Standard Bank Group unaudited condensed consolidated interim results and dividend announcement 2017

for the six months ended 30 June

Standard Bank Moving Forward™

Contents

The Standard Bank Group Limited's (the group) condensed consolidated interim results, including the statement of financial position, income statement, statement of changes in equity, statement of other comprehensive income and statement of cash flows, for the six months ended 30 June 2017 (results) are prepared in accordance with the requirements of the JSE Limited (JSE) Listings Requirements, the requirements of International Financial Reporting Standards (IFRS) and its interpretations as adopted by the International Accounting Standards Board (IASB), the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee, 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 group's results are prepared in accordance with the going concern principle under the historical cost basis as modified by the fair value accounting of certain assets and liabilities where required or permitted by IFRS. This report is presented in South African rand, which is the presentation currency of the group. All amounts are stated in millions of rand (Rm), unless indicated otherwise. The accounting policies applied in the preparation of these unaudited condensed consolidated interim results are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the group's previous audited consolidated annual financial statements, except for changes as required by the mandatory and early adoption of the revised IFRS, as set out on page 34.

Interim results have not been audited or independently reviewed by the group's external auditors. The group's 2016 annual financial information has been correctly extracted from the underlying audited consolidated annual financial statements.

1H17 refers to the first half year results for 2017. 1H16 refers to the first half year results for 2016. FY16 refers to the full year results for 2016. Change % reflects 1H17 change on 1H16.

All amounts relate to the group's results unless otherwise specified.

The directors of the group take full responsibility for the preparation of this report.

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 17 August 2017.

This report contains *pro forma* constant currency financial information. For further details refer to page 35.

In terms of 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 page 36 of this report to be taken there directly.

Shareholders are reminded that should they wish to make use of the group's electronic communication notification system to receive all shareholder entitled communication electronically as opposed to delivery through physical mail and have not already done so, this option can still be elected by advising the group's transfer secretaries at the following email address edc.support@computershare.co.za or call +27 861 100 933. Other related queries can be sent to electroniccommunication@standardbank.co.za.

Highlights

R12 111 million
HEADLINE EARNINGS
1H16: R10 861 million
↑ 12%

756 cents
HEADLINE EARNINGS PER SHARE
1H16: 680 cents
↑ 11%

400 cents
DIVIDEND PER SHARE
1H16: 340 cents
↑ 18%

9 554 cents
NET ASSET VALUE PER SHARE
1H16: 9 381 cents
↑ 2%

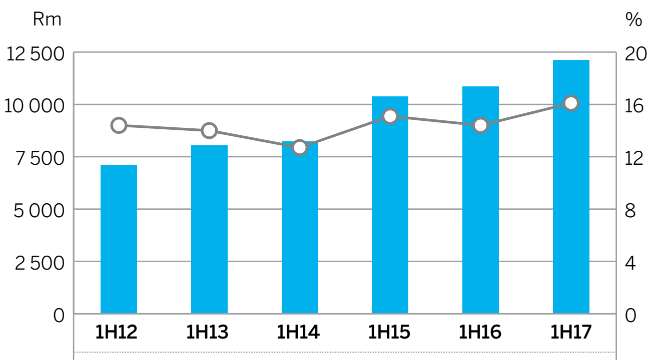
16.1%
RETURN ON EQUITY
1H16: 14.4%

13.7%
COMMON EQUITY TIER 1 RATIO
1H16: 13.2%

56.3%
COST-TO-INCOME RATIO
1H16: 56.8%

0.96%
CREDIT LOSS RATIO
1H16: 1.05%

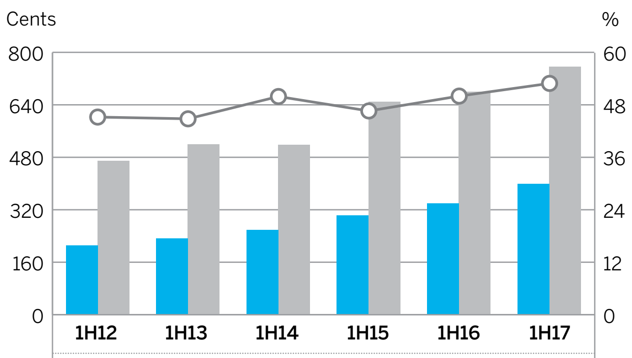
Headline earnings
CAGR[1] (1H12 – 1H17): 11%



	1H12	1H13	1H14	1H15	1H16	1H17
Headline earnings	7 110	8 046	8 230	10 373	10 861	12 111
Return on equity (ROE)	14.4	14.0	12.7	15.1	14.4	16.1

[1] Compound annual growth rate.

Headline earnings and dividend per share
CAGR (1H12 – 1H17): Dividend per share: 14%; Headline earnings per share: 10%



	1H12	1H13	1H14	1H15	1H16	1H17
Dividend per share	212	233	259	303	340	400
Headline earnings per share	469	520	519	650	680	756
Dividend payout ratio	45.2	44.8	49.9	46.6	50.0	52.9

Overview of financial results

Group results

Standard Bank Group's (SBG or the group) results for the period ended 30 June 2017 were robust, underpinned by our universal client offering, geographic diversity and increasingly digital capabilities. Headline earnings per share (HEPS) grew by 11% to 756 cents supporting an interim dividend per share of 400 cents, up 18% period on period. Group credit impairments and operating costs were well managed, resulting in an overall decline in the credit loss ratio from 105bps to 96bps and positive jaws of 1.0%. Group return on equity (ROE) improved from 14.4% to 16.1%. As at 30 June 2017, the group's capital position remained strong with a common equity tier 1 (CET1) ratio of 13.7% (1H16: 13.2%).

Currency movements adversely impacted the group's reported results, reducing group headline earnings by 7% period on period. On a constant currency (CCY) basis, group headline earnings grew by 19%, supported by Africa Regions which grew by 46%. Despite the dilution impact from ZAR strength, Africa Regions still increased its contribution to banking headline earnings to 29% and contributed positively to group HEPS growth and ROE. The top five contributors to Africa Regions' headline earnings were Angola, Ghana, Mozambique, Nigeria and Uganda, which together represent c.60% of the Africa Regions' headline earnings. Against a backdrop of adverse macro-economic developments, policy uncertainty and rating agency downgrades The Standard Bank of South Africa's (SBSA) asset and income growth were constrained. Despite these headwinds, SBSA demonstrated its resilience and grew its headline earnings 18% on the back of good cost management and muted credit impairment charges.

Operating environment

In 1H17, global growth prospects firmed, supported by post-election optimism in the US and better than expected growth in Europe and China. More specifically, China grew 6.9% in 2Q17, matching the robust momentum seen in 1Q17. Despite better momentum, the stubbornly low inflation levels in key developed markets and slower than expected rate hikes provided support to emerging market (EM) flows. EM markets, including South Africa, have benefited from the EM risk-on trade, providing broad support to funding costs and currencies. This is best illustrated by the fact that despite entering a technical recession in 1Q17 and being downgraded by three rating agencies during the period, SA funding costs remained broadly flat and the ZAR strengthened on average against the major currencies period on period. The ZAR also appreciated relative to all our key African Regions' currencies over the same period; most notably the NGN, GHS and MZN.

The challenges facing South Africa, namely low growth, high unemployment and high levels of inequality, are well ventilated. During the period, despite business confidence levels remaining low overall, certain parts of the economy did grow. The moderate recovery in commodity prices provided some support to miners. As the drought abated in certain parts of the country, it provided much needed respite to parts of the agricultural sector. Consumers had an opportunity to catch their breath as rates remained flat and inflation trended downwards. Inflation re-entered the South African Reserve Bank's (SARB) 3% – 6% target range in April and remained in the range for the rest of the period. Underlying credit growth remained lacklustre, supported by low single digit real corporate growth whilst household credit continued to contract, albeit at a slower rate.

