Barclays Africa Group Limited

Pillar 3 risk management report 2016

BARCLAYS

Contents

Icons used in this report

Positive · Negative · Unchanged · Increase/decrease

BCBS Pillar 3 disclosure requirements of sections and tables

References to disclosure requirements have been designated by a [ ]

1. Risk summary

1.1 Risk management overview

Effective risk management and control is essential for sustainable and profitable growth.

The role of risk management is to evaluate, respond to, and monitor risks in the execution of the Group's strategy. It is essential that the business growth strategy is supported by an effective Enterprise Risk Management Framework (ERMF). Barclays Africa's business culture is closely aligned to a sound and well understood approach to risk. Barclays Africa's Risk Function retains independence in analysis and decision-making, underpinned by regular reporting to, and the support of the Group Risk and Capital Management Committee (GRCMC).

The approach to managing risk is outlined in the ERMF. It provides the basis for setting policies and standards, and establishing appropriate risk practices throughout the Group. It defines the risk management process and sets out the activities, tools, techniques and organisational arrangements to ensure that material risks can be identified and managed. It also ensures that appropriate responses are in place to protect the Group and its stakeholders.

The ERMF includes those risks taken by the Group that are foreseeable and material enough to merit establishing specific Group-wide control frameworks. These are known as key risks and are grouped into five principal risks.

The three lines of defence operating model, which has been defined in the ERMF, enables the appropriate assignment of risk management activities between those parties that:

- originate and own risk, and implement controls (first line);
- oversee and challenge the first line, providing independent risk management activity and controls (second line); and
- provide assurance that risk processes are fit for purpose, and that they are being carried out as intended (third line).

The ERMF enables businesses and internal functions to be organised along the three lines by formalising independence and challenge, while promoting collaboration and the flow of information between all areas.

The ERMF is reviewed and approved annually by the Board, on recommendation after detailed scrutiny of it by the GRCMC.

1.1.1 Current reporting period review

Overall performance continued to be sound with all risk and capital measures remaining within the Board-approved risk appetite. Key highlights included:

- The bank is operating in a challenging macroeconomic environment which is continuing to put pressure on consumers and businesses;
- Credit risk remains within risk appetite;
- Gross loans and advances to customers increased by 2.7% year-on-year, reflecting challenging economic conditions. There was good growth in South African Wholesale portfolios, while South African Retail portfolios were flat, to a large extent due to a small decline in home loans. There was a decline in the Rest of Africa portfolios, due to foreign currency movements (2.7% increase excluding forex);
- The credit loss ratio increased to 108 bps (December 2015: 92 bps) and impairment charges increased to R8.8bn (December 2015: R6.9bn). Increased impairment charges are due to deterioration across most retail portfolios in South Africa and Rest of Africa, as well as some single name defaults in Wholesale banking. Additional macroeconomic provisions (R283m) raised due to the increasingly challenging macroeconomic environment also contributed to the increase;
- Non-performing loans (NPL) as a percentage of loans and advances to banks and customers increased to 3.9% (December 2015: 3.5%). NPL coverage improved to 44.2% (December 2015: 43.2%);
- Overall coverage on performing loans increased to 79 bps (December 2015: 65 bps);
- Market risk exposures remained within overall risk appetite;
- Total operational risk losses were higher than in 2015. In line with the nature of the business, the main contributors to operational risk losses were transaction processing and payment-related issues as well as fraud, comprising 49% and 37% respectively, but these were within risk appetite;
- The Group's capital positions remained above the minimum regulatory limit and Board-approved Common Equity Tier 1 (CET1) target range. The liquidity position remained healthy, above the minimum regulatory requirements and maintaining buffers approved by the Board;
- Short and long-term insurance risk was managed within approved risk appetite levels; and
- The Group implemented and embedded an approach to the management of conduct risk.

1.1.2 Future priorities

- Continue to monitor the global economy and the effects of socio-economic challenges in key African markets;
- Continue to monitor material changes in developed markets (e.g. Brexit and US policy changes);
- Regularly review and alter risk appetite (where appropriate or necessary) to take account of global and local macroeconomic conditions;
- Continue to monitor and manage the effect of the separation from Barclays PLC on Barclays Africa's risk profile;
- Continue to focus on technology risk, fraud risk (including cybercrime) and anti-money laundering;

- Expand conduct risk management controls, tools and reporting;
- Increase focus on data and model initiatives arising from regulations (e.g. BCBS 239, and IFRS 9);
- Continue to enhance our scenario development and stress testing processes;
- Meet the insurance regulatory Solvency Assessment and Management (SAM) requirements (Pillars 1, 2 and 3). The Own Risk and Solvency Assessment (ORSA) report under the SAM comprehensive parallel run will be submitted to the Financial Services Board in Q2 2017;
- A range of life and short-term insurance product benefits are offered to achieve better diversification of risks and optimal risk-adjusted returns;
- Embed enhanced Risk Measurement tools and models to optimise extensive use of Economic Capital (EC) metrics;
- Insurance risk will be elevated from a key risk under market risk to a principal risk under the ERMF in Q1 2017; and
- Appropriate controls in the Rest of Africa will be implemented in insurance entities.

1.2 Risk appetite and stress testing

Risk appetite and stress testing are key components of the Group's management of risk and are embedded as part of the strategic planning process. The risk appetite statement describes and measures the amount and types of risk that the Group is prepared to take in executing its strategy. The Group's risk appetite framework combines a top-down view of capacity to take risk with a bottom-up view of the risk profile associated with each business area's plans.

1.2.1 Risk appetite key indicators (KIs) and triggers

The Group manages its risk profile in a forward-looking manner through a trigger and management action framework, which is continuously reviewed and strengthened. KIs and triggers have been developed to serve as an early warning system. The indicators include, *inter alia*, economic indicators directly correlated with risk, and key financial performance measures. The financial risk performance and risk appetite measures' triggers and limits have been implemented at Group, business unit, country, and product levels, and are regularly monitored by management and reported to the GRCMC on a quarterly basis..

1.2.2 Stress testing

Stress testing is a key element of the Group's integrated planning and risk management processes. Through the use of stress testing and scenario analysis, the Group is able to assess the performance of the Group's portfolios in the expected economic environment and also evaluate the impact of adverse economic conditions.

Actual market stresses, which have been experienced throughout the financial system in recent years, have been used to inform the Group's capital planning process and enhance the stress scenarios employed. The Group takes into account the results of all such stress testing when assessing its internal and regulatory capital (RC) requirements including the setting of capital and liquidity buffers.

The GRCMC exercises governance oversight and approval authority over financial risk forecasting, including stress testing, ensuring that this is adequate and appropriate for capital planning.

Risk trigger and management framework

Risk summary 2

Indicators that are monitored:

- Credit loss ratio (%)
- Impairment charge (Rm)
- Profit before tax (Rbn)
- Risk-weighted assets (Rbn)
- Return on risk-weighted assets (%)
- Common Equity Tier 1 ratio (%)
- Earnings-at-risk (%)
- Economic capital coverage ratio (%)
- Liquidity risk appetite (Rbn)
- Return on equity (%)
- Loans and advances growth (%)
- Insurance short-term loss ratio (%)
- Life insurance new business margin (%)

Risk budget i.e. planned risk appetite used based on budget

Risk triggers i.e. early warning system measuring increased use of risk appetite and triggers management action

Risk appetite i.e. maximum value placed at risk in pursuit of business objectives

1.3 Three lines of defence

Barclays Africa applies a 'three lines of defence' model to govern risk across all segments and functions. The ERMF assigns specific responsibilities to each line of defence.

- **First line:** process and control owners in customer and client-facing business segments and select Group functions. They are responsible for managing risk and control in their processes on an end-to-end basis;
- **Second line:** independent risk, compliance, legal and control functions which formulate the policies and standards for managing risk and control and ensure, through reviews, that the first line meets the requirements of the policies and standards; and
- **Third line:** internal and external audit functions that confirm, through control testing and other reviews, that the first and second lines execute their responsibilities in an effective and consistent manner.

All employees take responsibility for their role in risk management, regardless of position, function or location. They are required to be familiar with risk management policies relevant to their activities, must know how to escalate actual or potential risk issues, and have a role-appropriate level of awareness of the ERMF, the risk management process and governance arrangements.

1.4 Evaluate, respond and monitor process

This is a structured, practical and easy-to-understand risk management approach for management to identify and assess the risk, determine the appropriate response, and then monitor the effectiveness of the response and the changes to the risk profile.

- **Evaluate:** Individuals, teams and departments, including those responsible for delivering the objective under review, identify and assess the potential risks.
- **Respond:** The appropriate risk response ensures that risks are managed within risk appetite, as follows:
  - Accept the risk, but take necessary mitigating actions such as using risk controls;
  - Stop an existing activity, or do not start a proposed activity; and
  - Continue, but transfer risks to another party e.g. insurance.
- **Monitor:** This includes ensuring risks are maintained within risk appetite and verifying that controls are functioning as intended, and remain fit for purpose. It can prompt re-evaluation of the risks and/or changes in responses.

1.5 Credit risk

The risk of suffering financial loss due to a borrower, counterparty to a derivative transaction, or an issuer of debt securities defaulting on its contractual obligations.

	2016					
	YoY trend[1]	Group		Wholesale[2]		Retail
Growth in gross loans and advances[3] (%)	▼	2.7	▼	7.8	▼	(0.8)
Credit loss ratio (%)	▲	1.08	▲	0.63	▲	1.54
NPL as a percentage of gross loans and advance (%)	▲	3.9	▲	2.8	▲	5.2
NPL coverage ratio (%)	▲	44.2	▲	29.0	=	31.3
Performing loans coverage ratio (%)	▲	0.79	▲	0.61	▲	1.01
Growth in exposure at default (EAD) (%)[4, 5]	▽	6.19	▽	7.03	△	5.26
Weighted average probability of default (PD) (%)[5]	▲	2.36	▲	1.00	▲	3.98
Weighted average loss-given-default (LGD)(%)[5]	▼	28.57	▼	30.58	▼	26.18
RWA as a percentage of EAD (%)[5]	▼	43.53	▲	46.12	▼	40.63

1 Refer to the contents page at the beginning of the report for a description of the icons used.
2 Wholesale incorporates CIB, BB and WIMI for South Africa and Rest of Africa.
3 Customers.
4 Includes trading book and banking book credit exposure.
5 The percentages include only portfolios subject to the IRB approaches.

	2015		
	Group	Wholesale[1]	Retail
Growth in gross loans and advances (%)[2]	10.4	22.9	3.2
Credit loss ratio (%)	0.92	0.48	1.31
NPL as a percentage of gross loans and advance (%)	3.5	2.7	4.7
NPL coverage ratio (%)	43.2	26.9	31.3
Performing loans coverage ratio (%)	0.65	0.53	0.85
Growth in EAD (%)[3, 4]	6.57	11.57	1.54
Weighted average PD (%)[4]	1.96	0.97	3.09
Weighted average LGD (%)[4]	30.49	31.17	30.58
Risk-weighted assets (RWA) as a percentage of EAD (%)[4]	44.57	45.60	43.44

- **Loans and advances:** Growth in gross loans and advances to customers moderated to **2.7%** (4.5% in constant currency). In South Africa, solid growth was seen in the Business Bank and Corporate and Investment Bank (CIB) portfolios, while the Retail portfolio remained flat overall. The home loans portfolio decreased by 2% during the year. The growth in South African Wholesale banking was offset by a decline across the Rest of Africa businesses.
- **Impairments:** The credit loss ratio deteriorated to **108 bps** (December 2015: **92 bps**). The retail credit impairment charge increased to R6 590m (December 2015: R5 451m) due to deterioration across most Retail portfolios, and additional macroeconomic provisions. The deterioration in retail credit performance in South Africa can be ascribed to increased pressure on consumers as a result of the weakening macroeconomic environment. The wholesale credit impairment charge increased to R2 197m (December 2015: R1 431m) mainly due to new single name impairments in CIB, Business Bank and Rest of Africa and additional macroeconomic provisions.
- **NPLs:** The balance of Retail NPLs increased by 9.8% due to higher roll into late arrears. The balance of Wholesale NPLs increased by 14.6% due to new defaults in the Consumer Sector and Rest of Africa. NPLs as a percentage of gross loans and advances increased to **3.9%** (December 2015: 3.5%) as a result of the higher NPL balances and restrained book growth. The NPL coverage ratio increased overall to **44.2%** (December 2015: 43.2%).
- **Performing coverage:** Performing coverage increased further to 0.79% (December 2015: 0.65%) due to additional macroeconomic provisions of R283m raised during the year, as well as increased early arrears. This is against the backdrop of the increasingly challenging macroeconomic environment in which the Group operates.
- **EAD/PD/LGD:** PDs in the Retail portfolios increased, while LGDs decreased as a result of new model implementations across all Retail portfolios. EAD growth in Retail IRB portfolios is due to new EAD model implementations and reclassification of SME Corporates to SME Retail, while growth in Wholesale IRB portfolios is due to growth in Corporate and Sovereign exposures, offset by a reduction in exposure to banks.
- **RWA as a percentage of EAD:** The result of lower LGD levels in the Retail portfolios and continuing capital optimisation exercises resulted in lower RWA intensity levels.

1.5.1 Future priorities

- Continue to identify and actively manage credit risk trends and opportunities;
- Continue to refine and enhance the embedment of credit risk appetite throughout the Group;
- Focus on data and systems as enablers of efficient credit risk management; and
- Closely monitor the macroeconomic environment and emerging risks, and implement agreed management actions when required.

1.6 Market risk

The risk that the Group's earnings, capital or business objectives will be adversely impacted by changes in the level or volatility of market rates or prices.

