irrespective of whether the offsetting criteria is met.
[2] Gross amounts of recognised financial assets or financial liabilities that qualify for offset in accordance with the criteria per IFRS.
[3] Related amounts not offset in the statement of financial position that are subject to a master netting arrangement or similar agreement, including financial collateral (whether recognised or unrecognised) and cash collateral.
[4] In most cases the group is allowed to sell or repledge collateral received.
[5] The most material amounts offset in the statement of financial position pertain to cash management accounts. The cash management accounts allow holding companies (or central treasury functions) to manage the cash flows of a group by linking the current accounts of multiple legal entities within a group of companies. It allows for cash balances of the different legal entities to be offset against each other to arrive at a net balance for the whole group. In addition, it should be noted that all repurchase agreements and reverse repurchase agreements, subject to a master netting arrangement (or similar agreement), have been included.
[6] In most instances, the counterparty may not sell or repledge collateral pledged by the group.
[7] The 2015 previously reported amounts were erroneously duplicated in this disclosure. Consequently, the amounts presented at 31 December 2015 have been restated. The restatement improves the comparability of the financial information and did not affect the group's statement of financial position.

The table below sets out the nature of the agreements and the rights relating to items which do not qualify for offset but that are subject to either a master netting arrangement or similar agreement.

Financial asset/liability	Nature of agreement	Related rights to offset
Derivative assets and liabilities	International swaps and derivatives associations	The agreement allows for offset in the event of default.
Trading assets and trading liabilities	Global master repurchase agreements	The agreement allows for offset in the event of default.
Loans and advances	Customer agreement and Banks Act	In the event of liquidation or bankruptcy, offset shall be enforceable subject to Banks Act requirements being met.
Deposits and debt funding	Customer agreement and Banks Act	In the event of liquidation or bankruptcy, offset shall be enforceable subject to Banks Act requirements being met.

Notes continued

Other reportable items and post balance sheet event

Foreign currency translation reserve (FCTR)

During the year ended 31 December 2016 the group's share of FCTR decreased by R11.4 billion (2015: increase of R2.9 billion). This decrease was partly attributable to the weakening of the Nigerian naira (79%), Mozambican metical (69%), and British Pound (35%) against the South African rand which resulted in an FCTR loss of R3.6 billion, R1.4 billion and R1.7 billion respectively.

Impairment of Stanbic IBTC Holdings PLC (SIBTC Holdings) (Nigeria)

The group's goodwill materially comprises of goodwill relating to the group's investment in SIBTC Holdings which is denominated in Nigerian naira (NGN). The group, in terms of IFRS, reviewed its investment in Nigeria for impairment due to the weakening of the NGN which resulted in impairment to the group's investment in SIBTC Holdings of R482 million (2015: R333 million).

Japan fraud

As announced by the group on 23 May 2016 on SENS, the group's South African banking operations were the victim of a sophisticated, coordinated fraud incident that involved the withdrawal of cash using a number of fictitious cards at various ATMs in Japan. There was no financial loss to the group's customers. Swift action was taken to contain the matter and the gross loss (prior to any potential recoveries) is R300 million. The internal investigation has been concluded and remediation is underway to strengthen current controls.

Liberty Two Degrees

Liberty Group Limited holds and invests, on behalf of policyholders and shareholders, investments in properties in a ring-fenced on balance sheet asset portfolio, Liberty Property Portfolio (LPP). L2D, a REIT, was listed on the JSE on 6 December 2016, raising R3.8 billion. L2D provided a solution to address the group's policyholder's requirement to trade in and out of Liberty's property exposure thereby creating flexibility and liquidity.

In terms of the transaction, Liberty sold undivided shares in each individual property that were held in the LPP to L2D. Liberty is currently the most significant investor in L2D, with a 67% economic interest as at 31 December 2016. At both a Liberty and group level, L2D is required to be consolidated. As a result of consolidating L2D, the group continues to recognise the fair value of L2D's underlying assets. As the group's policyholder liabilities are now linked to L2D's units, the policyholder liability valuation is calculated as the aggregate unit value of L2D rather than the fair value of its underlying assets. On 31 December 2016 L2D traded at a premium to its net asset value which resulted in a negative headline earnings impact of R167 million (post tax and non-controlling shareholders stake) at a group level.

Equity securities

During the year, the group allotted 2 646 456 shares (2015: 3 813 706 shares) in terms of the group's share incentive schemes and repurchased 2 477 472 shares (2015: 3 923 373 shares).