Across the 19 African countries in which we operate outside of South Africa, the dynamics continue to be diverse. In the oil-export reliant countries on the west coast, such as Nigeria and Angola, prospects improved as oil recovered from lows in 1H16. In contrast, foreign currency liquidity constraints continued for most of the period, depressing market activity. East Africa suffered the effects of a drought. In Kenya specifically, the combination of the drought, the effects of the regulatory caps and floors introduced in September 2016 and pre-election anxiety resulted in a slowdown in credit growth. Mozambique's currency, although weaker than in 1H16, stabilised in 1H17.

The combination of higher rates, higher cash balances on the back of foreign currency liquidity constraints, flight to quality and improved macros provided support for the Africa Regions' performance.

Revenue

Total income declined by 1% period on period to R49 336 million, driven primarily by weaker non-interest revenue (NIR) which decreased 7%. Net interest income (NII) increased 4% underpinned by net interest margin (NIM) expansion. NIM expanded 22bps to 394bps driven by higher average rates, loan pricing and funding margin. Total income grew by 8% in CCY, supported by 11% growth in NII and 4% growth in NIR.

NIR was impacted negatively by trading revenue which declined 19% in ZAR and 8% in CCY. Relatively lower volatility in SA and in various Africa Regions' markets reduced the opportunity to generate revenue. Despite recording strong growth in Africa Regions (up 23% in CCY) and 4% growth in SBSA, group net fee and commission income declined 2% period on period due to currency headwinds. Other revenue was broadly flat.

Credit impairment charges

Declines in early arrears and non-performing loans (NPL) underpinned the decline in credit impairment charges period on period, while coverage levels remained broadly flat overall. The credit loss ratio decreased marginally from 105bps to 96bps. In Personal & Business Banking (PBB), declines in early arrears, and portfolio provisions, were driven by continued improvements in collections, including early interventions. PBB's specific impairment charges increased across card, personal unsecured and business lending. Business lending charges increased following the migration of a few larger exposures to NPLs in the period. Improvements in mortgages, as poorer vintages continue to roll-off, and vehicle and asset finance (VAF), as the quality of the book improved, resulted in declines in the credit loss ratios for those portfolios. Corporate & Investment Banking's (CIB) impairment charges declined from elevated levels in the prior period, in particular, Africa Regions' portfolio impairments. CIB SA's portfolio impairment charges increased period on period. Coverage ratios increased across card debtors, personal unsecured and business lending as well as CIB portfolios in the current period.

Operating expenses

Operating expenses declined 2% period on period driven by tight control on headcount, focus on discretionary spend and favourable currency tailwinds. On a CCY basis, operating costs grew by 7%. Despite the challenging revenue environment, the group managed to deliver positive jaws, in ZAR and CCY, in line with our strategic focus to reduce the cost-to-income ratio. The cost-to-income ratio declined from 56.8% to 56.3%.

In 1H16 the group recorded an operational loss of R300 million related to a fraud incident in Japan which did not recur in 1H17. IT function spend decreased 3% in ZAR, as the R261 million increase in IT amortisation charge was more than offset by decreases in other IT spend. Certain USD licensing and maintenance costs were also lower once translated into ZAR.

Loans and advances

Gross loans and advances to customers grew 1% period on period, supported by PBB which grew by 3% to R598 billion while CIB declined by 3% to R359 billion. On a CCY basis, Africa Regions' PBB grew 7% and CIB declined 5%. As at 30 June 2017, Africa Regions represented c.9% of the PBB portfolio and c.12% of the CIB portfolio. Although the PBB SA portfolio recorded low single digit growth overall, business lending grew 15% period on period in line with our strategic focus to grow in this business. On average, mortgage and VAF disbursements in SA amounted to more than R5.7 billion a month. CIB loans recorded a decline of 3% in ZAR and 1% in CCY basis, as trends seen in 2H16 continued into 1H17.

Capital, funding and liquidity

The group remains well capitalised with a CET1 ratio of 13.7% (1H16: 13.2%) and a total capital adequacy ratio of 16.2% (1H16: 15.9%). The group's capital position remains strong and in excess of the group's target ranges. In line with the group's objective to optimise its capital stack, SBG successfully executed its inaugural Basel III compliant Additional Tier 1 (AT1) bond issue in March 2017, raising R1.7 billion. The group will issue further AT1 subject to pricing and market conditions. The group continues to monitor a number of developments locally and internationally which could negatively impact the group's capital ratios, most pertinent of which are IFRS 9 and the finalisation of the Basel III reforms. The IFRS 9 impact will be moderated by the removal of the capital deduction relating to the existing shortfall of credit provisions to expected losses, which amounted to R2.0 billion as at 30 June 2017.

Deposits and current accounts from customers increased 4% period on period, and 8% in CCY. Retail-priced deposits increased 6% in ZAR and 12% in CCY. The group remains focused on sourcing stable deposits from a diverse range of sources. The group's established, on-the-ground franchises across our African footprint provide locally sourced deposits complemented by the USD and GBP funding raised through the group's offshore operations in Isle of Man and Jersey.

During the period, the group's liquidity position remained strong and within approved risk appetite and tolerance limits. Market cost of liquidity widened marginally during the period. As at 30 June 2017 the group's quarterly average Basel III liquidity coverage ratio (LCR) amounted to 116%, exceeding the minimum phased-in Basel III LCR requirement of 80%. The group is appropriately positioned to meet the minimum Basel III net stable funding ratio requirements on 1 January 2018.

Gross loans and advances to customers

	CCY[1] %	Change %	1H17 Rm	1H16 Rm	FY16 Rm
Personal & Business Banking	4	3	598 422	582 076	588 353
Mortgage loans	3	3	342 128	332 782	336 451
Vehicle and asset finance	1	(0)	80 889	80 929	81 035
Card debtors	2	1	32 119	31 683	31 229
Other loans and advances	10	5	143 286	136 682	139 638
Corporate & Investment Banking	(1)	(3)	359 486	370 822	360 336
Corporate loans	(2)	(5)	291 899	306 981	294 817
Commercial property finance	6	6	67 587	63 841	65 519
Central and other	56	56	(3 730)	(8 534)	(5 056)
Gross loans and advances to customers	3	1	954 178	944 364	943 633

[1] Constant currency change.

Deposits and current accounts from customers

	CCY %	Change %	1H17 Rm	1H16 Rm	FY16 Rm
Personal & Business Banking	9	5	509 276	486 515	497 558
Retail priced deposits	12	6	412 022	389 910	401 497
Wholesale priced deposits	1	1	97 254	96 605	96 061
Corporate & Investment Banking	7	4	623 208	598 024	616 601
Central and other	6	6	(3 870)	(4 121)	(4 413)
Deposits and current accounts from customers	8	4	1 128 614	1 080 418	1 109 746
Comprising:					
Retail priced deposits and current accounts	12	6	412 022	389 910	401 497
Wholesale priced deposits	6	4	716 592	690 508	708 249
Deposits and current accounts from customers	8	4	1 128 614	1 080 418	1 109 746

Overview of financial results continued

Headline earnings by business unit

	CCY %	Change %	1H17 Rm	1H16 Rm	FY16 Rm
Personal & Business Banking	15	11	**6 109**	5 523	12 748
Corporate & Investment Banking	19	10	**5 335**	4 856	10 339
Central and other	(1)	(5)	**(427)**	(406)	(1 025)
Banking activities	18	10	**11 017**	9 973	22 062
Other banking interests	>100	>100	**212**	2	(8)
Liberty (attributable to the group)	(0)	(0)	**882**	886	955
Standard Bank Group	19	12	**12 111**	10 861	23 009

Overview of business unit performance

Personal & Business Banking

PBB's headline earnings grew 11% to R6.1 billion and ROE improved from 16.5% to 17.7%. On a CCY basis, headline earnings grew 15%. Credit impairments were flat on the back of improved collection strategies. PBB headcount declined 1% driven by PBB SA. PBB continues to grow the client base in its target segments, namely prestige and private banking as well as business banking.

PBB SA's earnings grew by 13% to R5.7 billion. Total income grew 6% supported by target customer growth and product yield. Operating expenses grew 5%, delivering positive jaws. In line with our clear focus on client experience, staff are being re-skilled, branch formats revised and rationalised and digital capabilities enhanced. Headcount, branch numbers as well as branch size, all recorded declines in the period. Credit impairments declined 6% period on period. Ongoing improvements in the mortgage and VAF performance were partially offset by a reduction in post write-off recoveries and a deterioration in card and business lending. Wealth recorded an improvement in the product mix and pricing in the brokerage and underwriting business as well as good asset growth. Wealth income was impacted by losses associated with the storm and fire events in the Western Cape.