- **Traded market risk:** The risk of the Group being impacted by changes in the level or volatility of positions in trading books, primarily in investment banking.
- **Non-traded market risk:** The risk of the Group's earnings or capital being reduced due to market risk exposure from banking book positions which may arise net of hedging activities.
- **Insurance risk:** The risk that future claims, expenses, policyholder behaviour and investment returns may be adversely different to the allowances made in measuring policyholder liabilities and in product pricing.
- **Pension risk:** The risk that an adverse movement between pension assets and liabilities results in a pension deficit.

1 Wholesale incorporates CIB, BB and WIMI for South Africa and Rest of Africa.
2 Customers.
3 Includes trading book and banking book credit exposure.
4 The percentages include only portfolios subject to the IRB approaches.

	YoY trend	2016	2015
Average traded market risk – DVaR (Rm)	▽	**26.8**	27.0
Traded market risk RC (Rm)	△	**2 889**	2 501
Banking book annual earnings at risk (AEaR) for a 2% interest rate shock (% of Group net interest income (NII))	△	**<6%**	<6%
Insurance short-term loss ratio (%) RSA only	△	**71.3**	69.4
Life insurance new business margin (%) RSA only	▽	**5.0**	5.5

- **Traded market risk:** Trading exposures were managed within overall risk appetite and the trading business remained resilient despite macroeconomic conditions.
- **Non-traded market risk:** The Group remained positively exposed to increases in interest rates after the impact of hedging. Interest rate risk management in Rest of Africa remains challenging due to the relative unavailability of appropriate derivative instruments with which to hedge.
- **Insurance risk:** The ORSA report under the SAM comprehensive parallel run will be submitted to the Financial Services Board in Q2 2017. As at 31 December 2016, Absa Financial Services had submitted two ORSA reports to meet the parallel run regulatory requirements.
- **Pension risk:** Pension plans and benefits are provided in all countries where Barclays Africa has a footprint. The Absa Pension Fund remains the largest fund. The overall funding level of the schemes improved in the current year.

1.6.1 Future priorities

- Respond to regulatory and capital change, specifically preparing for the adoption of the Fundamental Review of the Trading Book (FRTB) and the Standard on Interest Rate Risk in the Banking Book (IRRBB);
- Continue to reduce margin volatility through the structural hedge programme in South Africa;
- Embed insurance risk as a principal risk;
- Continue to enhance the implementation and standardisation of the pension risk control framework across Barclays Africa; and
- Implement the pension risk setting appetite framework across Barclays Africa.

1.7 Funding risk

The risk that the Group is unable to achieve its business plans as a result of capital and liquidity risk:

- **Capital risk:** The risk that the Group is unable to maintain adequate levels of capital. This could lead to an inability to support business activity, a failure to meet regulatory requirements, and/or changes to credit ratings which could result in increased costs or reduced capacity to raise funding.
- **Liquidity risk:** The risk that the Group is unable to meet its obligations as they fall due, resulting in an inability to support normal business activity, and a failure to meet liquidity-related regulatory requirements.

1.7.1 Funding risk: Capital risk

Effective capital planning and management ensures that sufficient and appropriate capital resources are available to support the Group's risk appetite, business activities, credit rating and regulatory requirements.

The capital management process includes:

- meeting capital ratios required by regulators and the target ranges approved by the Board;
- maintaining an adequate level of capital resources prudently in excess of RC and EC requirements; and
- maintaining a sustainable dividend to enhance shareholder value.

	YoY trend	2016	2015
Cost of Equity (%)[1]	△	**14.75**	13.75
Total RWA (Rm)	△	**703 785**	702 663
CET1 capital adequacy ratio (%)[2]	△	**12.1**	11.9
Return on average risk-weighted assets (RoRWA) (%)	▽	**2.14**	2.18
Return on average EC (%)	▽	**16.9**	19.0
Return on average equity (RoE) (%)	▽	**16.6**	17.0

[1] The CoE is based on the capital asset pricing model.
[2] Board target range 9.5 – 11.5%.

- **Cost of equity:** Increased to 14.75% with effect from 1 July 2016 (2015:13.75%) due to a higher risk-free rate.
- **RWA:** Increased marginally (0.2%) to R703.8bn (31 December 2015: R702.7bn). The increase in RWAs was in line with asset growth and higher CCR from over-the-counter (OTC) derivatives partially offset by a reduction due to Rand appreciation against most currencies.
- **Capital:** Remained above the minimum regulatory requirements and within the Board-approved capital target ranges.

1.7.1.1 Future priorities

- Maintain an optimal mix of high-quality capital, while continuing to generate sufficient capital to support profitable growth and a sustainable dividend;
- As in the current reporting period, RWA precision, generation of equity and capital allocation will remain key focus areas; and
- Develop the markets for Tier 2 capital in the African markets in which the Group operates and issuing additional Tier 1 capital in the future.

1.7.2 Funding risk: Liquidity risk

The liquidity risk management process includes:

- management of the overall funding position, including development of the funding plan;
- liquidity risk monitoring;
- intra-day liquidity risk management;
- contingency liquidity planning; and
- meeting liquidity ratios required by regulators and buffer targets required by the Board.

	YoY trend	2016	2015
Sources of liquidity (Rm)		239 265	199 024
High-quality liquid assets (Rm)	▲	144 695	105 332
Other liquid assets (Rm)[1]	▲	33 201	31 640
Other sources of liquidity (Rm)	▼	61 369	62 052
Long-term funding ratio (%)	▲	21.4	21.0
Loan-to-deposit ratio (%)	▲	88.4	86.1
Liquidity coverage ratio (LCR) (%)[2]	▲	95.2	69.9

- **Liquidity risk position:** Remained healthy and within key limits and metrics. During 2016 the Group consistently maintained an LCR in excess of the regulatory minimum requirement of 70%. The average high-quality liquid assets (HQLA) for the quarter increased from R110.0bn at December 2015 to R142.1bn at December 2016. The Group targets an LCR above the minimum regulatory requirement. Absa Bank successfully applied for a committed liquidity facility (CLF) from the South African Reserve Bank (SARB), which was included in HQLA for LCR purposes from January 2016.
- **Long-term funding ratio:** Increased marginally to **21.4%** (2015: 21.0%) to match the growth in longer-term assets. Long-term funding was achieved through a combination of funding instruments, capital market issuances and private placements.
- **Loan-to-deposit ratio:** Increased 2.3% to **88.4%** (2015: 86.1%) primarily driven by growth in loans and advances to customers.
- **The net stable funding ratio (NSFR):** Will become effective on 1 January 2018, and it is anticipated that the minimum requirement of 100% will be met.

1.7.2.1 Future priorities

- Manage the funding and high-quality liquid asset position in line with the Board-approved liquidity risk appetite (LRA) framework and regulatory requirements;
- Build and maintain adequate liquidity buffers to ensure the Group remains continuously compliant with the LCR;
- Continue to grow and diversify the funding base to support asset growth and other strategic initiatives;
- Continue to work with regulatory authorities and other stakeholders on the NSFR, recovery and resolution planning, and deposit guarantee scheme; and
- Continue to enhance contingency funding planning across Barclays Africa and subsidiaries.

[1] Rest of Africa.
[2] The Group LCR represents the simple average of the relevant three month-end data points. Surplus high-quality liquid asset holdings in excess of the minimum requirement of 70% have been excluded from the aggregated high-quality liquid asset number in the case of all Rest of Africa banking entities.

1.8 Operational risk

The risk that arises when there is potential for direct and indirect loss resulting from human factors, inadequate or failed internal processes, systems or external events.

	YoY trend	2016	2015
Total losses as a percentage of gross income (%)	=	0.8	0.8
Total losses (Rm)	▲	582	541
Operational RWA (Rm)	▲	100 433	98 668

- **Total operational risk losses:** Were within the Group's annual appetite, but higher than 2015. In line with the nature of the business, the main contributors to operational risk losses were transaction processing and payment-related issues as well as fraud, comprising 49% and 37% respectively.
- **Operational risk RWA:** Higher operating income in advanced measurement approach (AMA) entities drove an increase in the Regulatory Floor (SARB minimum capital holdings, which are influenced by gross income levels). This contributed to an overall increase in RWA of 1.8% compared to 2015.
- **Technology risk:** Improvements have been made in stabilising the technology environment and payments systems. The mainframe has been migrated to a best-in-class data centre, and progress remains on track to migrate most of the critical services by September 2017.
- **Fraud risk:** Card fraud losses remain the major driver of overall net fraud losses, followed by lending fraud and payment fraud (inclusive of digital fraud). Overall fraud losses are within expectation.
- **Financial crime:** Customer on-boarding processes have been enhanced. We continue to remediate non-compliant customers and will continue building analytical capability to detect money laundering threats and activities.
- **Cyber risk:** An Information security transformation plan has been developed which aims to continue to strengthen cyber defences over the next five years.

1.8.1 Future priorities

- Automate manual high-volume processes, particularly within the Retail Bank;
- Continue to invest in technology to improve and maintain technology resilience;
- Continue to focus on cyber risk management;
- Strengthen compliance with financial crime regulations through further investment in technology;
- Improve the Group's fraud capability with a focus on digital banking, branch network and operations in the Rest of Africa. Continue to keep ahead of best practice enhancement, by implementing fraud tools to protect customers, particularly within the Digital business;
- Manage change risk and deliver on our significant projects; and
- Continue to monitor and manage the effect of the separation from Barclays PLC on Barclays Africa's risk profile.

1.9 Conduct risk

Conduct risk is the risk that detriment is caused to our customers, clients, counterparties, markets or Barclays because of inappropriate judgement in the execution of business activities.

The Group has successfully embedded the Conduct Risk Frameworks and Tools in line with Treating Customer Fairly outcomes and principles.

The key inherent conduct risk themes for 2016 were associated with Information Technology Stability and Resilience, Product Rationalisations, Information Risk Management and Know Your Client remediation.

The Group managed a number of conduct and reputation risk issues:

- Remediation of the payments issue that occurred in CIB;
- The administrative sanction which was imposed on Absa Bank in December in the form of a fine of R10m due to deficiencies identified within the Financial Crime – Transaction Monitoring process;
- Continued enhancement of regulatory controls, particularly those related to know your client, anti-money laundering, and the National Credit Act; and
- In-country regulatory requirements in respect of data centres in some of our Rest of Africa operations.

1.9.1 Future priorities

- Continue to align conduct risk frameworks to international best practice and provide associated training to colleagues;
- Use data analytics and digital platforms to improve service provided to customers;
- Protection of customer information and reducing opportunities for cybercrime and fraud;
- Embedment of new regulations expected in H1 2017 and alignment of the Bank's governance framework; and
- Managing regulatory commitments in Absa Bank, Wealth and Investment Management and Rest of Africa operations.

2. Basis of preparation

2.1 Pillar 3 risk management report

The Pillar 3 risk management report provides a holistic view of the Group's risks. The purpose of this report is to comply with:

- the BCBS revised Pillar 3 disclosure requirements (Pillar 3 standard); and
- Regulation 43 of the Regulations relating to Banks (Regulations), issued in terms of the Banks Act, 1990 (Act No. 94 of 1990), where not superseded by the revised Pillar 3 disclosure requirements.

Significant revisions were made primarily to credit risk tables and qualitative disclosure in order to comply with revised Pillar 3 disclosure requirements.

The information in this report is unaudited.

2.1.1 Scope of consolidation

Disclosure in this report is presented on a consolidated basis for Barclays Africa Group Limited (the Group). The consolidation is similar to that used for reporting to the SARB.

Where a different treatment is applied for Basel regulatory reporting compared to statutory accounting reporting, the following approach is followed:

Entity	Statutory accounting treatment	Basel III regulatory treatment
Subsidiaries engaged in insurance activities (Absa Financial Services Limited)	Consolidated	Excluded from the calculation of the capital adequacy ratio.
Associates, joint ventures and participation in businesses that are financial in nature	Equity-accounted	Deducted from qualifying capital or proportionately consolidated.
Associates, joint ventures and participation in businesses that are not financial in nature	Equity-accounted	Included in equity investment risk capital.

2.1.2 Preparation, validation and sign-off

This report was prepared in line with the requirements of the Board-approved public disclosure policy that sets out responsibilities in the preparation, validation and sign-off of the report. All data submissions were attested to by the chief risk officers. Review and challenge was performed centrally within Group Risk to ensure that the disclosures are a fair representation of the risk profile. The report was validated and approved through the bank's risk governance channels.

2.2 Credit risk

Basel measurement elected

This document discloses the Group's assets in terms of exposures and capital requirements. For purposes of this document, credit exposure is defined as the modelled amount at risk in the event of a default (before any recoveries) or through the decline in the value of an asset. This approach takes account of contractual commitments related to undrawn amounts. In contrast, an asset in the Group's statement of financial position is reported as a drawn balance only. This is one of the reasons why exposure values in this report will differ from asset values as reported in the annual financial statements.

Where this document discloses credit exposure or capital requirements, the Group has followed the scope and application of the Pillar 1 capital adequacy calculations (unless otherwise stated). Where figures for impairment or losses are disclosed within this document, the Group has followed the IFRS definitions used in the annual financial statements.

The Group applies both the standardised (TSA) and advanced internal ratings-based (AIRB) approaches to various portfolios to calculate RC requirements, as illustrated in the table below:

Approach	Standardised	AIRB
Reporting of balances	› African operations › Edcon retail portfolio	› South Africa retail portfolios › South Africa corporate portfolios (including specialised lending portfolios) › Public sector entities (PSEs) › Local government and municipalities › Sovereigns, banks and securities firms
Assessment applied	› Standard risk weight percentage as prescribed in the regulations relating to banks	› Automated application and behavioural scoring based on statistical models › Statistical, structural and expert-based models either developed internally or based on the service of external vendors

2.2.1 Standardised approach

The Group's African operations as well as the Edcon portfolio are subject to the standardised approach. For capital calculation purposes, these exposures are multiplied by the standard risk-weight percentages as set out in the Banks Act of South Africa.