The total equity securities held as treasury shares at the end of the period was 16 086 916 shares (2015: 11 084 016 shares). These treasury shares exclude group shares that are held by certain structured entities (SEs) relating to the group's Tutuwa initiative (refer to the related party transaction note for more detail) since those SEs hold the voting rights on such shares and are accordingly not treasury shares as defined by the JSE Listings Requirements.

Subordinated debt

During the period the group issued R2.7 billion (2015: R4 billion) and redeemed R3.2 billion (2015: R3.1 billion) subordinated debt instruments.

The terms of the issued bonds include a regulatory requirement which provides for the write-off in whole or in part on the earlier of a decision by the relevant regulator (SARB) that a write off, or a public sector injection of capital or equivalent support is necessary, without which the issuer would have become non-viable.

SIBTC Holdings financial statements

SIBTC Holdings advised its shareholders through The Nigerian Stock Exchange (NSE) on 24 March 2016 that, due to the Financial Reporting Council of Nigeria's (FRC) allegations surrounding material misstatements of its 2013 and 2014 financial statements and the associated legal proceedings, it would be unable to complete its 2015 audit and issue its 2015 annual report before 31 March 2016.

In November 2016 SIBTC Holdings reached a settlement agreement with the FRC and the National Office for Technology Acquisition and Promotion. This agreement entailed the FRC removing any restriction on the external auditors from issuing their opinion on the financial statements of the entities within the SIBTC group and a mutual modification of SIBTC Holdings' legal applications to the court. The FRC has approved all financial statements prepared by the SIBTC group and the audited 2015 SIBTC Holdings financial statements were released to the market on 21 December 2016.

Legal proceedings

In the ordinary course of business, the group is involved as a defendant in litigation, lawsuits and other proceedings. Management recognises the inherent difficulty of predicting the outcome of defended legal proceedings. Nevertheless, based on management's knowledge from investigation, analysis and after consulting with legal counsel, management believes that there are no individual legal proceedings that are currently assessed as being 'likely to succeed and material' or, 'unlikely to succeed but material should they succeed'. The group is also the defendant in some legal cases for which the group is fully indemnified by external third parties, none of which are individually material. Management is accordingly satisfied that the legal proceedings currently pending against the group should not have a material adverse effect on the group's consolidated financial position and the directors are satisfied that the group has adequate insurance programmes and, where required in terms of IFRS for claims that are probable, provisions in place to meet claims that may succeed.

Competition Commission - trading of foreign currency

In April 2015 the South African Competition Commission announced that it had initiated a complaint against SNYS and 21 other institutions concerning possible contravention of the Competition Act in relation to USD/ZAR trading between 2007 and 2013. No mention was made of The Standard Bank of South Africa Limited (SBSA). On 15 February 2017 the Competition Commission lodged five complaints with the Competition Tribunal against 18 institutions, including SBSA and SNYS, in which it alleges unlawful collusion between those institutions in the trading of USD/ZAR. The group only learned of the complaints at this time and is engaging with the Competition Commission to better understand the basis for the complaints and the appropriate response. The group considers these allegations in an extremely serious light and remain committed to maintaining the highest levels of control and compliance with all relevant regulations. The allegations are confined to USD/ZAR trading activities within SBSA and do not relate to the conduct of the group more broadly.

Indemnities granted following disposal of SB Plc

Under the terms of the disposal of SB Plc on 1 February 2015, the group provided ICBC with certain indemnities to be paid in cash to ICBC or, at ICBC's direction, to any SB Plc (now ICBCS) group company, a sum equal to the amount of losses suffered or incurred by ICBC arising from certain circumstances. Where an indemnity payment is required to be made by the group to the ICBCS group, such payment would be grossed up from ICBC's shareholding at the time in ICBCS to 100%. These payments may, inter alia, arise as a result of an enforcement action, the cause of which occurred prior to the date of disposal. Enforcement actions include actions taken by regulatory or governmental authorities to enforce the relevant laws in any jurisdiction. Whilst there have been no material claims relating to these indemnification provisions during 2016, the indemnities provided are uncapped and of unlimited duration as they reflect that the pre-completion regulatory risks attaching to the disposed-of business remain with the group post completion. The indemnification provisions covered the Deferred Prosecution Agreement (DPA) that ICBCS entered into with the United Kingdom Serious Fraud Office (SFO) (as more fully set out in the announcement made to shareholders via the JSE's SENS on 30 November 2015). In terms of the DPA, prosecution has been suspended and will be withdrawn after three years provided that ICBCS has complied with its obligations under the DPA. Any claims that may arise for SNYS with respect to the Competition Commission matter are also likely to fall within the scope of this indemnity as the conduct, which is the subject of the referral, pre-dates the disposal of SB Plc.