Results outside SA were impacted by relative currency depreciation. To better reflect the underlying trends, the commentary below refers to movements in the PBB Africa Regions and PBB International businesses on a constant currency basis, unless indicated otherwise.

PBB Africa Regions continues to gain momentum. Customer loans and deposits grew by 7% and 12% respectively, supporting income growth of 11%. This growth was underpinned by a combination of an expanding active customer base in targeted countries and an increasing adoption of digital banking. Active PBB customers increased by more than 10% in each of the following countries: Kenya, Nigeria, Botswana, Mozambique and Tanzania. NII was supported by positive endowment in Nigeria and Mozambique on cash management, savings and investment portfolios. Regulatory changes in Swaziland, Zimbabwe and Malawi impacted fees. In 1H17 the credit loss ratio increased by c.44bps to 264bps, driven predominantly by increased charges in Nigeria following an accelerated write-off of NPLs. Measured in ZAR, PBB Africa Regions earnings were materially impacted by the depreciation of the NGN period on period.

PBB International's headline earnings grew 41% supported by an 18% increase in the deposit base in GBP, margin expansion and growth in the trust business.

Collaboration with Liberty has been enhanced, with a focus on improving alignment of product development and sales initiatives. Opportunities to better leverage the respective customer bases both in SA and in Africa Regions continue to be pursued.

Digital adoption continued to gain traction. PBB SA recorded close on 500 million mobile transactions, up 55% relative to the prior period while ATM and teller volumes were down 5% and 15% respectively. Africa Regions recorded 100 million digital transactions, up 47% period on period.

Corporate & Investment Banking

CIB's headline earnings grew 10% to R5.3 billion and ROE improved from 17.8% to 21.4%. On a CCY basis, headline earnings grew 19% supported by strong revenue growth, better credit performance and tight management of costs. CIB recorded targeted asset growth in the Consumer, Financial Institutions and Real Estate sectors. Due to the impact of currency, all growth percentages reported hereafter are on a CCY basis.

NII grew 18% supported by higher customer deposits, an improved mix towards current accounts as well as positive endowment. Fees increased 18% following improvements in client activity across the debt and equity capital markets business. Trading revenue declined by 5% due to a combination of compressed margins and lower volumes as a result of low market volatility. Total income grew 10% to R17.4 billion underpinned by CIB's diversified and sustainable franchise, reflecting the successful deepening of client relationships. Tightly managed headcount and discretionary spend assisted in containing cost growth. Operating costs increased 3%, delivering positive jaws of 7% and a lower cost-to-income ratio of 52.2%.

The credit loss ratio to customers declined from 71bps in the prior period to 45bps, as prior period impairments on specific names in SA, Nigeria and Ghana were not repeated.

Global markets headline earnings declined 6% to R2.0 billion. Income growth was subdued at 2% due to lower client activity and reduced market volatility across various countries, including SA. Liquidity shortages and regulatory constraints impacted trading revenues in Nigeria, Mozambique and Uganda.

Transactional products and services headline earnings grew 67% to R1.9 billion. Total income was 20% higher than the prior period due to continued good deposit growth and positive endowment underpinned by new clients gained. Impairment charges declined from elevated levels in the prior year. Costs were well contained.

Investment banking headline earnings increased 18% to R1.4 billion. Total income increased 10%, mainly as a result of strong fee and commission income growth from certain landmark deals concluded in the period. Despite a subdued macro environment, loans and advances grew, supporting NII growth. The quality of the book improved, which was reflected in lower margins and NII growth. Impairment charges declined and cost discipline delivered positive jaws for the period.

Central and other

This segment includes costs associated with corporate activities and servicing the group capital requirements, namely the preference shares. The net headline loss for the period was broadly in line with the prior period.

Other banking interests

Headline earnings from other banking interests increased from R2 million in 1H16 to R212 million in 1H17. The headline earnings contribution from the group's 40% stake in ICBC Standard Bank Plc (ICBCS) amounted to R48 million, a significant improvement on the R356 million loss recorded in the prior period. The headline earnings contribution from the group's 20% stake in ICBC Argentina declined 54% from R358 million to R164 million on the back of lower trading revenue, a weaker macro-economic environment in Argentina, higher impairments and a weaker Argentinian Peso.

Liberty

The financial results reported are the consolidated results of the group's 56% 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 period decreased 30% to R1.3 billion, driven, in particular, by continued pressure in new business margins affecting Individual Arrangements and the performance of STANLIB. Liberty's IFRS headline earnings, post the impact of BEE preference shares and the Liberty Two Degrees listed Real Estate Investment Trust accounting mismatch, was 15% lower at R1.5 billion. Shareholders are referred to the full Liberty announcement dated 4 August 2017 for further detail. The impact of Liberty's deemed treasury shares period on period amounted to R139 million. Liberty's IFRS headline earnings attributable to the group, adjusted for the impact of Liberty's deemed treasury shares, was R882 million, down slightly from the R886 million recorded in the prior period.

Prospects

Looking ahead, stronger global growth and firmer commodity prices should provide some support in 2H17. In July, the IMF reaffirmed its outlook for global growth of 3.5% in 2017 and 3.6% in 2018. Global trade is expected to grow faster. The EM trajectory is also favourable underpinned by supportive policy in China as well as broader infrastructure spend in Asia. In sub-Saharan Africa, the macro environment is expected to continue to improve and interest rates to trend down as inflation moderates. The IMF expects sub-Saharan Africa's GDP growth to recover in 2017 and 2018, from a low of 1.3% in 2016 to 2.7% and 3.5% respectively. More specifically, the GDP growth across our Africa Regions franchises is expected to accelerate to 3.3% in West, 3.9% in South and Central and 5.9% in East in 2018. Nigeria's economy is expected to recover from a 1.6% contraction in 2016 to positive growth of 0.8% in 2017 and accelerate to 1.9% in 2018. In terms of South Africa's outlook, the expectations of a recovery in 2017 have moderated and the current SARB forecast is for 0.5% growth for the year. The threat of further rating agency downgrades remains. Declining interest rates, in SA and in some of the countries in our Africa Regions, will be a headwind in 2H17.

In the period, we have successfully embedded the five value drivers of client focus, employee engagement, risk and conduct, financial outcomes and social, economic and environmental (SEE) impact in the businesses. They underpin our decisions and drive the group's shared value outcomes.

Across our CIB franchise, we remain committed to partnering our clients on their growth journeys and delivering exceptional client experiences. We bank clients, not economies, and will continue to seek out pockets of growth. In August 2017, we opened our doors in Abidjan, Ivory Coast, the biggest economy in the West African Economic and Monetary Union (WAEMU) and one of the fastest growing economies on the continent, providing our clients with on-the-ground CIB capabilities and access to the broader WAEMU region. In Africa Regions, we continue to develop our PBB franchises in a consciously systematic manner; banking the employees, suppliers and customers of our corporate clients. Our strategy of banking the ecosystems surrounding our clients continues to gain traction.

We will continue to invest in our digital capabilities and the re-skilling of our employees, with the primary objective of improving the client experience. We recognise that we are not where we want to be in terms of customer satisfaction and are making changes to ensure that we improve this going forward. Our core banking replacement journey in SA and Africa Regions remains on track to close by the end of the year. Although it has been a long and costly exercise, we remain of the opinion that it provides us with the resilient platform required to compete in a digital world. Our innovation initiatives extend across analytics, robotics, cyber security and blockchain. We will continue to seek opportunities to successfully collaborate with FinTechs and support relevant IT skills development initiatives.

In a complex business environment, we rely on the people across our network to navigate the challenges each business faces and make appropriate decisions in line with strategic priorities. Doing the right business the right way remains a priority. We take swift action against those who are proved to be at odds with this. Regulatory change, both locally and internationally, has continued apace and appears unlikely to slow. We continue to engage with policymakers and regulators across our footprint to broker appropriately balanced outcomes. In South Africa specifically, we will continue to actively engage in the debates around the banking sector's role in promoting transformation and inclusive growth, and on specific issues such as the importance of the SARB's mandate and independence.