2.2.2 Advanced internal ratings-based approach (AIRB)

Under this approach, the Group analyses credit risk in terms of its common components of PD, EAD and LGD.

These risk components are then used in the calculation of aggregate risk measures such as expected loss (EL), RC and EC. Under the AIRB approach, the Group's own measures of PD, EAD and LGD can be used.

The assessment of credit risk relies heavily on quantitative models and tools developed internally. These are supplemented by vendor solutions in a number of areas.

The classification of credit models is twofold. Models are firstly classified as either Complex or Non-complex. Models using sophisticated quantitative methods (e.g. stochastic processes or statistical modelling) are referred to as Complex. Those models using simple quantitative methods which in some cases are combined with expert judgement assumptions are referred to as Non-complex. Models are also assigned a materiality classification of High or Low. The classification considers the model's materiality, i.e. the extent of model usage, and reliance on the model within the Group.

All models in scope of the Group Risk Model policy are subject to inception and regular validation, and are approved by the appropriate Model Approver. Regulatory models are independently validated annually by the Independent Validation Unit within Group Risk. The most material regulatory models require Barclays Africa Models Committee (MC) approval.

2.2.3 Securitisation

The Group applies the IRB approach in the assessment of the Group's securitisation exposure for RC purposes.

2.2.4 Equity investment risk

The Group has adopted the market-based simple risk weight approach to calculate RWAs and RC for equity risk in the banking book. According to this approach a 300% risk weight is applied to listed exposures and 400% to unlisted exposures, for investments in non-financial entities, and investments in financial entities with a shareholding percentage of less than 10%. For those investments where the Group owns between 10% and 20% of the issued common share capital of a financial entity a 250% risk weight is applied. For those investments not in the common share capital of financial entities, as well as any investments in financial entities with a shareholding percentage of more than 20%, a capital deduction rule is applied.

2.2.5 Applicable accounting policies

2.2.5.1 Retail and wholesale portfolios

Under IFRS, impairment allowances are recognised where there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition of the asset, and where these events had an impact on the estimated future cash flows of the financial asset or portfolio of financial assets. To determine if a loss event has occurred, historical economic information similar to the current economic climate, overall customer risk profile, payment record and the realisable value of any collateral, are taken into consideration.

The replacement of International Accounting Standard (IAS) 39 with IFRS 9 Financial Instruments (IFRS 9) on 1 January 2018 will have a significant impact on banks' financial statements, the biggest impact being the calculation of impairments. IFRS 9 will replace the current incurred loss model with the requirement to calculate ELs.

2.2.5.2 Securitisation

At the start of a securitisation transaction, assets are sold to the securitisation vehicle at par value and no gains or losses are recognised. The transactions are treated as sales (rather than financing) and for financial reporting purposes the respective vehicles are consolidated at a Group level.

Any retained interest in the securitisation vehicle is valued on the basis of the respective asset's performance. Key valuation assumptions for retained interests of this nature include spreads to discount rates, default and recovery rates and prepayment rates that may be observable or unobservable. Where the Group acts as a service provider, normal impairment policies are applied and retained tranches are ultimately written off once sufficient capital losses accumulate.

2.2.5.3 Equity investment risk

IAS 39 requires all equity investments to be measured at fair value. Equity investment risk is included in note 63.4 of the Group's annual financial statements. The accounting policies relating to subsidiaries and investments in associates and joint ventures are discussed separately in note 1.3.

The fair value of equity investments is determined using appropriate valuation methodologies which, depending on the nature of the investment, include discounted cash flow analysis, listed price, earnings multiple and price of recent investment.

Listed and unlisted investments are either designated at fair value through profit or loss or as available for sale. Investments in entities that form part of the Group's venture capital and similar activities have been designated at fair value through profit or loss. The designation has been made in accordance with IAS 39 Financial Instruments Recognition and Measurements, based on the scope exclusion that is provided in IFRS 11: Joint Arrangements and IAS 28 Investments in Associates and Joint Ventures (IAS 28). The relevant accounting policies for equity investments are discussed in note 1.7 of the Group's annual financial statements.

2.3 Market risk

Basel measurement elected

2.3.1 Traded market risk

The Group's traded market risk minimum RC requirement comprises two elements:

- Trading book positions where the market risk is measured under an internal value at risk (VaR) model approved by the SARB. The capital requirement is calculated based on the internal model with a 10-day holding period at a 99% confidence level and other regulatory 60-day averaging and capital multiplier specifications. This approach currently applies to close to 100% of the Group's general position risk across interest rate, foreign exchange, commodity, equity and traded credit products; and
- For trading book positions that have not yet met the SARB or the Group's internal conditions for inclusion within the approved internal model, the capital requirement is calculated using standardised regulatory rules. This approach currently applies to the Group's issuer-specific risk exposures, any instruments traded for which internal model approach approval has not yet been obtained, as well as general market risk for the Rest of Africa.

The market risk VaR models were subject to an inception validation and approved by the appropriate Model Approver. The most material models require Barclays Africa Models Committee (MC), which is a Board committee, approval. Models are monitored and validated annually with approval provided by the Models Committee. Regulatory models are independently validated annually by the Independent Validation Unit within Group Risk. The validation frequency of non-regulatory models is commensurate with the model classification of High/Low and Complex/Non-complex. The monitoring and validation results are regularly reported to, and discussed with, the Model Owners and Model Approvers.

The market risk VaR model is classified as a Complex model with low materiality.

2.4 Liquidity risk

South African banks have been monitoring and reporting their Basel III positions on both the LCR and NSFR since January 2013. The LCR is designed to promote short-term resilience of a bank's liquidity risk profile by ensuring that it has sufficient high-quality liquid resources to survive a significant stress scenario lasting for 30 days. The NSFR calculates the amount of available stable funding relative to the amount of required stable funding. This ratio should be equal to at least 100% on an ongoing basis when it becomes effective on 1 January 2018.

2.5 Operational risk

Basel measurement elected

The Group applies the AMA for the majority of the Group's South African entities to calculate RC requirements for operational risk. This is subject to the relevant EC floor. The basic indicator approach (BIA) or TSA is applied for the remaining entities not included in the AMA, namely:

- joint ventures and non-controlling interests where the Group is unable to dictate the implementation of the operational risk management framework (ORMF) or capital methodology; and
- legal entities outside South Africa, where local or South African regulatory policy/requirements do not permit the use of the AMA model.

3. Capital management and risk-weighted assets (RWA)

3.1 Review of the current reporting period

- The Group maintained a strong capital adequacy position above the Board-approved CET1 target range;
- Regulated entities within the Group (including insurance entities and banking subsidiaries in the Rest of Africa) remained adequately capitalised during the period under review;
- Issuance of R2.4bn bonds qualifying as Tier 2 at holding company and Absa Bank level;
- RWA precision and capital allocation remained key focus areas for the Group;
- Strong capital generation supported dividend growth and a stable capital adequacy position; and
- The 2016 Board-approved CET1 and Tier 1 capital target ranges remained unchanged from the prior year, while the lower and upper end of the capital adequacy requirement (CAR) capital target range was increased by 50 bps, as part of the annual capital buffer setting process.

3.2 Key performance indicators (KPIs)

Group	YoY trend	2016 %	2015 %
CET1 capital adequacy ratio[1]	▲	**12.1**	11.9
Return on average RWA	▼	**2.14**	2.18
Return on average economic capital	▼	**16.9**	19.0
Cost of Equity[2]	▲	**14.75**	13.75

Absa Bank Limited[3]	YoY trend	2016 %	2015[4] %
CET1 capital adequacy ratio[1]	▲	**11.6**	10.5
Return on average RWA	▼	**1.96**	2.03

3.3 Future priorities

- Ensure all entities remain adequately capitalised relative to minimum regulatory requirements and Board-approved target capital ranges;
- Further improve the approach to capital management:
  - Continue to focus on RWA precision;
  - Enhance the EC framework;
  - Embed performance metrics such as positive net generation of equity and return on equity;
  - Maintain an optimal capital supply mix;
  - Allocate capital appropriately; and
  - Issue Basel III compliant Tier 2 capital instruments to replace instruments being called;
- Continue engagement with the SARB to finalise the Resolution Framework for South Africa which includes the Total Loss-Absorbing Capacity (TLAC) requirements and the introduction of a Deposit Guarantee Scheme; and
- Continuously monitor regulatory developments and changes that may affect the capital position. Some of these changes include the proposals published by the Basel Committee relating to the calculation of capital requirements. This includes a revision to the standardised approach for credit risk, final rules arising from the FRTB and revisions to the standardised approach for operational risk.

[1] Reported ratios include unappropriated profits.
[2] The CoE is based on the capital asset pricing model.
[3] Absa Bank Limited includes subsidiary undertakings, special-purpose entities, joint ventures, associates and offshore holdings.
[4] Restated to reflect Absa Bank Limited.

3.4 Strategy

The Group's capital management strategy, which is in line with and in support of the Group's strategy, is to create sustainable value for shareholders within the parameters of the Group's risk appetite and business strategy.

In order to achieve the capital management strategy, the Group's capital management objectives are to:

- maximise shareholder value by optimising the level and mix of capital resources and the utilisation of those resources;
- meet RC ratios and the Board-approved target ranges;
- maintain an adequate level of capital resources in excess of both RC and EC requirements;
- increase business and legal entity accountability for the use of capital and, where relevant, the use of capital per client or portfolio;
- assess, manage and efficiently implement regulatory changes to optimise capital usage; and
- maintain a strong credit rating.

3.5 Internal capital adequacy assessment process (ICAAP)

The ICAAP is a documented risk-based assessment of the capital adequacy position of Barclays Africa and its subsidiaries' regulatory and economic capital adequacy (ECA) position, on a point-in-time (PIT) position (31 December 2016), as well as a forward looking and stressed basis over the medium-term plan (MTP) period (2017 to 2021). Barclays Africa uses its robust and consistent ICAAP in support of meeting its capital management objectives across the Group underpinned by data, technology and model infrastructure as well as strong governance.

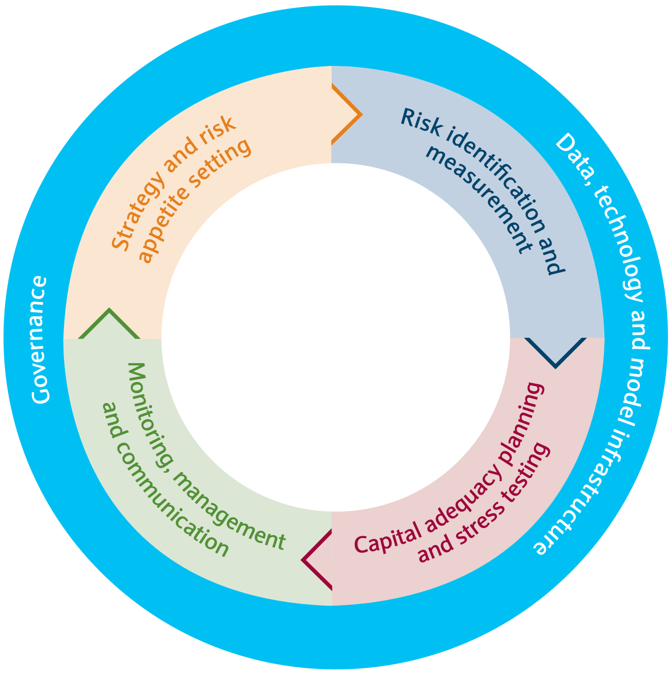
The ICAAP framework ensures that internal systems, controls and management information are in place to enable the Board and senior management to track changes in the economic environment, which may require adjustments to the business strategy in order to remain within risk appetite. The efficient use of capital and careful deployment of capital resources is fundamental to enhance shareholder value. Furthermore, the ICAAP reflects the level of capital required to be held against identified material risks the Group is, or may become, exposed to as a result of its strategy.

Capital management is an integral part of decision-making within the Group. Business progress is measured against pre-determined targets in the Balanced Scorecard which incorporates capital metrics. Decisions on the allocation of capital resources, which are an integral part of the ICAAP and capital management process, are based on a number of factors including return on RC.

The ICAAP and its key components are embedded at different levels of the Group, ensuring they form an integral part of the Group's strategy and decision-making process. The Board ensures that management achieves an appropriate balance between promoting long-term sustainable growth and delivering short-term performance.

The Group's integrated planning process is completed annually and requires collaboration from Business, Risk, Treasury and Finance to ensure a robust expectation of business growth and risk profiles over the next year. The Group's ICAAP process will continue to be based on the results of the integrated planning process.

The key components of the Group's ICAAP approach are as follows:



3.5.1 Strategy and risk appetite setting

The risk appetite statement describes and measures the amount and types of risk that the Group is prepared to take in executing its strategy. Barclays Africa's risk appetite framework combines a top-down view of the willingness and ability to take risk with a bottom-up view of the risk profile associated with each business area's plans. Business plans are prepared based on strategy and within the risk appetite approved by the Board.

Risk appetite is the Group's chosen method of balancing risks and returns, recognising a range of possible outcomes as business plans are implemented.

The Group's risk appetite framework impacts:

- the strategic ambition, including our financial goals;
- capital and portfolio management; and
- day-to-day operations.

The risk appetite framework is developed using qualitative and quantitative methods based on a holistic, strategic analysis of key drivers of value creation in the Group.

The objectives of the risk appetite framework are to:

- assist in protecting the Group's financial performance;
- improve management responsiveness to potential changes in the Group's risk profile through the use of forward-looking risk appetite metrics together with stress testing and scenario analysis;
- assist executive management to improve control and coordination of risk-taking across businesses; and
- assist in the identification of unused risk capacity in pursuit of profitable opportunities.

3.5.2 Risk identification and measurement

The Capital Risk Management Framework defines the risk management process which is a structured, practical set of three steps – evaluate, respond and monitor (the E-R-M–process). The ERMF sets out the activities, tools, techniques and organisational arrangements that enable management to identify and assess those risks, determine the appropriate risk response, and then monitor the effectiveness of the risk response and any changes to the capital risk profile. The analysis is used to promote an efficient and effective approach to capital risk management.