Post balance sheet event

ICBCS capital injection

On 13 January 2017, Standard Bank London Holdings Limited (SBLH), a wholly owned subsidiary of Standard Bank Group Limited and ICBC jointly and *pro rata* to their shareholdings in ICBCS injected additional regulatory capital in the form of ordinary equity into ICBCS. SBLH's *pro rata* portion of this capital injection amounted to US$106 million (ZAR1.44 billion).

This capital was provided in terms of the obligations of ICBC and SBLH under the shareholders' agreement of ICBCS pursuant to increasing regulatory capital requirements relating to ICBCS and was provided after the receipt by both of ICBCS' shareholders of the requisite approvals for such capital to be provided.

Accounting policy elections and restatements

Basis of preparation

The group's consolidated and company's separate annual financial statements (annual financial statements) are prepared in accordance with IFRS as issued by the IASB, its interpretations adopted by the IASB, the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee and financial pronouncements as issued by the Financial Reporting Standards Council, the presentation requirements of IAS 34, the JSE Listings Requirements, and the South African Companies Act. The annual financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- available-for-sale financial assets, financial assets and liabilities classified at fair value through profit or loss, investment property, liabilities for cash-settled share-based payment arrangements and interests in mutual funds, policyholder investment contract liabilities and third-party financial liabilities arising on the consolidation of mutual funds that are measured at fair value
- policyholder insurance contract liabilities and related reinsurance assets that are measured in terms of the Financial Soundness Valuation (FSV) basis
- post-employment benefit obligations that are measured in terms of the projected unit credit method.

The following principal accounting policy elections in terms of IFRS have been made:

- purchases and sales of financial assets under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned are recognised and derecognised using trade date accounting
- cumulative gains and losses recognised in other comprehensive income (OCI) in terms of a cash flow hedge relationship are transferred from OCI and included in the initial measurement of the non-financial asset or liability
- commodities acquired principally for the purpose of selling in the near future or generating a profit from fluctuation in price or broker-traders' margin are measured at fair value less cost to sell
- mutual fund investments held by investment-linked insurance funds, that do not meet the definition of a subsidiary, are designated on initial recognition as at fair value through profit or loss
- intangible assets and property and equipment are accounted for at cost less accumulated amortisation and impairment
- intercompany transactions between the group's continuing and discontinued operation are not eliminated but presented as part of the group's respective continuing and discontinued operation's results
- the portfolio exception to measure the fair value of certain groups of financial assets and financial liabilities on a net basis
- investments in associates and joint ventures are initially measured at cost and subsequently accounted for using the equity method in the separate financial statements.

Functional and presentation currency

The annual financial statements are presented in South African rand, which is the functional and presentation currency of the group and the company. All amounts are stated in millions of rand (Rm), unless indicated otherwise.

Changes in accounting policies

The accounting policies are consistent with those reported in the previous year except as required in terms of the adoption of the following:

Adoption of new and amended standards and circular effective for the current financial period

The accounting policies are consistent with those reported in the previous year except as required in terms of the adoption of the following amendments effective for the current period:

- IFRS 11 *Joint Arrangements* (IFRS 11): amendments which specify the appropriate accounting treatment for acquisitions of interests in joint operations in which the activities of the joint operation constitute a business
- SAICA *Headline Earnings* circular (Circular 2/2015): changes relate largely to amendments made to IFRS since 2013, and specifically IFRS 9 *Financial Instruments*
- IAS 27 *Separate Financial Statements* (IAS 27): amendment which allows entities preparing separate financial statements to utilise the equity method to account for investments in subsidiaries, joint ventures and associates.

Early adoption of revised standards:

- Amendments to IAS 7 *Statement of Cash flows* (IAS 7): amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities
- Amendments to IAS 12 *Income Taxes* (IAS 12): amendments clarify various accounting requirements with respect to the recognition of deferred tax assets for unrealised losses.

The abovementioned amendments to the IFRS standards and circular, adopted on 1 January 2016, did not have any effect on the group's previously reported financial results or disclosures and had no material impact on the group's accounting policies.