As underpinned by our purpose of driving Africa's growth, our view is that a financial institution's role in society is broader than providing superior returns to shareholders. In terms of our SEE impact, we have a responsibility to facilitate growth in the markets in which we operate, improve financial literacy and access, and develop local markets in a responsible and sustainable way.

We remain committed to our medium term targets of delivering through-the-cycle HEPS growth and ROE within our target range of 15% – 18%. We are focused on the levers available to deliver on our targets, including positive jaws, efficient capital management and improving returns from PBB Africa Regions.

Sim Tshabalala
Group chief executive

Ben Kruger
Group chief executive

Thulani Gcabashe
Chairman

16 August 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 an interim gross cash dividend No. 96 of 400 cents per ordinary share (the cash dividend) to ordinary shareholders recorded in the register of the company at the close of business on Friday, 15 September 2017. The last day to trade to participate in the dividend is Tuesday, 12 September 2017. Ordinary shares will commence trading *ex* dividend from Wednesday, 13 September 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, 13 September 2017, and Friday, 15 September 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, 18 September 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 dividend:

- 6.5% first cumulative preference shares (first preference shares) dividend No. 96 of 3,25 cents (gross) per first preference share, payable on Monday, 11 September 2017, to holders of first preference shares recorded in the books of the company at the close of business on the record date, Friday, 8 September 2017. The last day to trade to participate in the dividend is Tuesday, 5 September 2017. First preference shares will commence trading *ex* dividend from Wednesday, 6 September 2017.
- Non-redeemable, non-cumulative, non-participating preference shares (second preference shares) dividend No. 26 of 400,93 cents (gross) per second preference share, payable on Monday, 11 September 2017, to holders of second preference shares recorded in the books of the company at the close of business on the record date, Friday, 8 September 2017. The last day to trade to participate in the dividend is Tuesday, 5 September 2017. Second preference shares will commence trading *ex* dividend from Wednesday, 6 September 2017.

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

Preference share certificates (first and second) may not be dematerialised or rematerialised between Wednesday, 6 September 2017, and Friday, 8 September 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, 11 September 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	96	96	26
Dividend per share (cents)	400,00	3,25	400,93
Last day to trade in order to be eligible for the cash dividend	Tuesday, 12 September 2017	Tuesday, 5 September 2017	Tuesday, 5 September 2017
Shares trade *ex* the cash dividend	Wednesday, 13 September 2017	Wednesday, 6 September 2017	Wednesday, 6 September 2017
Record date in respect of the cash dividend	Friday, 15 September 2017	Friday, 8 September 2017	Friday, 8 September 2017
Dividend cheques posted and CSDP/broker account credited/updated (payment date)	Monday, 18 September 2017	Monday, 11 September 2017	Monday, 11 September 2017

The above dates are subject to change. Any changes will be released on the Stock Exchange News Service (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 320 cents per ordinary share, 2,6 cents per first preference share and 320,744 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:

- 1 618 211 936 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 six months ended 30 June 2017

	Change %	1H17 Unaudited	1H16 Unaudited	FY16 Audited
Number of ordinary shares in issue (000's)				
End of period		**1 602 748**	1 595 627	1 596 583
Weighted average		**1 603 040**	1 597 746	1 597 739
Diluted weighted average		**1 622 574**	1 618 260	1 619 444
Cents per ordinary share				
Basic earnings	14	**769,8**	676,7	1 389,8
Headline earnings	11	**755,5**	679,8	1 440,1
Diluted headline earnings	11	**746,4**	671,2	1 420,8
Dividend	18	**400**	340	780
Net asset value	2	**9 554**	9 381	9 442
Financial performance (%)				
ROE		**16.1**	14.4	15.3
Net interest margin on banking activities		**3.94**	3.72	3.83
Credit loss ratio on banking activities		**0.96**	1.05	0.86
Cost-to-income ratio on banking activities		**56.3**	56.8	56.3
Capital adequacy ratios (%)				
Basel III				
Common equity tier 1 (CET1) capital adequacy ratio		**13.7**	13.2	13.9
Tier 1 capital adequacy ratio		**14.2**	13.6	14.3
Total capital adequacy ratio		**16.2**	15.9	16.6

Condensed consolidated statement of financial position

as at 30 June 2017

	1H17 Unaudited Rm	1H16[1] Unaudited Rm	FY16 Audited Rm
Assets			
Cash and balances with central banks	**70 949**	73 442	77 474
Derivative assets	**53 690**	79 942	68 620
Trading assets	**126 565**	122 839	129 845
Pledged assets	**17 447**	18 324	18 777
Financial investments	**519 084**	470 968	483 774
Current and deferred tax assets	**2 264**	1 962	2 467
Loans and advances	**1 043 398**	1 071 206	1 065 405
Policyholders' assets	**7 689**	7 661	7 314
Other assets	**30 547**	29 127	21 547
Interest in associates and joint ventures	**9 712**	8 827	8 196
Investment property	**31 508**	30 955	31 155
Property and equipment	**15 852**	16 210	16 041
Goodwill and other intangible assets	**23 814**	23 970	23 675
Total assets	**1 952 519**	1 955 433	1 954 290
Equity and liabilities			
Equity	**183 817**	176 257	179 359
Equity attributable to ordinary shareholders	**153 132**	149 690	150 757
Equity attributable to other equity instrument holders[2]	**7 247**	5 503	5 503
Non-controlling interests	**23 438**	21 064	23 099
Liabilities	**1 768 702**	1 779 176	1 774 931
Derivative liabilities	**59 861**	90 951	75 083
Trading liabilities	**45 758**	46 848	47 867
Current and deferred tax liabilities	**7 970**	7 992	8 317
Deposits and debt funding	**1 212 115**	1 197 155	1 213 621
Policyholders' liabilities	**309 200**	312 111	307 230
Subordinated debt	**24 954**	28 438	25 997
Provisions and other liabilities	**108 844**	95 681	96 816
Total equity and liabilities	**1 952 519**	1 955 433	1 954 290

1 Refer to the accounting policy elections and restatement regarding details of the change in presentation policy.

2 Other equity instruments comprise: preference share capital of R5 503 million (1H16 and FY16: R5 503 million) and AT1 capital of R1 744 million (1H16 and FY16: Rnil). Refer to the subordinated debt instruments paragraph within other reportable items for further details regarding the AT1 capital.

Condensed consolidated income statement

for the six months ended 30 June 2017

	1H17 Unaudited Rm	1H16 Unaudited Rm	FY16 Audited Rm
Income from banking activities	49 336	49 863	99 857
Net interest income	28 770	27 775	56 892
Non-interest revenue	20 566	22 088	42 965
Income from investment management and life insurance activities	12 097	11 695	21 365
Total income	61 433	61 558	121 222
Credit impairment charges	(5 155)	(5 815)	(9 533)
Net income before operating expenses	56 278	55 743	111 689
Operating expenses in banking activities	(27 769)	(28 340)	(56 235)
Operating expenses in insurance activities	(8 822)	(8 433)	(17 374)
Net income before non-trading and capital related items	19 687	18 970	38 080
Non-trading and capital related items	214	(214)	(1 123)
Share of post tax profit from associates and joint ventures	412	152	187
Net income before indirect taxation	20 313	18 908	37 144
Indirect taxation	(1 154)	(1 137)	(2 418)
Net income before direct taxation	19 159	17 771	34 726
Direct taxation	(4 526)	(4 716)	(8 932)
Profit for the period	14 633	13 055	25 794
Attributable to ordinary shareholders	12 340	10 812	22 206
Attributable to other equity instrument holders	257	196	406
Attributable to non-controlling interests	2 036	2 047	3 182
Earnings per share			
Basic earnings per ordinary share (cents)	769,8	676,7	1 389,8
Diluted earnings per ordinary share (cents)	760,5	668,1	1 371,2