The Group utilises various thresholds, based on materiality, for specific risk types. The respective risk committee recommends the appropriate risk appetite for each risk type to the Board for approval on an annual basis.

3.5.3 Capital adequacy planning and stress testing

Expected capital supply on both a regulatory and economic basis is compared to current and future capital needs. Risks in the plans are identified, measured and, where relevant, mitigating actions are identified. The expected levels of capital supply and demand are tested through stress testing with the output being used to reconfirm the risk appetite. Management actions are identified to mitigate risks on a timely basis.

Stress testing is fundamental in assessing appropriate levels of capital to ensure the Group can absorb stress events to protect its depositors and other stakeholders in line with the Board-approved risk appetite. The expected macroeconomic and business scenarios are used as a baseline when performing financial forecasting. Stress scenarios are overlaid on the financial forecasts in order to assess the impact on business strategy.

Management actions are identified to mitigate risks on a timely basis through early warning indicators (EWIs). Corrective action is taken when EWIs flag potential future challenges. These actions include:

- portfolio management: Actively changing the portfolio construct in order to optimise capital through both acquisition and disposal strategies consistent with ICAAP or recovery planning;
- risk management: In terms of risk mitigation, precision of risk assessment, and optimal structure of products;
- cost management; and
- dividend management: The Board considers dividend payments after careful review of business plans, capital position, growth objectives, and environmental factors.

The capital target ranges, which are derived through the stress testing process, are used in capital allocation, hurdle setting, performance measurement, risk-adjusted remuneration, limit monitoring, RWA management and pricing. The results from the most recently conducted stress and scenario testing and budgeting process confirm that the Group's capital levels and capital buffers, both current and forecast (both RC and the Group's internal capital assessment, EC) remain appropriate, and that the Group is appropriately capitalised relative to strategy, risk appetite, risk profile, business activities, operational challenges, and the macroeconomic environment in which it operates.

3.5.4 Monitoring, management and communication

The capital management function within Barclays Africa Treasury manages, monitors, and reports on the capital adequacy of all regulated Barclays Africa entities on a monthly basis. The capital management function is responsible for ensuring that monitoring and reporting of appropriate information occurs, to the right people at the right time, in order to facilitate the decision-making process of senior management. The function is also responsible for timely communication of the capital plan and rationale for management actions. The Capital Management team manages compliance with the Barclays Africa ERMF. The Funding Key Risk Officer provides independent oversight and challenge to the capital management function.

The Group's Basel III capital and leverage ratios remain well in excess of the SARB's minimum requirements and are monitored continuously.

While the ICAAP is intended to align with regulatory requirements under Pillar 1 and Pillar 2 of the regulatory framework, the main guiding principle in designing the ICAAP has been suitability for capital management and other internal applications. The Group considers the ICAAP to be in line with international practice and is of the opinion that it addresses the core banking principles of Pillar 2.

3.6 Recovery and resolution planning

The SARB has called on domestic systemically important banks (D-SIBs) to identify the range of potential options available to restore their capital, liquidity and balance sheet positions during times of severe stress (recovery plans) and to enable an orderly restructure/wind-down (resolution plans) if required. To this effect, the Group has a Board-approved Recovery Plan in place that is reviewed annually for relevance and appropriateness and is submitted annually to the SARB for compliance. The Barclays Africa Recovery Plan assumes no reliance on Barclays PLC for funding, capital and liquidity. In addition, the Recovery Plan is aligned to Barclays Africa's ERMF.

The key objectives of the Recovery Plan are to:

- provide Barclays Africa with management actions when Contingency Funding Plan (CFP) actions may be inadequate for severe stressed conditions;
- provide Barclays Africa with a range of plausible options to ensure its viability during severely stressed conditions;
- set consistent and objective EWIs that govern the monitoring of Barclays Africa's capital and liquidity position and identify when Barclays Africa is under severe stress such that the Group Recovery Plan would need to be invoked;
- enable Barclays Africa to be adequately prepared to respond to severely stressed conditions in an informed, timely and effective manner. This will be done through an approved execution approach and communication plan, and identification of risks and potential impacts of the recovery options; and
- provide Barclays Africa with an understanding of the potential effectiveness of recovery options under varying forms of severe stress, through determining estimates of the capital, liquidity and balance sheet impacts of the recovery options and by assessing their likely effectiveness under a range of severe stress scenarios.

EWIs provide a consistent forward-looking and objective approach to early identification of deviation from target capital and leverage ratios, which might negatively impact the capital plan. Statutory capital ratios are monitored against EWIs and Board target ranges, while RC ratios are monitored against regulatory minimum capital requirements. The Capital EWIs form the basis of Barclays Africa's Recovery Plan escalation and invocation process and are set at levels which provide sufficient notice to allow Barclays Africa to take corrective action.

The main objectives of an effective resolution regime are to minimise the cost of crisis resolution to the taxpayer, reduce moral hazard in the financial system and protect financial stability. The purpose of a resolution plan is to prepare and consider actions for the resolution of the financial institution without a systemic disruption or cost to the taxpayers.

Future regulatory developments in terms of the Resolution Framework are gaining increasing significance in South Africa. In August 2015, the SARB released for comment its white paper titled 'Strengthening South Africa's Resolution Framework for Financial Institutions'. The paper includes the following key principles:

- The designation of the SARB as a resolution authority;
- The establishment of a Deposit Guarantee Scheme (DGS) in order to protect retail depositors. It will require banks to contribute to a fund which will need to be built up over a period of time;
- The introduction of TLAC would require a further layer of funding that can be converted into capital under certain conditions;
- The introduction of the bail-in-concept. Bail-in is defined as any process outside liquidation that has the effect of allocating losses to liability holders or shareholders, for the purpose of increasing the capital ratio of the institution;
- The establishment of the no-creditor-worse-off (NCWO) rule, which aims to ensure that no creditor is worse off in resolution than it would be in normal liquidation; and
- Cross-Border co-operation. It is proposed in the framework that the SARB be able to share information with other regulators and enter into cross-border agreements.

Barclays Africa continues to engage with the SARB to finalise the requirements as part of the Resolution Framework for South Africa, as well as work with regulators and industry bodies in the formulation of Resolution Planning.

3.7 Capital transferability

The Group's capital policy stipulates that capital held in the Group's entities in excess of Board-approved target ranges should be repatriated in the form of dividends and/or capital repatriation, subject to local regulatory requirements, exchange controls and strategic management decisions.

Apart from the above, the Group is not aware of any material impediments to the prompt transfer of capital resources or repayment of intra-Group capital instruments when due.

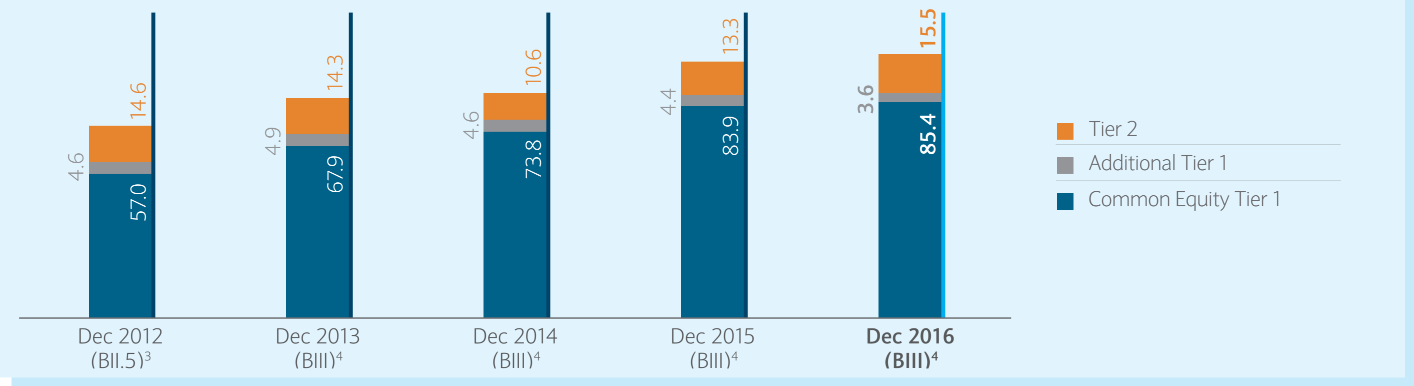
3.8 Statutory capital adequacy

The capital management process in the Group encompasses all regulated entities within the Group (including insurance entities and banking subsidiaries in the Rest of Africa). Appropriate capital buffers, above the minimum regulatory requirements, are held at an entity level. The group ensures that all regulated entities are adequately capitalised in terms of their respective minimum CARs. The Group's target capital ranges for the current reporting period were set after considering the following:

- Capital risk appetite;
- The preference of rating agencies for loss-absorbing capital;
- Stress scenarios;
- Current and future Basel III requirements including capital conservation buffer and domestic-systemically important bank buffer; and
- Peer analysis.

Group	Board target ranges %	Minimum regulatory capital requirements[1] %	Trend	2016	2015
Capital adequacy ratios (%)[2]					
CET1	9.5 – 11.5	6.9	▲	**12.1**	11.9
Tier 1	10.5 – 12.5	8.1	=	**12.6**	12.6
Total	13.0 – 15.0	10.4	▲	**14.8**	14.5
Capital supply and demand for the reporting period (Rm)					
Net generated equity			▲	**1 398**	1 261
Qualifying capital			▲	**104 486**	101 628
Total RWA			▲	**703 785**	702 663

Group capital adequacy (Rbn)

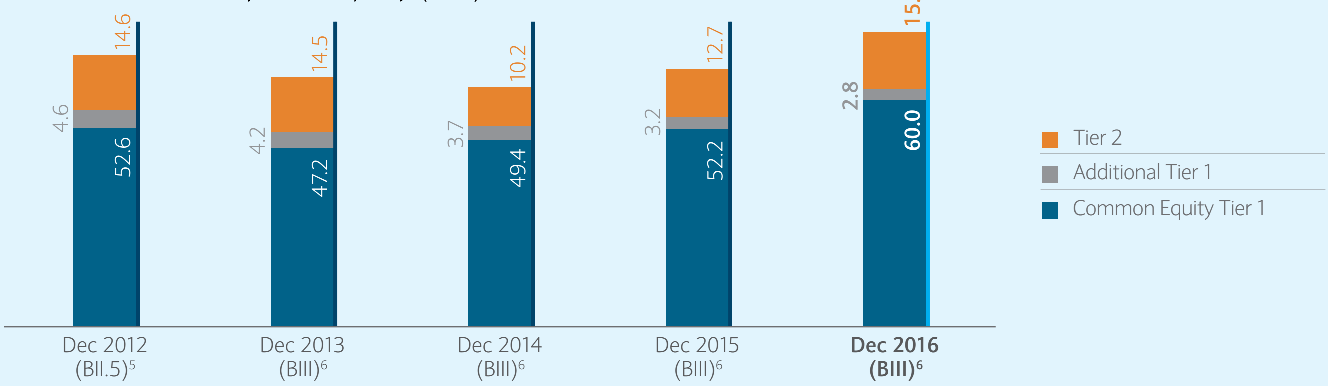


2012	2013	2014	2015	2016	
13.0	12.1	11.9	11.9	**12.1**	CET1 ratio (%)
17.4	15.5	14.4	14.5	**14.8**	Total capital adequacy ratio (%)

[1] The 2016 minimum regulatory capital requirements include the capital conservation buffer which is phased in between 1 January 2016 and 1 January 2019 but excludes the bank-specific individual capital requirement (Pillar 2b add-on) and the D-SIB add-on.
[2] Reported ratios include unappropriated profits.
[3] BII.5: Basel II.5.
[4] BIII: Basel III.

Absa Bank Limited[2]	Board target ranges %	Minimum regulatory capital requirements[1] %	Trend	**2016**	2015[3]
Capital adequacy ratios (%)[4]					
CET1	9.0 – 10.5	6.9	▲	**11.6**	10.5
Tier 1	10.0 – 11.5	8.1	▲	**12.2**	11.2
Total	12. 5 – 14.0	10.4	▲	**15.1**	13.8
Capital supply and demand for the reporting period (Rm)					
Net generated equity			▲	**5 838**	(676)
Qualifying capital			▲	**77 769**	68 084
Total RWA			▲	**515 467**	494 793

Absa Bank Limited capital adequacy (Rbn)



2012	2013	2014	2015	**2016**	
13.5	11.3	10.8	10.5	**11.6**	CET1 ratio (%)
18.4	15.8	13.9	13.8	**15.1**	Total capital adequacy ratio (%)

1 The 2016 minimum regulatory capital requirements of 10.375% include the capital conservation buffer which is phased in between 1 January 2016 and 1 January 2019 but excludes the bank-specific individual capital requirement (Pillar 2b add-on) and the D-SIB add-on.
2 Absa Bank Limited includes subsidiary undertakings, special-purpose entities, joint ventures, associates and offshore holdings.
3 Restated to reflect Absa Bank Limited.
4 Reported ratios include unappropriated profits.
5 BII.5: Basel II.5.
6 BIII: Basel III.