Change in presentation policy for policyholders' assets and liabilities

Reinsurance liabilities were previously included within the aggregate policyholder liabilities for insurance contracts. To provide more relevant and useful information, these reinsurance liabilities have now been included within the group's provisions and other liabilities. These reinsurance liabilities have been disclosed separately as this class of liabilities represents the effect of management's risk mitigation action on policyholder contracts.

In addition, certain individual pure risk contracts, where the present value of expected future inflows exceeded the present value of expected future outflows at a portfolio level, were previously included as negative liability amounts (policyholder assets) within the aggregate policyholder liabilities for insurance contracts. A change in presentation was adopted for the year ended 31 December 2016 to disclose portfolio level negative policyholder liabilities as policyholder assets.

The group is of the opinion that the change in presentation policy will provide more reliable and meaningful information. The change brings the treatment of insurance contracts in line with the reporting requirements expected under the new accounting standard on insurance contracts.

The financial impact of this change is:

	2015		2014	
Description	As previously presented Rm Asset/(liability)	Revised presentation Rm Asset/(liability)	As previously presented Rm Asset/(liability)	Revised presentation Rm Asset/(liability)
Policyholders' assets		7 579		6 507
Policyholders' liabilities	(298 232)	(305 194)	(287 516)	(293 617)
Provisions and other liabilities[1]	(101 894)	(102 511)	(73 871)	(74 277)

[1] Reinsurance liabilities of R617 million in 2015 and R406 million in 2014 were previously disclosed within policyholders' liabilities and are now included within the provisions and other liabilities line item.

Other information

Pro forma constant currency financial information

The *pro forma* constant currency information disclosed in these results is the responsibility of the group's directors. The *pro forma* constant currency information has been presented to illustrate the impact of changes in currency rates on the group's results and may not fairly present the group's results of operations. In determining the change in constant currency terms, the comparative financial year's results for the period ended 31 December 2015 have been adjusted for the difference between the current and prior period's average exchange rates (determined as the average of the daily exchange rates). The measurement has been performed for each of the group's material currencies.

The *pro forma* constant currency financial information contained in this announcement has been reviewed by the group's external auditors and their unmodified limited assurance report prepared in terms of IASE 3000 is available for inspection at the company's registered office on weekdays from 09:00 to 16:00.

The following average rand exchange rates were used in the determination of the *pro forma* constant currency information.

	2016 average exchange rate	2015 average exchange rate
US dollar	**14.69**	12.75
Pound sterling	**19.96**	19.49
Argentine peso	**1.00**	1.38
Nigerian naira	**0.06**	0.07
Kenyan shilling	**0.15**	0.13
Zambian kwacha	**1.43**	1.52

Administrative and contact details

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Directors
TS Gcabashe (Chairman), Shu Gu** (Deputy Chairman), JH Maree (Deputy Chairman), Dr A Daehnke*, RMW Dunne°, G Fraser-Moleketi, GMB Kennealy, BJ Kruger* (Chief Executive), KD Moroka, NNA Matyumza, Dr ML Oduor-Otieno°°, AC Parker, ANA Peterside CON^, MJD Ruck, PD Sullivan^^, BS Tshabalala, SK Tshabalala* (Chief Executive), JM Vice, Wenbin Wang**, EM Woods
*Executive director ^^Australian
°British **Chinese °°Kenyan ^Nigerian
All nationalities are South African, unless otherwise specified above.

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Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196
PO Box 61051, Marshalltown, 2107

Share transfer secretaries in Namibia
Transfer Secretaries (Proprietary) Limited
4 Robert Mugabe Avenue
(entrance in Burg Street), Windhoek, Namibia
PO Box 2401, Windhoek

JSE independent sponsor
Deutsche Securities (SA) Proprietary Limited

Namibian sponsor
Simonis Storm Securities (Proprietary) Limited

JSE joint sponsor
The Standard Bank of South Africa Limited

Share and bond codes
JSE share code: SBK ISIN: ZAE000109815
NSX share code: SNB ZAE000109815
SBKP ZAE000038881 (First preference shares)
SBPP ZAE000056339 (Second preference shares)
JSE bond codes: SBS, SBK, SBN, SBR, ETN series

SSN series and CLN series (all JSE-listed bonds issued in terms of The Standard Bank of South Africa Limited's Domestic Medium Term Note Programme and Credit Linked Note Programme)

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BASTION GRAPHICS

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