Condensed consolidated statement of other comprehensive income

for the six months ended 30 June 2017

	1H17 Unaudited Rm	1H16 Unaudited Rm	FY16 Audited Rm
Profit for the period	**14 633**	13 055	25 794
Other comprehensive loss after tax for the period	**(2 473)**	(9 364)	(14 647)
Items that may be reclassified subsequently to profit and loss	**(2 368)**	(9 306)	(14 773)
Exchange differences on translating foreign operations	**(2 697)**	(9 315)	(14 680)
Movement in the cash flow and net investment hedging reserve	**25**	28	30
Net change in fair value of cash flow and net investment in foreign operations' hedges	**(7)**	(1 164)	(1 319)
Realised fair value adjustments of cash flow hedges transferred to profit or loss	**32**	1 192	1 349
Movement in the available-for-sale revaluation reserve	**304**	(19)	(123)
Items that may not be reclassified to profit and loss			
Defined benefit fund and other remeasurements	**(105)**	(58)	126
Total comprehensive income for the period	**12 160**	3 691	11 147
Attributable to ordinary shareholders	**10 547**	3 689	10 882
Attributable to other equity instrument holders	**257**	196	406
Attributable to non-controlling interests	**1 356**	(194)	(141)

Condensed consolidated statement of changes in equity

for the six months ended 30 June 2017

	Ordinary shareholders' equity Rm	Equity attributable to other equity holders[1] Rm	Non-controlling interest Rm	Total equity Rm
Balance at 1 January 2016 (audited)	151 069	5 503	22 336	178 908
Total comprehensive income for the period	3 689	196	(194)	3 691
Transactions with owners, recorded directly in equity	(5 068)	(196)	(970)	(6 234)
Equity-settled share-based payment transactions[2]	487		16	503
Deferred tax on share-based payment transactions	47			47
Transactions with non-controlling shareholders	(126)		(302)	(428)
Net dividends paid	(5 979)	(196)	(693)	(6 868)
Other equity movements	503		9	512
Unincorporated property partnerships' capital reductions and distributions			(108)	(108)
Balance at 30 June 2016 (unaudited)	149 690	5 503	21 064	176 257
Balance at 1 July 2016	149 690	5 503	21 064	176 257
Total comprehensive income for the period	7 193	210	53	7 456
Transactions with owners, recorded directly in equity	(6 126)	(210)	2 093	(4 243)
Equity-settled share-based payment transactions[2]	(361)		32	(329)
Deferred tax on share-based payment transactions	160			160
Transactions with non-controlling shareholders	(522)		2 407	1 885
Net dividends paid	(5 484)	(210)	(405)	(6 099)
Other equity movements	81		59	140
Unincorporated property partnerships' capital reductions and distributions			(111)	(111)
Balance at 31 December 2016 (audited)	150 757	5 503	23 099	179 359
Balance at 1 January 2017 (audited)	**150 757**	**5 503**	**23 099**	**179 359**
Total comprehensive income for the period	**10 547**	**257**	**1 356**	**12 160**
Transactions with owners, recorded directly in equity	**(8 172)**	**1 487**	**(905)**	**(7 590)**
Equity-settled share-based payment transactions[2]	**(348)**		**7**	**(341)**
Deferred tax on share-based payment transactions	**(45)**			**(45)**
Transactions with non-controlling shareholders	**81**		**(67)**	**14**
Net dividends paid	**(7 100)**	**(257)**	**(814)**	**(8 171)**
Other equity movements	**(760)**	**1 744**	**(31)**	**953**
Unincorporated property partnerships' capital reductions and distributions			**(112)**	**(112)**
Balance at 30 June 2017 (unaudited)	**153 132**	**7 247**	**23 438**	**183 817**

1 Other equity holders are holders of preference share capital and AT1 capital. The group issued no preference shares for 1H17 (1H16 and FY16: nil) and issued R1 744 million AT1 capital for 1H17 (1H16 and FY16: nil).
2 Includes hedges of the group's equity settled share incentive schemes.

Condensed consolidated statement of cash flows

for the six months ended 30 June 2017

	1H17 Unaudited Rm	1H16 Unaudited Rm	FY16 Audited Rm
Net cash flows from operating activities	**17 401**	10 839	40 255
Cash outflow from direct taxation paid	**(5 187)**	(4 745)	(9 232)
Cash flow from other operating activities	**22 588**	15 584	49 487
Net cash flows (used in)/generated from investing activities	**(10 382)**	1 969	(13 377)
Cash outflow from capital expenditure	**(2 185)**	(3 123)	(7 537)
Cash flow from other investing activities	**(8 197)**	5 092	(5 840)
Net cash flows used in financing activities	**(5 944)**	(5 736)	(12 030)
Cash flow from equity transactions with non-controlling interests	**1 674**	(524)	1 575
Cash outflow from subordinated debt instruments redeemed	**(1 400)**		(3 175)
Cash inflow from subordinated debt instruments issued	**2 001**	1 714	2 694
Cash outflow from dividends paid	**(8 171)**	(6 868)	(12 967)
Cash flow from other financing activities	**(48)**	(58)	(157)
Effect of exchange rate changes on cash and cash equivalents	**(7 600)**	(8 742)	(12 486)
Net (decrease)/increase in cash and cash equivalents	**(6 525)**	(1 670)	2 362
Cash and cash equivalents at beginning of the period	**77 474**	75 112	75 112
Cash and cash equivalents at the end of the period	**70 949**	73 442	77 474
Comprising:			
Cash and balances with central banks	**70 949**	73 442	77 474

Notes

Condensed segment report

for the six months ended 30 June 2017

The group's primary segments comprise the group's banking activities (comprising PBB, CIB and central and other), the group's other banking interests (comprising the group's interest in ICBC Argentina and ICBCS) and Liberty (comprising the group's investment management and life insurance activities).

	1H17 Unaudited Rm	1H16 Unaudited[1] Rm	FY16 Audited[1] Rm
Revenue contribution by business unit			
Personal & Business Banking	**33 398**	33 617	67 622
Corporate & Investment Banking	**17 441**	17 732	35 274
Central and other	**(1 503)**	(1 486)	(3 039)
Banking activities	**49 336**	49 863	99 857
Liberty	**12 097**	11 695	21 365
Standard Bank Group	**61 433**	61 558	121 222
Profit or loss attributable to ordinary shareholders			
Personal & Business Banking	**6 124**	5 499	12 637
Corporate & Investment Banking	**5 307**	4 832	10 247
Central and other	**(213)**	(407)	(1 625)
Banking activities	**11 218**	9 924	21 259
Other banking interests	**240**	2	(8)
Liberty	**882**	886	955
Standard Bank Group	**12 340**	10 812	22 206
Total assets by business unit			
Personal & Business Banking	**696 189**	677 600	689 183
Corporate & Investment Banking	**858 127**	911 751	897 565
Central and other	**(22 312)**	(40 059)	(42 990)
Banking activities	**1 532 004**	1 549 292	1 543 758
Other banking interests	**7 811**	7 028	6 445
Liberty	**412 704**	399 113	404 087
Standard Bank Group	**1 952 519**	1 955 433	1 954 290
Total liabilities by business unit			
Personal & Business Banking	**622 077**	606 450	618 113
Corporate & Investment Banking	**800 774**	851 516	842 751
Central and other	**(38 852)**	(52 853)	(62 425)
Banking activities	**1 383 999**	1 405 113	1 398 439
Liberty	**384 703**	374 063	376 492
Standard Bank Group	**1 768 702**	1 779 176	1 774 931

[1] Where responsibility for individual cost centres and divisions within business units change, the comparative figures have been reclassified accordingly.