Operations	Regulator	2016 Total qualifying capital Rm	2016 Tier 1 ratio %	2016 Total capital adequacy %	2015 Total qualifying capital Rm	2015 Tier 1 ratio %	2015 Total capital adequacy %	2016 Total target capital adequacy ratio: Regulatory minimum[1] %	2016 Total target capital adequacy ratio: Board target %
Local entities (South Africa)									
Group	SARB								
Including unappropriated profits		104 486	12.6	14.8	101 628	12.6	14.5		13.0 – 15.0
Excluding unappropriated profits		99 503	11.9	14.1	95 355	11.7	13.6	10.4	
Absa Bank[2, 3]	SARB								
Including unappropriated profits		77 769	12.2	15.1	68 084	11.2	13.8		12.5 – 14.0
Excluding unappropriated profits		71 968	11.0	14.0	65 717	10.7	13.3	10.4	
Foreign banking entities[4, 5]									
Barclays Bank of Mozambique	Banco de Mozambique	895	15.2	22.5	1 225	16.5	24.7	8.0	13.0
Barclays Bank of Botswana	Bank of Botswana	2 566	15.3	20.8	2 046	16.3	19.5	15.0	17.5
Barclays Bank of Ghana	Bank of Ghana	2 051	9.87	19.0	1 950	11.2	17.4	10.0	13.0
Barclays Bank of Kenya	Central Bank of Kenya	5 703	15.7	17.9	6 297	15.7	18.4	14.5	16.5
Barclays Bank of Mauritius	Bank of Mauritius	5 692	19.1	20.0	6 174	18.2	18.9	10.0	12.1
National Bank of Commerce	Bank of Tanzania	1 297	16.5	18.5	1 435	14.4	17.0	12.0	13.5
Barclays Bank of Tanzania	Bank of Tanzania	492	20.5	22.5	298	10.2	12.5	12.0	14.0
Barclays Bank of Uganda	Bank of Uganda	1 345	21.5	25.7	1 359	21.4	24.0	15.5	19.1
Barclays Bank of Seychelles	Bank of Seychelles	674	22.8	29.5	622	23.3	23.7	12.0	17.0
Barclays Bank of Zambia	Bank of Zambia	1 552	17.2	23.4	1 322	16.8	16.8	10.0	12.0
Insurance entities									
Absa Life Limited	FSB[6]	1 135		3.1xCAR[7]	1 083	n/a	3.5xCAR[7]	1.0xCAR[7]	2.0xCAR[7]
Absa Insurance Company Limited	FSB[6]	1 087		44.31%xNWP[8]	1 018	n/a	43.5%xNWP[6]	28.3%xNWP[8]	36%xNWP[8]

1 The SARB 2016 minimum regulatory capital requirements of 10.375% include the RSA minimum of 8%, Pillar 2a of 1.75% and capital conservation buffer of 0.625% but excludes the bank-specific individual capital requirement (Pillar 2b add-on) and the D-SIB add-on.
2 Absa Bank Limited includes subsidiary undertakings, special-purpose entities, joint ventures, associates and offshore holdings.
3 The 2015 disclosures are restated to reflect Absa Bank Limited.
4 The 2015 foreign banking entity disclosures are restated to reflect the audited results.
5 The 2016 foreign banking entity disclosures are unaudited.
6 Financial Services Board of South Africa.
7 CAR: Actuarial calculation of VaR on insurance liabilities. 2,0 times (2015: 2,0 times) being the required capital level.
8 NWP: Net Written Premiums, 36% (2015: 36%) of NWP being the required capital level determined by Absa Insurance Company Limited.

3.9 Capital demand

The following table provides the risk-weighted assets (RWA) per risk type and associated minimum capital requirements.

3.9.1 Overview of RWA OV1

The following tables provide the RWA per risk type and associated minimum capital requirement.

		a	b	c
		2016	2015	**2016**
Group		**RWA Rm**	RWA Rm	**Minimum capital requirements[1] Rm**
1	Credit risk (excluding CCR)	**498 826**	515 213	**39 906**
2	Of which standardised approach (SA)	**140 001**	162 161	**11 200**
3	Of which internal rating-based (IRB) approach	**358 825**	353 052	**28 706**
4	CCR[2]	**33 337**	24 083	**2 667**
5	Of which standardised approach for CRR (SA-CCR)	**33 337**	24 083	**2 667**
6	Of which internal model method (IMM)	**–**	–	**–**
7	Equity positions in banking book under market-based approach	**9 658**	9 574	**773**
8	Equity investments in funds – look-through approach	**–**	–	**–**
9	Equity investments in funds – mandate-based approach	**–**	–	**–**
10	Equity investments in funds – fall-back approach	**–**	–	**–**
11	Settlement risk	**1 842**	1 798	**147**
12	Securitisation exposures in banking book	**576**	482	**46**
13	Of which IRB ratings-based approach (RBA)	**576**	482	**46**
14	Of which IRB supervisory formula approach (SFA)	**–**	–	**–**
15	Of which SA/simplified supervisory formula approach (SSFA)	**–**	–	**–**
16	Market risk	**28 890**	25 012	**2 311**
17	Of which standardised approach (SA)	**8 447**	9 232	**676**
18	Of which internal model approaches (IMA)	**20 443**	15 780	**1 635**
19	Operational risk	**100 433**	98 668	**8 035**
20	Of which BIA	**3 849**	4 288	**308**
21	Of which standardised approach	**25 156**	26 115	**2 013**
22	Of which advanced measurement approach	**71 428**	68 265	**5 714**
	Non-customer assets	**23 524**	21 630	**1 882**
23	Amounts below the thresholds for deduction (subject to 250% risk weight)	**6 699**	6 203	**536**
24	Floor adjustment	**–**	–	**–**
25	Total **(1+4+7+8+9+10+11+12+16+19+23+24+non-customer assets)**	**703 785**	702 663	**56 303**
	Pillar 2a requirement (1.75%)			**12 316**
	Capital conservation buffer (0.625%)[3]			**4 399**
	S.A. minimum capital requirements including buffers[4]			**73 018**

[1] The 2016 minimum regulatory capital requirements are calculated at the BIS minimum regulatory capital requirement of 8%.
[2] SA-CCR amount is calculated using CEM.
[3] The Capital conservation buffer is phased in between 1 January 2016 and 1 January 2019 reaching 2.5% by 1 January 2019.
[4] The 2016 S.A. minimum regulatory capital requirements of 10.375% include the capital conservation buffer but excludes the bank-specific individual capital requirement (Pillar 2b add-on) and the D-SIB add-on.

Barclays Africa's overall RWA/capital consumption remained largely unchanged from December 2015 to December 2016. Over this period, there was only a marginal increase of R1.1bn in RWA. Drivers of year-on-year changes in RWA consumption are summarised as follows:

- **Credit risk:** Portfolios subject to the AIRB approach have increased slightly as a result of corporate activity in CIB;
- **CCR:** The increase in CCR is in line with market volatility, specifically exchange rate fluctuations and is primarily driven by credit valuation adjustments (CVAs)on increased long-term cross currency swaps;
- **Market risk:** The increase was driven by an increase in daily value at risk (DVaR) and stressed value at risk (sVaR) due to the increased positional and market volatility in the internal models DVaR and sVaR measure for the South African business; and
- **Operational risk:** Higher operating income attributable by AMA entities drove an increase in the Regulatory Floor (TSA Floor on AMA entities). This contributed to an overall increase of RWA by 1.8% compared to 2015.

	Absa Bank Limited[1]	2016 RWA Rm	2015 RWA Rm	2016 Minimum capital requirements[2] Rm
1	Credit risk (excluding CCR)	**366 099**	361 511	**29 288**
2	Of which standardised approach (SA)	**15 018**	16 834	**1 202**
3	Of which IRB approach	**351 081**	344 677	**28 086**
4	CCR[3]	**32 814**	23 339	**2 625**
5	Of which standardised approach for CCR (SA-CCR)	**32 814**	23 339	**2 625**
6	Of which IMM	**–**	–	**–**
7	Equity positions in banking book under market-based approach	**2 775**	3 556	**222**
8	Equity investments in funds – look-through approach	**–**	–	**–**
9	Equity investments in funds – mandate-based approach	**–**	–	**–**
10	Equity investments in funds – fall-back approach	**–**	–	**–**
11	Settlement risk	**1 773**	1 738	**142**
12	Securitisation exposures in banking book	**576**	482	**46**
13	Of which IRB RBA	**576**	482	**46**
14	Of which IRB SFA	**–**	–	**–**
15	Of which SA/SSFA	**–**	–	**–**
16	Market risk	**22 935**	20 539	**1 835**
17	Of which standardised approach (SA)	**5 314**	4 759	**425**
18	Of which internal model approaches (IMM)	**17 621**	15 780	**1 410**
19	Operational risk	**70 895**	68 005	**5 672**
20	Of which BIA	**3 772**	4 215	**302**
21	Of which standardised approach	**–**	–	**–**
22	Of which advanced measurement approach	**67 123**	63 790	**5 370**
	Non-customer assets	**16 943**	14 730	**1 355**
23	Amounts below the thresholds for deduction (subject to 250% risk weight)	**657**	893	**52**
24	Floor adjustment	**–**	–	**–**
25	Total **(1+4+7+8+9+10+11+12+16+19+23+24+non-customer assets)**	**515 467**	494 793	**41 237**
	Pillar 2a requirement (1.75%)			**9 021**
	Capital conservation buffer (0.625%)[4]			**3 222**
	S.A. minimum capital requirements including buffers[5]			**53 480**

[1] Absa Bank Limited includes subsidiary undertakings, special-purpose entities, joint ventures, associates and offshore holdings.
[2] The 2016 minimum regulatory capital requirements are calculated at the BIS minimum regulatory capital requirement of 8%.
[3] SA-CCR amount is calculated using CEM.
[4] The Capital conservation buffer is phased in between 1 January 2016 and 1 January 2019 reaching 2.5% by 1 January 2019.
[5] The 2016 S.A. minimum regulatory capital requirements of 10.375% include the capital conservation buffer but excludes the bank-specific individual capital requirement (Pillar 2b add-on) and the D-SIB add-on.

Absa's overall RWA/capital consumption increased by R21 bn from December 2015 to December 2016. Drivers of year-on-year changes in RWA consumption is summarised as follows:

- **Credit risk:** Portfolios subject to the AIRB approach have increased slightly as a result of corporate activity in CIB;
- **Counterparty credit risk (CCR):** The increase in CCR is in line with market volatility, specifically exchange rate fluctuations, and is primarily driven by CVAs on increased long-term cross currency swaps;
- **Equity positions in the banking book:** Reduced in line with the strategic intent to run the portfolio down;
- **Market risk:** The increase was driven by an increase in DVaR and SVaR due to the increased positional and market volatility in the internal models DVaR and sVaR measure for the South African business; and
- **Operational risk:** Higher operating income attributable by AMA entities drove an increase in the Regulatory Floor (TSA Floor on AMA entities). This contributed to an increase of Absa Bank Limited's RWA by 4.2% compared to 2015.

3.10 Capital supply

	Group		Absa Bank Limited[1]	
Movements in qualifying capital	**2016 Rm**	2015 Rm	**2016 Rm**	2015[2] Rm
Balance at the beginning of the reporting period (excluding unappropriated profits)	**95 355**	80 889	**65 717**	57 232
Share capital, premium and reserves	**6 343**	8 713	**6 447**	5 012
Non-controlling interest	**(472)**	306	**–**	–
Regulatory deductions – CET1	**(3 060)**	2 907	**(2 070)**	1 514
Regulatory changes in Additional Tier 1	**(857)**	(159)	**(475)**	(482)
Tier 2 subordinated debt issued	**2 381**	4 500	**2 381**	4 500
Tier 2 subordinated debt matured	**–**	(2 351)	**–**	(2 000)
Regulatory changes in Tier 2	**(229)**	425	**–**	–
General allowances for impairment losses on loans and advances: Standardised Approached – SA	**42**	125	**(32)**	(60)
Balance at the end of the reporting period (excluding unappropriated profits)	**99 503**	95 355	**71 968**	65 717
Add: unappropriated profits	**4 983**	6 273	**5 801**	2 367
Qualifying capital including unappropriated profit	**104 486**	101 628	**77 769**	68 084

[1] Absa Bank Limited includes subsidiary undertakings, special purpose entities, joint venture, associates and offshore holdings.
[2] Restated to reflect Absa Bank Limited.