Headline earnings

for the six months ended 30 June 2017

	1H17 Unaudited Rm	1H16 Unaudited Rm	FY16 Audited Rm
Profit for the period	**12 340**	10 812	22 206
Headline adjustable items (reversed)/added	**(230)**	80	989
IAS 16 – (Gain)/loss on sale of property and equipment	**(18)**	5	50
IAS 21 – Realised foreign currency profit on foreign operations	**(214)**		(62)
IAS 27/IAS 28 – Loss/(gains) on disposal of businesses	**18**	3	(11)
IAS 28/IAS 36 – Impairment of associate		10	10
IAS 36 – Impairment of intangible assets		196	654
IAS 36 – Goodwill impairment			482
IAS 39 – Realised gains on available-for-sale assets	**(16)**	(134)	(134)
Taxation on headline earnings adjustable items	**(1)**	(26)	(178)
Non-controlling interests' share of headline earnings adjustable items	**2**	(5)	(8)
Standard Bank Group headline earnings	**12 111**	10 861	23 009
Headline earnings per ordinary share (cents)			
Headline earnings per ordinary share	**755,5**	679,8	1440,1
Diluted headline earnings per ordinary share	**746,4**	671,2	1420,8

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 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.

	1H17 Unaudited Rm	FY16 Audited Rm
Cost	**47**	48
Carrying value	**411**	389
Fair value	**411**	389
Realised gains on disposal for the period included in headline earnings		45
Attributable income before impairment	**22**	3

Contingent liabilities and commitments

as at 30 June 2017

	1H17 Unaudited Rm	FY16 Audited Rm
Letters of credit and bankers' acceptances	**12 791**	12 607
Guarantees	**62 793**	64 076
Contingent liabilities	**75 584**	76 683
Investment property	**514**	633
Property and equipment	**357**	315
Other intangible assets	**397**	399
Commitments	**1 268**	1 347

Notes continued

Day one profit or loss

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

	Derivative instruments Rm	Trading assets Rm	Total Rm
Balance as at 1 January 2016 (audited)	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 (audited)	161	588	749
Balance as at 1 January 2017 (audited)	**161**	**588**	**749**
Additional net profit on new transactions during the period	**411**	**37**	**448**
Recognised in profit or loss during the period	**(25)**	**(36)**	**(61)**
Balance as at 30 June 2017 (unaudited)	**547**	**589**	**1 136**

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. For both 1H17 as well as FY16 the shares in issue financed by the group had an opening and closing balance of 5 750 291 shares, with no movements in these shares for both periods. The weighted number of shares thus also equated to 5 750 291 for both periods.

Post-employment benefit plans

The group manages R11 193 million (FY16: R11 918 million) of the post-employment benefit plans' assets. Other significant balances between the group and the group's post-employment benefit plans are listed below:

	1H17 Unaudited Rm	FY16 Audited Rm
Investments held in bonds and money market instruments	**1 023**	947
Value of ordinary group shares held	**528**	570

Balances and transactions with ICBCS

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

	1H17 Unaudited Rm	FY16 Audited Rm
Derivative assets	**1 308**	1 856
Loans and advances	**11 301**	30 111
Other assets	**1 928**	256
Derivative liabilities	**(1 975)**	(2 271)
Deposits and debt funding	**(712)**	(1 315)
Provisions and other liabilities	**(1 199)**	(287)

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 Standard Bank Plc (SB Plc). In terms of these arrangements, services are delivered to and received from ICBCS for the account of each respective party. As at 30 June 2017 the expense recognised in respect of these arrangements amounted to R106 million (FY16: R202 million).

Balances and transactions with the Industrial and Commercial Bank of China Limited (ICBC)

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

	1H17 Unaudited Rm	FY16 Audited Rm
Loans and advances	**182**	246
Other assets	**629**	656
Deposits and debt funding		(6 583)

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 has a right, by means of a post-disposal adjustment, to 60% of insurance and other recoveries, net of costs, relating to claims by SB Plc 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 30 June 2017, a balance of USD48 million (R629 million) (FY16: USD48 million; R656 million) is receivable from ICBC in respect of this arrangement.

Mutual funds

The group invests in various mutual funds that are managed by Liberty. Where the group has assessed that it has control (as defined by IFRS) over these mutual funds, it accounts for these mutual funds as subsidiaries. Where the group has assessed that it does not have control over these mutual funds, but has significant influence, it accounts for them as associates.

The following significant balances and transactions were entered into between the group and the mutual funds which the group does not control:

	1H17 Unaudited Rm	FY16 Unaudited[1] Rm
Trading liabilities	**(380)**	(397)
Deposits and debt funding	**(12 774)**	(14 105)
Provisions and other liabilities	**(3 095)**	(1 595)
Trading (losses)/gains	**(55)**	51
Interest expense	**(713)**	(1 017)

[1] While this level of disclosure was not included in the FY16 audited group financial statements, disclosure of the assets held by mutual funds in group companies was provided only for those mutual funds which were material to the group.

Change in group directorate

The following changes in directorate took place during the six months ended 30 June 2017:

APPOINTMENTS		
Dr H Hu	As joint deputy chairman	1 June 2017
L Wang	As non-executive director	1 June 2017
RESIGNATIONS		
Dr S Gu	As joint deputy chairman	1 June 2017
Dr W Wang	As non-executive director	1 June 2017
RETIREMENTS		
EM Woods	As non-executive director	26 May 2017

Notes continued

Fair value disclosures

Financial assets and liabilities measured at fair value

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 and loss 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.

Notes continued

Accounting classifications and fair values of financial assets and liabilities

The table below categorises the group's assets and liabilities as at 30 June 2017 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
Assets (unaudited)		
Cash and balances with central banks		
Derivative assets	53 690	
Trading assets	126 565	
Pledged assets	923	14 887
Financial investments		389 753
Loans and advances to banks		
Loans and advances to customers		92
Policyholders' assets		7 689
Interest in associates and joint ventures		
Investment property		
Other financial assets[3]		
Other non-financial assets		
Total assets	**181 178**	**412 421**
Liabilities (unaudited)		
Derivative liabilities	59 861	
Trading liabilities	45 758	
Deposits and debt funding from banks		
Deposits and debt funding from customers		12 432
Policyholders' liabilities[4]		93 765
Subordinated debt		
Other financial liabilities[3]		48 557
Other non-financial liabilities		
Total liabilities	**105 619**	**154 754**

Refer to footnotes on page 22.

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
	70 949				70 949	70 949
					53 690	53 690
					126 565	126 565
	147	1 490			17 447	17 447
67 716	17 422	44 193			519 084	520 084
	112 036				112 036	112 003
	931 270				931 362	929 255
					7 689	7 689
				9 712	9 712	
				31 508	31 508	31 508
	15 291				15 291	
				57 186	57 186	
67 716	1 147 115	45 683		98 406	1 952 519	
					59 861	59 861
					45 758	45 758
			97 552		97 552	97 413
			1 102 131		1 114 563	1 130 279
				215 435	309 200	93 765
			24 954		24 954	25 708
			23 673		72 230	
				44 584	44 584	
			1 248 310	260 019	1 768 702	

Notes continued

Accounting classifications and fair values of financial assets and liabilities (continued)

as at 31 December 2016

	Held-for-trading Rm	Designated at fair value Rm
Assets (audited)		
Cash and balances with central banks		
Derivative assets	68 620	
Trading assets	129 845	
Pledged assets	1 178	16 169
Financial investments		352 445
Loans and advances to banks		
Loans and advances to customers		96
Policyholders' assets		7 314
Interest in associates and joint ventures		
Investment property		
Other financial assets[3]		
Other non-financial assets		
Total assets	199 643	376 024
Liabilities (audited)		
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		
Total 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 of R215 435 million (FY16: R215 617 million) 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
75 201	17 252	38 876			483 774	484 163
	143 788				143 788	143 674
	921 521				921 617	913 949
					7 314	7 314
				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

Financial assets and liabilities measured at fair value
as at 30 June 2017

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.

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.

Level 3 – fair value is determined through valuation techniques using significant unobservable inputs.

	1H17 (unaudited)				FY16 (audited)			
	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Financial assets								
Measured on a recurring basis[1]								
Derivative assets	177	50 658	2 855	53 690	183	66 322	2 115	68 620
Trading assets	59 718	62 472	4 375	126 565	54 635	70 459	4 751	129 845
Pledged assets	15 400	1 900		17 300	16 829	1 750		18 579
Financial investments	244 123	182 059	7 764	433 946	214 451	168 915	7 955	391 321
Loans and advances to customers		92		92		96		96
Policyholders' assets		7 689		7 689		7 314		7 314
Total assets at fair value	319 418	304 870	14 994	639 282	286 098	314 856	14 821	615 775
Financial liabilities								
Measured on a recurring basis[1]								
Derivative liabilities	58	53 160	6 643	59 861	145	66 384	8 554	75 083
Trading liabilities	26 414	16 961	2 383	45 758	26 995	16 691	4 181	47 867
Deposits and debt funding from customers		12 432		12 432		13 627		13 627
Policyholders' liabilities		93 765		93 765		91 613		91 613
Other financial liabilities		48 557		48 557		44 046		44 046
Total liabilities at fair value	26 472	224 875	9 026	260 373	27 140	232 361	12 735	272 236

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.

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 yields • 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. **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. 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.	**For level 2 and 3 fair value hierarchy items** • discount rate* • 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.

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 from banks and customers 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 market risk parameters are valued consistently to similar instruments held as assets stated in the section on loans and advances. 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 liabilities Policyholder 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 or service costs, prepayment and surrender risk assumptions and recovery rates or 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	Total Rm
Balance at 1 January 2016 (audited)	2 457	8 942	10 013	21 412
Total gains/(losses) included in profit or loss	960	(469)	(1 055)	(564)
Net interest income			30	30
Non-interest revenue	960	(469)	(35)	456
Income from investment management and life insurance activities			(1 050)	(1 050)
Total gains 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[1]	249	359	13	621
Transfers out of level 3[2]		(516)	(502)	(1 018)
Reclassifications[3]		(112)		(112)
Exchange movements – gains/(losses)	1		(48)	(47)
Balance at 31 December 2016 (audited)	2 115	4 751	7 955	14 821
Balance at 1 January 2017 (audited)	**2 115**	**4 751**	**7 955**	**14 821**
Total gains/(losses) included in profit or loss	**691**	**(73)**	**(171)**	**447**
Net interest income			**75**	**75**
Non-interest revenue	**691**	**(73)**		**618**
Income from investment management and life insurance activities			**(246)**	**(246)**
Total gains included in OCI			**42**	**42**
Issuances and purchases	**1 190**	**302**	**49**	**1 541**
Sales and settlements	**(1 220)**	**(605)**	**(98)**	**(1 923)**
Transfers into level 3[1]	**79**			**79**
Exchange movements – losses			**(13)**	**(13)**
Balance at 30 June 2017 (unaudited)	**2 855**	**4 375**	**7 764**	**14 994**

1 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.
2 During the period, the valuation inputs of certain level 3 financial assets became observable. The fair value of these financial assets was transferred into level 2.
3 Level 3 financial assets were reclassified from held-for-trading to loans and receivables in terms of IFRS.

Notes continued

Level 3 financial assets

The following table 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 periods:

	Measured on a recurring basis			
	Derivative assets Rm	Trading assets Rm	Financial investments Rm	Total Rm
30 June 2017 (unaudited)				
Net interest income			**75**	**75**
Non-interest revenue and income from investment management and life insurance activities	**609**	**(73)**	**(105)**	**431**
Total	**609**	**(73)**	**(30)**	**506**
31 December 2016 (audited)				
Net interest income			47	47
Non-interest revenue and income from investment management and life insurance activities	1 043	(469)	(588)	(14)
Total	1 043	(469)	(541)	33

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		
	Derivative liabilities Rm	Trading liabilities Rm	Total Rm
Balance at 1 January 2016 (audited)	14 641	2 484	17 125
Total (gains)/losses included in profit or loss – non-interest revenue[2]	(4 896)	310	(4 586)
Issuances and purchases		1 804	1 804
Sales and settlements	(1 193)	(416)	(1 609)
Transfers into level 3[1]	1		1
Exchange movements – losses/(gains)	1	(1)	
Balance at 31 December 2016 (audited)	8 554	4 181	12 735
Balance at 1 January 2016 (audited)	**8 554**	**4 181**	**12 735**
Total losses/(gains) included in profit or loss – non-interest revenue[2]	**1 274**	**(37)**	**1 237**
Issuances and purchases	**57**	**60**	**117**
Sales and settlements	**(3 370)**	**(1 897)**	**(5 267)**
Transfers into level 3[1]	**127**		**127**
Exchange movements – losses	**1**	**76**	**77**
Balance at 30 June 2017 (unaudited)	**6 643**	**2 383**	**9 026**

1 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 the period, the valuation inputs of certain financial liabilities became unobservable. The fair value of these liabilities was transferred into level 3.
2 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 economically hedge this position.

Level 3 financial liabilities (continued)

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

	Derivative liabilities Rm	Trading liabilities Rm	Total Rm
30 June 2017 (unaudited)			
Non-interest revenue losses/(gains)	**1 236**	**(37)**	**1 199**
31 December 2016 (audited)			
Non-interest revenue (gains)/losses	(6 309)	26	(6 283)

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 on 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 or loss	
	Change in significant unobservable input	Favourable Rm	(Unfavourable) Rm
30 June 2017 (unaudited)			
Derivative instruments	From (1%) to 1%	**235**	**(231)**
Trading assets	From (1%) to 1%	**234**	**(234)**
Financial investments	From (1%) to 1%	**105**	**(125)**
Trading liabilities	From (1%) to 1%	**99**	**(99)**
Total		**673**	**(689)**
31 December 2016 (audited)			
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)

As at 30 June 2017, a 1% change of the significant unobservable inputs relating to the measurement of an equity investment classified as available-for-sale resulted in a R119 million (FY16: R120 million) favourable or unfavourable effect in OCI.

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 of 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.

	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
Assets					
30 June 2017 (unaudited)					
Derivative assets	44 536	(11)	44 525	(38 101)	6 424
Trading assets	23 378		23 378	(18 687)	4 691
Loans and advances[5]	85 882	(30 424)	55 458	(54 304)	1 154
Total	153 796	(30 435)	123 361	(111 092)	12 269
31 December 2016 (audited)					
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
Total	205 197	(33 228)	171 969	(163 275)	8 694

	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
Liabilities					
30 June 2017 (unaudited)					
Derivative liabilities	47 613	(11)	47 602	(40 309)	7 293
Trading liabilities	18 323		18 323	(18 323)	
Deposits and debt funding[5]	36 034	(30 424)	5 610		5 610
Total	101 970	(30 435)	71 535	(58 632)	12 903
31 December 2016 (audited)					
Derivative liabilities	53 915	(38)	53 877	(46 424)	7 453
Trading liabilities	31 147		31 147	(31 147)	
Deposits and debt funding[5]	39 374	(33 190)	6 184		6 184
Total	124 436	(33 228)	91 208	(77 571)	13 637

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.

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

Equity securities

During the period, the group allotted 1 239 731 shares (FY16: 2 646 456 shares) in terms of the group's share incentive schemes and repurchased 1 448 961 shares (FY16: 2 477 472 shares).

The total equity securities held as treasury shares at the end of the period was 9 713 295 shares (FY16: 16 086 916 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.

Foreign currency translation reserve (FCTR)

During the six months ended 30 June 2017 the group's share of FCTR decreased by R1.9 billion (1H16: decrease of R7.1 billion). This decrease was partly attributable to the weakening of the Nigerian naira (22%), US dollar (4%), and Kenyan shilling (5%) against the South African rand which resulted in an FCTR loss of R833 million, R540 million and R220 million respectively.

Included in the FCTR loss of R833 million for the period relating to the Nigerian naira was a loss of R698 million as a result of the establishment of the Nigerian Autonomous Foreign Exchange Fixing (NAFEX) by the Central Bank of Nigeria (CBN) in April 2017. The CBN introduced the NAFEX to improve foreign exchange liquidity.

IFRS 9 financial instruments (IFRS 9)

Background

IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39), the existing standard dealing with the accounting treatment for financial instruments will be replaced by IFRS 9 for the group's 2018 financial year. The following areas represent the major changes from that of IAS 39:

- Revised requirements for the classification and measurement of financial assets and consequential changes in the classification and measurement of financial liabilities.
- Recognition of changes in fair value due to changes in own credit risk on fair value designated financial liabilities in OCI as opposed to the income statement.
- Revised requirements and simplifications for hedge accounting.
- An expected credit loss (ECL) impairment model.