Breakdown of qualifying capital

	2016		2015	
Group	**Rm**	**%**	Rm	%[1]
CET1	**80 451**	**11.4**	77 640	11.0
Ordinary share capital	**1 693**	**0.2**	1 691	0.2
Ordinary share premium	**4 468**	**0.6**	4 250	0.6
Reserves[2]	**78 546**	**11.2**	72 568	10.3
Non-controlling interest	**2 084**	**0.3**	2 556	0.4
Deductions	**(6 340)**	**(0.9)**	(3 425)	(0.5)
Goodwill	**(715)**	**(0.1)**	(783)	(0.1)
Amount by which EL exceeds eligible provisions	**(2 128)**	**(0.3)**	(1 176)	(0.2)
Other deductions	**(3 497)**	**(0.5)**	(1 466)	(0.2)
Additional Tier 1 capital	**3 557**	**0.5**	4 413	0.7
Tier 1 capital	**84 008**	**11.9**	82 053	11.7
Tier 2 capital	**15 495**	**2.2**	13 302	1.9
Instruments recognised as Tier 2 capital	**14 911**	**2.1**	12 760	1.8
General allowance for impairment losses on loans and advances – standardised approach	**584**	**0.1**	542	0.1
Total qualifying capital (excluding unappropriated profits)	**99 503**	**14.1**	95 355	13.6
Qualifying capital (including unappropriated profits)				
Tier 1 capital	**88 991**	**12.6**	88 326	12.6
CET1 (excluding unappropriated profits)	**80 451**	**11.4**	77 640	11.0
Unappropriated profits	**4 983**	**0.7**	6 273	0.9
Additional Tier 1	**3 557**	**0.5**	4 413	0.7
Tier 2 capital	**15 495**	**2.2**	13 302	1.9
Total qualifying capital (including unappropriated profits)	**104 486**	**14.8**	101 628	14.5

Leverage

	2016			
Group	**31 Dec**	30 Sept	30 Jun	31 Mar
Leverage ratio exposure (Rm)	**1 251 249**	1 255 335	1 336 240	1 321 314
Tier 1 capital (excluding unappropriated profits) (Rm)	**84 008**	82 210	82 962	79 844
Tier 1 capital (including unappropriated profit) (Rm)	**88 991**	86 529	88 090	85 011
Leverage ratio (excluding unappropriated profit) (%)	**6.7**	6.5	6.2	6.0
Leverage ratio (including unappropriated profit) (%)	**7.1**	6.9	6.6	6.4
Board target leverage ratio (%)	**≥4.5**	≥4.5	≥4.5	≥4.5
Minimum required leverage ratio (%)	**4.0**	4.0	4.0	4.0

1 Percentage of capital to RWAs.
2 Reserves exclude unappropriated profits.

Breakdown of qualifying capital

Absa Bank Limited[2]	2016 Rm	2016 %[3]	2015 Rm	2015 %[3]
CET1	**54 185**	**10.5**	49 806	10.1
Ordinary share capital	**304**	**0.1**	303	0.1
Ordinary share premium	**24 964**	**4.8**	21 455	4.3
Reserves[4, 5]	**33 560**	**6.5**	30 766	6.2
Deductions	**(4 643)**	**(0.9)**	(2 718)	(0.5)
Amount by which EL exceeds eligible provisions	**(1 983)**	**(0.4)**	(2 095)	(0.4)
Other deductions[5]	**(2 660)**	**(0.5)**	(623)	(0.1)
Additional Tier 1 capital	**2 758**	**0.5**	3 234	0.6
Tier 1 capital	**56 943**	**11.0**	53 040	10.7
Tier 2 capital	**15 025**	**3.0**	12 677	2.6
Instruments recognised as Tier 2 capital	**14 881**	**2.9**	12 500	2.5
General allowance for impairment losses on loans and advances – standardised approach	**144**	**0.1**	177	0.1
Total qualifying capital (excluding unappropriated profits)	**71 968**	**14.0**	65 717	13.3
Qualifying capital (including unappropriated profits)				
Tier 1 capital	**62 744**	**12.2**	55 407	11.2
CET1 (excluding unappropriated profits)	**54 185**	**10.5**	49 806	10.1
Unappropriated profits	**5 801**	**1.1**	2 367	0.4
Additional Tier 1	**2 758**	**0.6**	3 234	0.7
Tier 2 capital	**15 025**	**2.9**	12 677	2.6
Total qualifying capital (including unappropriated profits)	**77 769**	**15.1**	68 084	13.8

Leverage

Absa Bank Limited[1]	2016 31 Dec	2016 30 Sept	2016 30 Jun	2016 31 Mar
Leverage ratio exposure (Rm)	**1 088 789**	1 083 526	1 148 984	1 127 047
Tier 1 capital (excluding unappropriated profits) (Rm)	**56 943**	54 197	53 676	52 186
Tier 1 capital (including unappropriated profit) (Rm)	**62 744**	59 274	57 178	55 310
Leverage ratio (excluding unappropriated profit) (%)	**5.2**	5.0	4.7	4.6
Leverage ratio (including unappropriated profit) (%)	**5.8**	5.5	5.0	4.9
Board target leverage ratio (%)	**≥4.5**	≥4.5	≥4.5	≥4.5
Minimum required leverage ratio (%)	**4.0**	4.0	4.0	4.0

1 Restated to reflect Absa Bank Limited.
2 Absa Bank Limited includes subsidiary undertakings, special-purpose entities, joint ventures, associates and offshore holdings.
3 Percentage of capital to RWAs.
4 Reserves exclude unappropriated profits.
5 Includes cash flow hedge reserve.

3.11 Economic capital adequacy (ECA)

The EC framework covers Basel III Pillar 1 risks as well as additional risks such as IRRBB. Based on Barclays Africa's current risk profile, EC is an estimate of the maximum downward deviation from expectation in the Group's equity value, measured on an economic basis over a one-year time horizon and at a 99.95% confidence level.

The total EC demand is determined through the use of internal risk assessment models and is compared to the available financial resources to evaluate the level of capital coverage. The Group targets a minimum coverage ratio as part of the monthly management of the EC position.

3.11.1 Economic capital (EC) demand

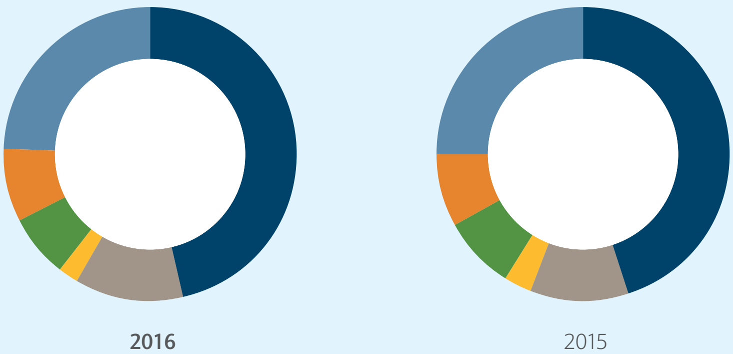
Group

EC demand[1]	**2016 Rm**	2015 Rm
Retail credit risk	**20 370**	18 711
Securitisation	**10**	47
Wholesale credit risk	**39 463**	33 180
Residual value risk	**395**	358
Operational risk	**6 189**	5 872
Traded market risk	**2 076**	1 878
Non-traded market risk	**8 886**	6 471
Equity investment risk	**1 765**	1 830
Property and equipment risk	**6 628**	5 626
Insurance risk	**2 787**	1 224
	88 569	75 197

The increase in EC demand from R75.2bn in December 2015 to R88.6bn in December 2016 was driven primarily by the application of new Basel and EC models for retail and wholesale credit risk resulting in significant changes across all credit portfolios. In addition non-traded market risk grew as a result of refinements to the calculation of IRRBB. Insurance risk EC increased following the adoption by WIMI of the new SAM framework in January 2016.

Economic capital demand per segment (%)

46 (45)	Retail credit risk
13 (11)	Wholesale credit risk (including CVA and CCR)
2 (3)	Traded and non-traded market risk
7 (8)	Equity investment risk
8 (8)	Operational risk
24 (25)	Other risk (including residual, excluding insurance)



[1] Represents the average required EC.

3.11.2 Economic capital (EC) supply

The increase in EC supply of R1.7bn from R96.7bn in December 2015 to R98.4bn in December 2016 is mainly due to capital generation through profits net of dividends of R5.7bn partially offset by a decrease in the foreign currency translation reserve (other reserves) of c.R3.9bn due to Rand strengthening.

Group

EC supply	2016 Rm	2015 Rm
Ordinary share capital and share premium	6 161	5 941
Preference share capital and share premium	4 644	4 644
Retained earnings	81 604	75 785
Other reserves	5 293	7 566
Non-controlling interest	4 578	4 710
Other deductions[1]	(3 905)	(1 900)
	98 375	96 746
Average capital for the reporting period	96 485	88 902

Credit ratings

	2016		2016
	Standard & Poor's		Moody's
Credit ratings	Barclays Africa Group	Absa Bank Limited	Absa Bank Limited
National			
Short-term	zaA-2	zaA-1	Prime-1.za
Long-term	zaA	zaAA-	Aa1.za
Local currency			
Short-term	–	–	Prime-2
Long-term	–	v	Baa2
Outlook	–	–	Negative
Foreign currency			
Short-term	–	–	Prime-2
Long-term	–	–	Baa2
Outlook	–	v	Negative
Baseline credit assessment	–	–	baa3
Group credit profile	bbb-	bbb-	–
Counterparty risk	–	–	Baa2 (cr)/P-2 (cr)

[1] Other deductions include goodwill, intangible assets and cash flow hedge reserves.

4. Overview of risk management

4.1 Approach to risk management OVA

The risk management process is a structured, practical set of three steps – Evaluate, Respond and Monitor (the E-R-M process) – that enables management to identify and assess risks, determine the appropriate risk response, and then monitor the effectiveness of the risk response and any changes to the risk profile. The analysis is used to promote an efficient and effective approach to risk management.

This three-step risk management process:

- can be applied to every objective at every level in the Bank, both top-down or bottom-up;
- is embedded into the business decision-making process;
- guides the Group's response to changes in the external or internal environment; and
- involves all staff and all three lines of defence.

The three-step E-R-M process is employed as follows:

Risk management process

Evaluate	› Clearly identifying the objective or objectives being assessed › Identifying the events or circumstances that could cause a delay or failure to meet the objective(s) in full, including the external environment (e.g. economy, competitive landscape), internal environment (people, process, infrastructure), and touch points between the Group and its customers, suppliers, regulators, and other stakeholders › Using appropriate tools for identifying risks such as interviews, surveys, self-assessments, workshops, audit findings, industry benchmarking, review of prior loss events, critical path analysis, and challenging assumptions and dependencies by developing contrary views and positions › Examining the root causes of identified events and circumstances, the underlying sources of risk, and the cause and effect relationships › Taking into account the nature and materiality of the objective(s) › Calibrating and measuring the risks in terms of impact, probability, and speed of onset. Use of models must adhere to set principles › Investigating the relationships and interactions between risks, compounding effects, correlations, concentrations, and aggregations › Where possible, assessing risks on the basis of inherent and residual risk › Ranking risks and taking an overall portfolio view of them to determine priorities
Respond	› Considering focus on the priority risks first › Recognising that risk mitigation involves resource allocation: actions such as designing, implementing and operating controls should achieve the required level of effectiveness at an appropriate cost › Looking for a single response that may mitigate more than one risk, and extend or replicate existing controls if appropriate › Embedding controls into the business activity/process as far as possible and automating controls where feasible › Considering any unintended consequences e.g. mitigating actions taken to control one risk could introduce other risks or undermine existing controls › Considering the implications of control failures, and whether secondary or latent controls should be deployed to mitigate risk of control failure in the case of material risks › Controls must adhere to set principles
Monitor	› Examining the current and evolving risk profile and risk trends, use key risk indicators (KRIs) to examine changes in the risk environment; maintain watch for new risks that might impact objectives (e.g. horizon scanning and use of scenario analysis); and monitor changes in risk materiality, frequency and impact, and the appropriateness of existing responses. New risk evaluations should be initiated if necessary › Ensuring that risks are being maintained within risk appetite, and that this remains appropriate as circumstances and objectives evolve › Checking that controls are functioning as intended and remain fit-for-purpose: track performance using key control indicators (KCIs), monitor first line activities to ensure operating within mandates, ensure policies are routinely updated and that standards have been implemented, and that appropriate resources are being deployed. Monitoring includes Assurance, Control testing, and Conformance Reviews › Where a risk event materialises: assessing root causes; identifying possible control failures; identifying potential behavioural failures; considering whether better knowledge would have improved decision-making; and identifying what lessons could be learned for future assessments and management of risks. Control issues must be assigned clear ownership and timelines for resolution › KPIs, KRIs and KCIs must adhere to set principles

4.2 The Enterprise Risk Management Framework (ERMF)

The Board-approved ERMF sets out the scope of the risks facing the Group and assigns clear ownership and accountability for risks. The ERMF covers the five principal risks (as discussed earlier) as well as the 27 key risks (as detailed in the table to follow).

The Group Chief Risk Officer (GCRO) appoints a Principal Risk Officer (PRO) for each principal risk. Within each principal risk there are individual key risks for which the GCRO appoints a Key Risk Officer (KRO). Group PROs are responsible for ensuring that appropriate risk control frameworks exist for each key risk and for ensuring the appropriate reporting of those risks.

KROs are responsible for designing, recording and communicating their risk control frameworks. They also monitor the management of the key risk exposures in accordance with the framework, using the three steps – Evaluate, Respond and Monitor (the E-R-M process) – that enable management to identify and assess those risks, determine the appropriate response, and then monitor the effectiveness of the response and any changes to the risk profile.

Principal risk	Key risks	Group Exco risk committees	Reference
Credit risk	› Retail credit risk › Wholesale credit risk[1]	› Financial Risk Committee	Refer to 48 of this document for a detailed analysis of Credit risk.
Market risk	› Traded market risk › Non-traded market risk › Pension risk › Insurance risk	› Financial Risk Committee	Refer to 80 of this document for a detailed analysis of Market risk
Funding risk	› Liquidity risk › Capital risk	› Africa Treasury Committee (ATC)	Refer to 93 of this document for a detailed analysis of Funding risk
Operational risk	› Supplier risk › Payment Process risk › Technology risk › Transaction Operations risk › Premises and Security risk › Information risk › Financial Reporting risk › Fraud risk › Financial Crime risk (excluding fraud) › Legal risk › People risk › Tax risk	› Operational Risk & Control Committee (note: tax risk exposure is monitored via the Tax Risk Committee)	Refer to 99 of this document for a detailed analysis of Operational risk
Conduct risk	› Authorisations and Permissions risk › Product Design risk › Strategy and Business Model risk › Governance and Culture risk › Transaction Services risk › Customer Servicing risk › Reputation risk	› Conduct and Reputational Risk Committee (CRRC)	Refer to 104 of this document for a detailed analysis of Conduct risk

[1] Equity investment risk, CCR and securitisation are reported under wholesale credit risk.

4.3 The three lines of defence

The three lines of defence operating model, which has been defined in the ERMF, enables the appropriate assignment of risk management activities as outlined below:

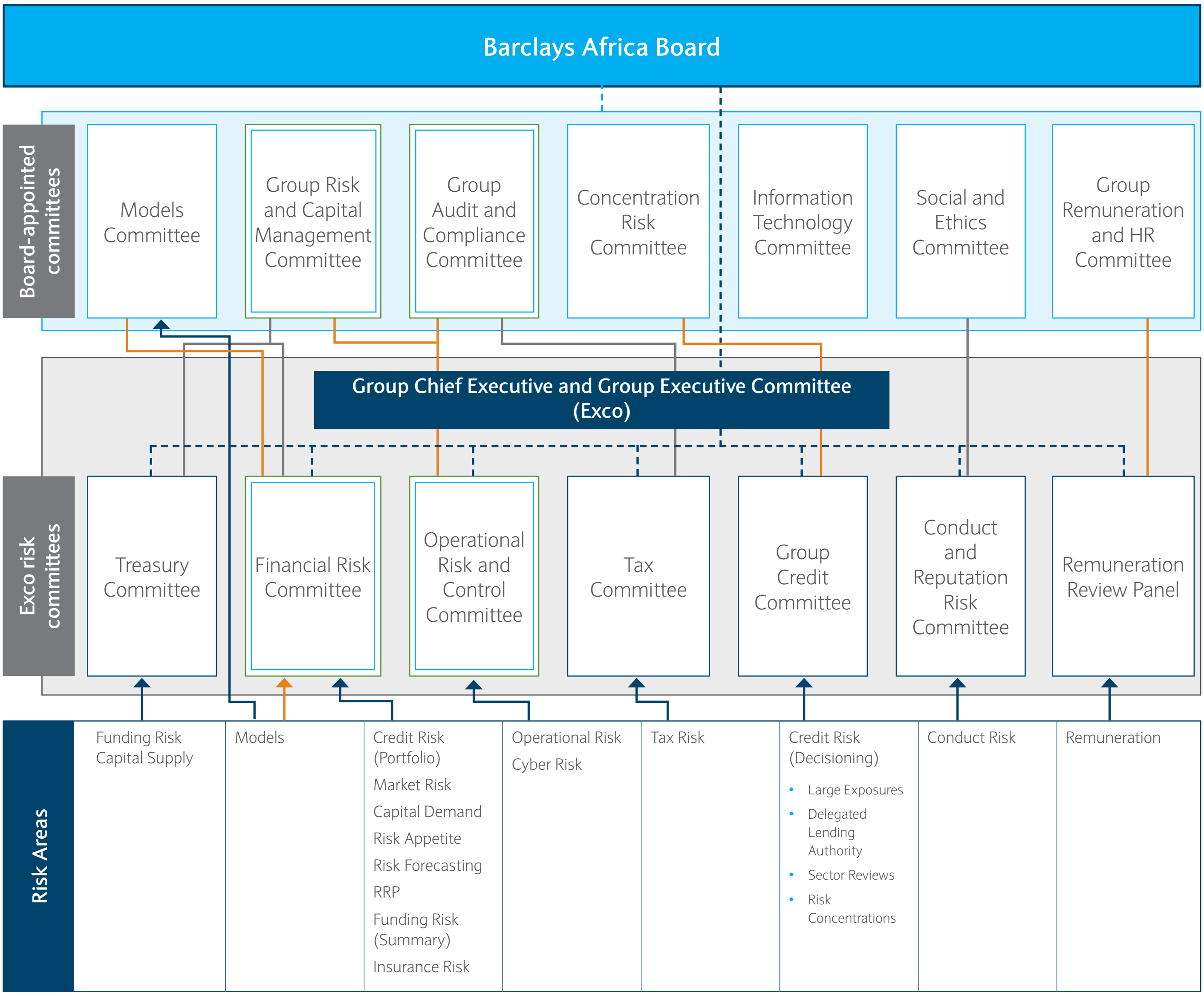
The ERMF enables businesses and functions to be organised along the three lines by formalising independence and challenge, while promoting collaboration and the flow of information between all areas.

4.4 Risk oversight

For the reporting period, the Board is satisfied that the Group's risk and capital management processes operated effectively, that the Group's business activities have been managed within the Board-approved risk appetite, and that the Group is adequately capitalised to support the execution of its strategy.

- The Group Chief Executive (GCE) grants authority and responsibility to the GCRO to ensure the principal risks are properly managed under appropriate risk control frameworks and within the constraints of the Board-approved risk appetite and risk budget.

4.5 Risk governance structure



Pre-eminent risk oversight committees

4.5.1 The Group Risk and Capital Management Committee (GRCMC)

The GRCMC assists the Board in fulfilling its responsibilities in managing risk and complying with the relevant requirements of the Banks Act. The GRCMC determines and recommends the Group's risk appetite to the Board and then regularly reviews and monitors the risk profile against the risk appetite. The GRCMC also approves control frameworks for all principal risks, determines capital and liquidity target ranges and monitors capital and liquidity levels.

The GRCMC meets on a quarterly basis. GRCMC meetings during the reporting period were attended by the GCE, Deputy GCEs, Group Financial Director, GCRO, Head of Compliance and Regulatory Affairs and the Group Treasurer. Internal and external auditors also attended the meetings in accordance with governance processes.

The meetings were convened under the mandate contained in the terms of reference of the GRCMC, and in accordance with applicable regulations. The GRCMC was provided with required representations and information by management at each meeting, which enabled the committee to review and monitor the various risks properly and, in so doing, comply effectively with its mandate. Adequate training is conducted to ensure members effectively discharge their duties.

There is a suitable cross-representation of members sitting on the GRCMC and GACC. The Chairman met with the GCRO and executive management on a regular basis and reported to the Board after each committee meeting.

4.5.1.1 Core activities of the GRCMC

During the reporting period, the GRCMC's activities and key decisions included:

- recommending the Group's risk appetite to the Board for approval and monitoring the actual risk profile against the Board-approved appetite;
- assisting the Board in executing its duties with respect to risk and capital management as required by the Banks Act;
- monitoring risk profiles, including emerging risks, and reporting findings to the Board;
- monitoring the level of available capital, both current and projected, and reporting to the Board on the adequacy of available capital relative to the Group's emerging risk profile;
- assessing the Group's risk management approach and practices in light of the global financial crisis;
- liaising with the GACC to ensure appropriate oversight of key controls and, in turn, considering and acting on concerns raised by the GACC;
- overseeing risk matters relating to information technology (IT);
- ensuring the appropriate disclosure of risk and capital management;
- setting the liquidity risk appetite (LRA) and monitoring the liquidity position over the reporting period;
- oversight of both conduct risk (from the Social and Ethics Committee) and IT risk (from the Information Technology Committee);
- oversight of the risk emanating from the Barclays PLC sell-down and separation process;
- undertaking a number of deep dives on key areas of focus to assess underlying risks further;
- reviewing the Group's Business Continuity Management (Resilience) plans and processes and compliance therewith; and
- reviewing Barclays Africa's Recovery Plan and recommending it to the Board for approval.

The GRCMC is satisfied that the risk management processes and systems provide comprehensive and adequate oversight over risk exposure. The GRCMC is satisfied that management was able to respond effectively to, and manage, the risks that arose during the reporting period.

4.5.2 The Group Audit and Compliance Committee (GACC)

The GACC assists the Board with regard to reporting financial information, selecting and properly applying accounting principles and policies, monitoring the Group's internal control systems and various compliance-related matters. Other aspects for which the GACC is responsible include the management and governance of the Group's relationship with the external auditors.

4.5.2.1 Risk management-related activities of the GACC

The GACC performs the following activities in terms of risk management:

- Dealing with any matters referred to it by the GRCMC;
- Monitoring the operational risk profile; and
- Ensuring that internal and external assurance providers and management apply the combined assurance model.

4.5.3 Concentration Risk Committee (CoRC)

- CoRC is a committee of the Board of directors of Barclays Africa and has been established pursuant to the SARB Directive 5/2008.

The committee meets as frequently as required and has amongst its members, executive directors (one of which acts as chair), the Chief Executive Officer, Group Financial Director, Chief Risk Officer, Deputy Chief Executives and the Chief Credit Officer.

4.5.3.1 Core activities of the CoRC:

- CoRC is the highest level credit sanctioning committee in the Group and is mandated to approve credit limits exceeding 10% of Barclays Africa's qualifying capital and reserves. Credit limits in excess of 25% of Barclays Africa's qualifying capital and reserves need, in addition to CoRC approval, to be approved by SARB;
- Delegation of credit mandates for the approval of credit limits up to 10% of Barclays Africa's qualifying capital and reserves to the Group Credit Committee (GCC);
- Reviews of business/market sectors; and
- Overall responsibility for the oversight of the management of credit concentration risk in the bank.

4.5.4 Models Committee

The Barclays Africa Models Committee (MC) assumes the role of "designated committee" for the approval of Barclays Africa's material models as required by the Banks Act. The MC is a committee of the Board of directors of Barclays Africa, from which it derives its authority and to which it regularly reports.

The MC meets on a quarterly basis, and additional *ad hoc* meetings are arranged in exceptional cases. MC meetings are attended by the Group Financial Director (chair), Chief Executive Officer, Deputy Chief Executive Officer (South Africa), Chief Risk Officers and the Head of Model Risk and Development.

4.5.4.1 Core activities of the MC

The MC is responsible for the following activities:

- To provide oversight and approval in respect of Barclays Africa material models as defined in the Group Model Risk Policy, which includes material models requiring Board approval as defined in the Banks Act;
- To review and, where satisfied, approve recommendations on the methodologies related to Post Model Adjustments (PMAs) as applied to material models and the data that feeds them;
- To set thresholds and tolerances around changes to models and related PMAs, beyond which they must be brought back to the committee for sign-off. In exceptional instances where prompt sign-off is required, this may be accomplished by email from a quorum of the committee. All material model changes and PMAs exceeding 10% of RWA or impairment impact for the relevant portfolio must be approved by the MC;
- To provide oversight of the model governance process of all Barclays Africa models; and
- To provide oversight over external audit findings related to models and model governance.

4.6 Risk culture

The Barclays Africa Code of Conduct (Barclays Way) outlines the Values and Behaviours which govern our way of working. It constitutes a reference point covering all aspects of employees' working relationships, specifically with other Barclays Africa employees, customers and clients, governments and regulators, business partners, suppliers, competitors and the broader community. The objective of the Barclays Way is to define the way we think, work and act at Barclays Africa to ensure we deliver against our Purpose of helping people to achieve their ambitions – in the right way.

The Barclays Way sets out the ethical and professional attitudes and behaviours expected of Barclays Africa and its employees.

The Breach Management and Reward programme was rolled out in 2016. It enables us more effectively to track and respond to conduct and compliance policies and identify where we need to enhance our training or processes to support all colleagues. It also helps us to escalate examples of behaviour that are not aligned to our values.

Conduct Risk management requires that all colleagues understand the conduct risk that may potentially arise or impact our customers and the markets we operate in, manage those risks and be mindful of living the behaviours consistent with the Barclays Africa Values of:

- respecting our customers and their needs;
- respecting the role of Compliance, Risk and Audit colleagues who provide partnership and challenge to businesses;
- speaking up if we believe decisions are not right or could potentially harm our customers;
- disclosing all relevant information and discussing conduct risks in an open, honest and factual manner;
- making fair and balanced decisions;
- sharing and learning from mistakes and near misses;
- taking individual accountability by promptly communicating and escalating instances of inappropriate judgement that could cause detriment to our customers;
- always acting in a way which protects the interests of our customers;
- we have a duty of care when providing banking services to our customers; and
- we promote an "identify and address" culture in relation to potential customer detriment.

4.7 Risk reporting

The objective of risk reporting is to provide timely, accurate, comprehensive and useful information to Board and senior management to facilitate informed decision-making. Risk reporting is an important component of the bank's risk management framework. Board and senior management risk committees determine their requirements in terms of content and frequency of reporting under both normal and stressed conditions. Risk reporting flows from business unit or risk type risk committees, to Exco risk committees, and then to Board committees. Content and the level of aggregation is adjusted to suit the needs of each committee.

Risk reports contain the following key information:

- monitoring of the risk profile against the bank's risk appetite;
- utilisation of financial resources against the risk budget;
- reporting key risk metrics per risk type;
- monitoring emerging risks and changes in the environment and an assessment of their potential impact;
- results of stress testing exercises undertaken (both to assess the adequacy of financial resources and sensitivity stresses); and
- an assessment of the risk governance profile, including an assessment of the degree to which risk frameworks and policies are implemented throughout the bank; and assurance activities.

4.8 Strategy, business model and risk appetite

Barclays Africa helps to create, grow and protect wealth through its banking, insurance and wealth businesses. The Group's strategy focuses on opportunities for growth and takes into account the matters believed to be material to long-term sustainability. The Group's strategy is the key driver of risk and return, and should be achieved within the parameters of the agreed risk appetite.

The risk strategy is developed alongside the business strategy which defines the overall strategic direction of the organisation in its pursuit of shareholder value creation.

Within the risk strategy, risk appetite defines the maximum amount of risk that the organisation can accept and is set at the start of the strategic planning process. This ensures that the business strategy is achievable within the parameters of the defined risk strategy and risk appetite, and that risk information is considered in the organisation's decision-making and strategic planning processes.

Quantitative risk appetite metrics are set at Group level and comprise earnings volatility statements and statements around the minimum levels of available financial resources (capital and liquidity) that the Group is willing to accept under severe stress scenarios. Qualitative risk appetite consists of risk principles and risk preferences.