Comparative financial results and elections

The group has elected not to restate comparative financial results in line with the IFRS 9 transitional requirements. The difference between the previous (IAS 39) and new (IFRS 9) carrying values (including any tax impact) will be recognised in the group's opening retained earnings on 1 January 2018.

The group's date of adoption of the IFRS 9 revised hedge accounting requirements will be based on further IFRS developments with respect to the IASB's macro hedge accounting project or on the group deeming it opportune to adopt the revised requirements. In the interim the group will continue to utilise the accounting policy choice to continue hedge accounting in terms of IAS 39.

Parallel run

From January 2017, the group commenced a process by which the group's IFRS 9 results are computed alongside that of the existing IAS 39 financial results (referred to as the group's parallel run). This parallel run aims to:

- Provide results that will be utilised to finalise and, where applicable, update impairment methodologies.
- Refine and approve the ECL impairment and business models for the classification and measurement of financial assets.
- Assist in the audit of the group's transition to IFRS 9.

Impact – qualitative assessment

The impact of the IFRS 9 revised classification and measurement requirements for financial assets is not expected to be material. This conclusion is however dependent on the nature of and carrying value of financial assets in place on 1 January 2018.

The IFRS 9 ECL impairment model requirements are expected to increase the level of balance sheet impairments that are currently held in terms of IAS 39. The impact of the IFRS 9 ECL requirements can only be reliably determined on the date of transition to IFRS 9. This impact is primarily dependent on the finalisation of the group's impairment methodologies, conclusion of audit procedures by the group's external auditors as well as the credit quality and extent of the group's exposures and determination of forward-looking economic expectations at that date.

The following table summarises IFRS 9's key drivers as compared to that of IAS 39:

IFRS 9 DRIVER	REASON
Stage one (12-month expected loss)	PBB's existing emergence period is between three to six months and for CIB is 12 months. The change to a 12 month expected loss requirement is expected to impact PBB with minimal impact to CIB.
Stage two (lifetime expected loss for items for which there is a significant increase in credit risk)	IFRS 9 will require a lifetime loss to be recognised for items for which there has been a deterioration in credit risk. It is expected that this will increase both PBB and CIB's balance sheet impairments.
Stage three (lifetime expected loss for credit impaired exposures)	Similar requirements to that of existing accounting requirements.
Off-balance sheet exposures	The IFRS 9 requirement for impairments for off-balance sheet facilities results in the requirement for additional balance sheet impairments for both PBB and CIB.
Forward-looking information	The inclusion of forward-looking economic information is expected to increase the transition adjustment on adoption of IFRS 9, but will depend on the economic outlook at that date.

Tax implications

Within South Africa, National Treasury recently released the draft Taxation Laws Amendment Bill which contained requirements for the deductibility of impairments in accordance with IFRS 9. National Treasury has proposed an 85% allowance for impairment provisions for defaulted exposures and a 25% allowance for impairment provisions for all other exposures. It is expected that this legislation will result in an increase in the deferred tax asset carrying value for the group and a consequential further deduction of both CET1 and Tier 1 capital for the group.

Capital implications

IFRS 9 (including the related tax consequences) will affect the group's regulatory capital requirements. The expected increase in impairment provisions, along with the increase in the group's deferred tax asset carrying value, will reduce CET1 capital. This reduction in CET1 capital will, however, be partially reduced by the release of the existing CET1 deduction for the excess of regulatory expected losses over IFRS impairments (currently cR2 billion). The Basel Committee on Banking Supervision (BCBS) has provided country regulators with national discretion to consider transitional phase-in provisions for the capital impact of IFRS 9. The SARB is considering the BCBS's proposals for possible adoption in South Africa.

Communication of transition impact

The group will, together with our 1Q18 SENS announcement regarding the group's statement of changes in equity, release a transitional report which will outline the impact of the transition to IFRS 9 on the group's financial results.

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 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 SBSA. On 15 February 2017 the Competition Commission lodged five complaints with the Competition Tribunal against 18 institutions, including one against SBSA and two against 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. SBSA has made an application to the Competition Tribunal for an order directing the Competition Commission to deliver a copy of the documents and other evidence that it relied upon when deciding to refer its complaint to the Tribunal, the application being necessary due to the Competition Commission's failure to comply with the applicable rules in this regard. Both SBSA and SNYS have, together with 12 of the other respondents, applied for dismissal of the complaint referral on various legal grounds. A date for the hearing of those applications has yet to be set. The group considers these allegations in an extremely serious light and remains committed to maintaining the highest levels of control and compliance with all relevant regulations. The allegations, against SBSA, 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. While there have been no material claims relating to these indemnification provisions during 2017, 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 SB Plc's acquisition of SNYS as part of the disposal of SB Plc.

Subordinated debt instruments

During the period, the group did not issue (FY16: R2.7 billion) Basel III compliant Tier 2 subordinated debt instruments. R0.3 billion (FY16: Rnil) of Basel II compliant Tier 2 subordinated debt instruments were issued during the period in jurisdictions that have not yet adopted the Basel III framework. The group redeemed R1.4 billion (FY16: R3.2 billion) Basel II compliant Tier 2 subordinated debt instruments during the period.

The group issued its debut Basel III compliant AT1 capital bond that qualifies as Tier 1 capital on 30 March 2017 amounting to R1.7 billion. The capital notes are perpetual, non-cumulative with an issuer call option after a minimum period of five years and one day and on every coupon payment date thereafter.

The terms of the Basel III compliant AT1 capital bond and Tier 2 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 (the SARB) that a write-off without which the issuer would have become non-viable is necessary, or a decision to make a public sector injection of capital or equivalent support, without which the issuer would have become non-viable.

All of the above-mentioned subordinated debt instruments have been recognised within the subordinated debt in the statement of financial position with the exception of the AT1 capital bonds that have been recognised within other equity instruments in the statement of financial position.

Accounting policy elections and restatement

Adoption of amended standards 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:

- *Annual improvements 2014 – 2016* clarification to IFRS 12 *Disclosure of Interests in Other Entities.*

Early adoption of revised standards:

- Amendment to IFRS 2 *Classification and Measurement of Share-based Payment Transactions*
- *Annual improvements 2014 – 2016* clarification to IFRS 1 *First-time Adoption of International Financial Reporting Standards* and IAS 28 *Investments in Associates and Joint Ventures*
- Amendment to IAS 40 *Investment Property.*

The abovementioned amendments to the IFRS standards, adopted on 1 January 2017, 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

For the year ended 31 December 2016, a change in presentation was adopted to disclose portfolio level negative policyholders' liabilities as policyholders' assets. In addition, to provide more relevant and useful information to the user, reinsurance liabilities were also excluded from policyholders' liabilities and is now included in provisions and other liabilities.

The financial impact of this change on the results for the six months ended 30 June 2016 is as follows:

	1H16	
Description	As previously presented Rm (Liability)	Revised presentation Rm Asset/(liability)
Policyholders' assets		7 661
Policyholders' liabilities	(305 065)	(312 111)
Provisions and other liabilities[1]	(95 066)	(95 681)

1 Reinsurance liabilities of R615 million as at 30 June 2016 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 reporting period's results 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 not been reviewed and reported on by the group's external auditors.

The following average exchange rates were used in the determination of the *pro forma* constant currency information and were calculated using the average of the average monthly exchange rates (determined on the last day of each of the six months in the period).

	1H17 average exchange rate	1H16 average exchange rate
US dollar	**13.20**	15.40
Pound sterling	**16.62**	22.07
Argentinian peso	**0.84**	1.08
Nigerian naira	**0.04**	0.08
Kenyan shilling	**0.13**	0.15
Zambian kwacha	**1.39**	1.44

Administrative and contact details

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BJ Kruger* (chief executive), NNA Matyumza,
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ANA Peterside CON[4] , MJD Ruck, PD Sullivan[5] ,
BS Tshabalala, SK Tshabalala* (chief executive), JM Vice, L Wang[2]
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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, SBT, 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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Refer to www.standardbank.com/reporting for a list of definitions, acronyms and abbreviations

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