Risk principles provide a high-level perspective on how the Group thinks about risk and reward. Risk principles influence the Group's approach to measuring and managing risk and return. Barclays Africa's risk principles are listed below:

- Barclays Africa only takes on risks that the Group understands, has the skills to monitor and manage, and can price for appropriately. This is to ensure that expected reward exceeds minimum risk-adjusted return for shareholders;
- Barclays Africa prefers risks that are capital efficient. In assessing capital efficiency, the impact of diversification or concentration on the existing risk profile is considered;
- Barclays Africa considers risk by legal entity and business unit taking into account the available risk budget in the business unit and in aggregate at the Group level;
- Barclays Africa avoids risks where it exposes itself to very volatile or potentially extreme adverse outcomes;
- Risk preferences define Barclays Africa's perspectives on risk-taking and describe high-level risk preferences. Risk preferences can be classified according to risks that the Group actively seeks as a result of being in the business of banking, insurance and wealth management, risks that are not actively sought but arise as a consequence of being in business and will be accepted, and risks that should be avoided;
- Barclays Africa actively seeks risks directly related to the pursuit of lending, transacting, trading, advisory, insurance and investment business through appropriate products and services. These risks include credit risk, equity risk, business risk, market risk, insurance risk and the associated key risks;
- Barclays Africa consciously accepts risks that arise as a consequence of balance sheet management activities aimed at increasing shareholder value, optimising capital efficiency, managing liquidity and hedging risks stemming from the Group's products and services. These risks include interest rate risk, currency risk, credit risk, equity risk, fixed asset risk, pension risk, liquidity risk and funding risk;

Barclays Africa accepts the risks that may arise from the adoption of a customer-centric business model. These risks include reputational risks, fraud risks, compliance and conduct risks;

Barclays Africa is willing to accept the strategic risks that arise from the pursuit of growth ambitions in respect of new markets and geographies as articulated in the Group's long-term strategy. These risks include sovereign risk, Forex (FX) risk, political risks and country risk; and

- Barclays Africa will avoid risks that are not in line with the Group's strategy and risk principles, and risks that materialise as a negative consequence of the conduct of its management and employees.

The link between the Group's business model and the risks it creates is summarised as follows:

Core business activities and processes

Activities	What this means	Risk	Balance sheet impact	Flow of money	Income statement impact
A safe place to save, invest and manage funds	Managing shareholder funds Accepting customers' and clients' deposit and raising debt Facilitating payments and investments Providing investment management products and advice	Interest rate Liquidity Operational Conduct Market	Deposits Debt securities in issue Shareholders' equity and preference shares	Interest paid to depositors and other funders Returns generated for shareholders Investments made on behalf of customers and clients Fee income administration service	Interest expenses Free and commission income Dividends paid Gains and losses from investment activities
Provide funds for purchases and growth	Extending credit, taking into account customers' credit standing and our risk appetite	Credit Interest rate Operational Conduct	Loans and advances Provision for bad debts	Receive interest income from borrowers Fee income relating to lending activities	Net interest income Fee and commission income Other operating income Bad debts expenses
Manage business and financial risks	Solutions to manage risks such as interest rate and foreign exchange	Credit Market Operational Conduct	Hedging and trading portfolio liabilities Hedging and trading portfolio assets	Fee income from advisory services Commission income Trading revenue	Gains and losses from banking and trading activities Fee and commission income Other operating income Bad debts expenses
Provide financial and business support	Individual and business advice, investment research and advisory on large corporate deals	Market Operational Conduct		Fee income from advisory services	Fee and commission income
Protect against risks	Compensation for retirement and/or a specified loss in return for a premium	Insurance Operational Conduct Market	Policyholder liabilities under insurance and investment contracts Reinsurance assets	Insurance premium income Pay out claims for specified losses	Net insurance premium income Net claims and benefits payable on insurance contracts

A range of customer and client solutions

<table>
<tr><th></th><th>Individuals</th><th>Small and medium enterprises</th><th>Corporates</th><th>Financial institutions and banks</th><th>Sovereigns and institutions</th></tr>
<tr><td rowspan="6">A safe place to save, invest and manage funds</td><td colspan="5">Current accounts and overdrafts</td></tr>
<tr><td colspan="5">Savings, deposits and investment products</td></tr>
<tr><td colspan="3">Mobile and digital payments</td><td colspan="2"></td></tr>
<tr><td colspan="2">Stock broking and trading</td><td colspan="3">Access to international financial markets</td></tr>
<tr><td></td><td colspan="4">Cash management, payment systems and international trade services</td></tr>
<tr><td></td><td colspan="2">Pension fund administration</td><td colspan="2"></td></tr>
<tr><td rowspan="4">Provide funds for purchases and growth</td><td rowspan="4">Residential home loans, vehicle and asset finance, personal loans and credit cards</td><td colspan="3">Commercial property finance and loans</td><td></td></tr>
<tr><td colspan="3">Asset and lease finance, trade and supplier finance and working capital solutions</td><td></td></tr>
<tr><td></td><td colspan="3">International capital markets</td></tr>
<tr><td></td><td colspan="2">Large corporate inter-bank lending</td><td></td></tr>
<tr><td rowspan="3">Manage business and financial risks</td><td></td><td colspan="4">Foreign exchange rate hedging</td></tr>
<tr><td colspan="5">Fixed-rate loans</td></tr>
<tr><td colspan="2"></td><td colspan="3">Inflation and interest rate hedging</td></tr>
<tr><td rowspan="2">Provide financial and business support</td><td rowspan="2">Wealth and private banking, including investment advice, wills and trusts</td><td colspan="4">Relationship managers and support</td></tr>
<tr><td>Seminars and start-up support</td><td colspan="3">International investment research. Advice on large corporate deals as well as mergers and acquisitions</td></tr>
<tr><td>Protect against risks</td><td colspan="3">Insurance (life, investments, retirement, credit and short-term)</td><td colspan="2"></td></tr>
</table>

4.9 Risk mitigation

The Group uses a range of strategies to mitigate the risks that arise from the bank's business model.

4.9.1 Credit risk

Credit risk mitigation (CRM) is the technique used to reduce the credit risk associated with an exposure, which may reduce potential losses in the event of obligor default. A CRM policy is in place and it has the following objectives:

- to govern the types of collateral that are acceptable for approval purposes and to which a value can be attributed;
- to establish the requirements for legal certainty;
- to set out the requirement for collateral valuation methodologies;
- to set out the operational requirements for the management of risk mitigation; and
- to set out the requirements for recognising collateral in capital calculations.

The Group uses the following techniques to mitigate credit exposure in both its banking and trading book:

- Financial collateral, e.g. cash, debt securities, commodities, equities, master netting agreements;
- Physical collateral, e.g. residential real estate, commercial real estate, fixed charges or floating charges over assets;
- Other funded collateral, e.g. leases, receivables; and
- Unfunded collateral, e.g. guarantees/sureties, on-balance sheet netting, credit derivatives.

Risk mitigation can be used to improve LGD, PD or EAD parameters, and consequently is an important tool in the management of the bank's capital efficiency.

4.9.2 Interest rate risk in the banking book (IRRBB)

The Group's objective for managing IRRBB is to ensure a higher degree of interest rate margin stability and lower interest rate risk over an interest rate cycle. This is achieved by transferring the interest rate risk from the business to the local treasury or Group Treasury, via the internal funds transfer pricing process, which in turn hedges material net exposures with the external market.

Risk management strategies considered include:

- strategies regarding changes in the volume, composition, pricing and interest rate risk characteristics of assets and liabilities; and
- execution of applicable derivative contracts to maintain the Group's interest rate risk exposure within limits.

Where possible, hedge accounting is applied to derivatives that are used to hedge IRRBB. In cases where hedge relationships do not qualify for hedge accounting, mismatches may arise due to different bases used in fair valuing the hedges and the underlying banking book exposure. Applicable accounting rules, as detailed in the Group's accounting policies, are followed.

Structural interest rate risk arises from the variability of income from non-interest bearing products, managed variable rate products and the Group's equity. It is managed by Group Treasury. Interest rate risk also arises in each of the Rest of Africa treasuries in the normal course of managing the statement of financial position and facilitating customer activity. The risk is managed by the local treasury functions, subject to modest risk limits and other controls.

4.9.3 Forex (FX) risk

The Group is exposed to two sources of foreign exchange risk, namely, transactional and translational risk. Transactional foreign exchange risk arises from activities conducted in a currency other than the functional currency of the Group. Translational foreign exchange risk arises from the consolidation of foreign subsidiaries. These risks could cause income statement volatility or have an adverse impact on the financial position of the Group, and therefore need to be carefully managed. The Group's policy is for transactional foreign exchange risk to be concentrated and managed within the trading books. Translation risk is addressed under the Capital Management section.

4.9.4 Insurance risk

Risk mitigation is built into the bank's insurance risk processes. The types and levels of reinsurance arrangements put in place are in line with the levels and types of insurance risks the Group wants to retain, manage and mitigate in each of the insurance business units. If certain risks become undesirable then the product line will be discontinued (and as such mitigate future exposure to the risk).

4.9.5 Operational risk

In Barclays Africa it is recognised that operational risk is part of doing business. It is not always possible or cost effective to eliminate all operational risks, nor is this the objective of operational risk management.

Achieving the correct balance of focus and effort is pivotal to Barclays Africa's risk management strategy and is underpinned by operational risk limits, established governance and oversight structures, monitoring and escalation criteria, clarity of roles across the three lines of defence, and clear direction and tone from the top, driving a transparent and accountable risk culture in the organisation.

The Group's operational risk management objectives are to:

- articulate an appropriate level of appetite for operational risk, that supports the business strategy;
- manage risk and control effectively and in doing so maintain the operational risk profile within appetite;
- embed a positive risk culture across the organisation; and
- minimise the impact of losses suffered in the normal course of business (ELs) and to avoid or reduce the likelihood of suffering an extreme (or unexpected) loss.

Operational risk must be managed within the defined risk appetite. An understanding of how much risk is tolerable must be defined in the context of the business strategy. This is the level of risk that Barclays Africa is willing to accept in pursuit of the business objectives and recognises that outcomes are not always as planned.

Operational risk appetite is a statement of the types of operational risk that we will not take, those that we will take, and how much. The Barclays Africa Board sets the appetite in aggregate for operational risk and management is required to observe this.

For risks that are 'outside appetite', risk treatment decisions must be made to bring the risk back to acceptable levels. Risks that are at appetite should also have appropriate responses. Risk treatment decisions must be consistent with the risk management strategy and approved operational risk appetite of Barclays Africa.

This is achieved by one or a combination of the following responses depending on the defined risk appetite

- **Tolerate (accept) the risk:** If residual risk is inside appetite, accept the risk and maintain the control environment;
- **Treat (mitigate) the risk:** Implement actions and strategies to reduce the residual risk level;
- **Terminate (avoid) the risk:** Do not take the risk and stop the related activity; and
- **Transfer the risk:** This involves a third party sharing some part of the risk, or taking over all of the risk. This could be in the form of insurance, partnerships and joint ventures, or sourcing arrangements.

4.9.6 Group Insurance programme

Following the Barclays PLC announcement on 1 March 2016 of the intention to sell down its controlling equity holding in Barclays Africa, a Corporate Insurance team was established to look after the Insurance Risk Management requirements in respect of Barclays Africa stand-alone insurance portfolio which was incepted on 1 November 2016.

Major covers in place are: (i) Directors' and Officers' Liability; (ii) Crime, Professional Indemnity and Cyber; (iii) Assets All Risks; (iv) Comprehensive General Liability; and (v) Terrorism and Sabotage Insurance.

4.10 Stress testing

Stress testing is an integral part of scenario planning, and is conducted across all legal entities, business units and risk types. This is supported by a risk appetite framework, policies and procedures, adhering to internal and external stakeholder requirements, and benchmarked against best practice.

The scenario planning results, including a baseline and stress view, are incorporated into a risk review that provides the Board and management with the required information to evaluate the Group's financial position, earnings volatility, and risk profile. This information informs the capital plan of the Group, and how financial resources are allocated across legal entities and business units. Accordingly, risk appetite is set that includes financial performance management triggers and limits per legal entity, as well as risk appetite limits by risk type.

The abovementioned information also feeds into the Group's ICAAP, as well as its recovery and resolution plan (RRP). The scenarios tested range from a baseline view, to a severe but plausible downturn scenario, as well as reverse stress testing scenarios, providing insight into scenarios at which the group would reach a point of non-viability.

In addition to the scenario planning, the Group regularly performs *ad hoc* stress tests for internal and regulatory purposes. These further inform risk identification that could result in adjustments of the Group's risk appetite.

4.11 Emerging risks

The Group constantly monitors the internal and external environment in which it operates in order to identify potential emerging risks. The potential impacts and likelihood of emerging risks are assessed, and mitigating actions put in place where deemed necessary.

For a view of the current emerging risks that are monitored by the bank, refer to the Integrated Report at barclaysafrica2016ar.co.za.

5. Linkages between financial statements and regulatory exposures

5.1 Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories LI1

The carrying values under the scope of regulatory consolidation below is based on the SARB's regulatory requirements, while the financial statement carrying values reflects the requirements of IFRS.

	a	b	c	d	e	f			g
					2016				
			Carrying values of items						
	Carrying values as reported in published financial statements Rm	Carrying values under scope of regulatory consolidation Rm	Subject to credit risk framework Rm	Subject to CCR framework Rm	Subject to securitisation framework Rm	Subject to market risk framework Rm	Equity investment risk Rm	Other assets Rm	Not subject to capital requirements or subject to deduction from capital Rm
Assets									
Cash, cash balances and balances with central banks	50 006	47 159	34 195	–	–	–	–	12 964	–
Investment securities	114 315	110 112	106 010	–	–	–	4 102	–	–
Loans and advances to banks	49 789	48 334	33 973	14 298	63	14 298	–	–	–
Trading portfolio assets	96 236	96 229	23 677	45 222	–	72 552	–	–	–
Hedging portfolio assets	1 745	1 745	–	1 745	–	1 745	–	–	–
Other assets	25 542	24 001	6 402	–	–	–	–	17 599	–
Current tax assets	894	837	–	–	–	–	–	837	–
Non-current assets held for sale	823	823	–	–	–	–	–	823	–
Loans and advances to customers	740 025	739 803	722 153	16 116	2 436	16 116	–	–	–
Less: Impairments	(19 716)	(19 716)	–	–	–	–	–	–	(19 716)
Reinsurance assets	985	–	–	–	–	–	–	–	–
Investments linked to investment contracts	18 816	902	–	–	–	–	–	–	902
Investments in associates and joint ventures	1 065	1 065	–	–	–	–	1 065	–	–
Investment properties	478	279	–	–	–	–	–	279	–
Property and equipment	14 643	14 562	–	–	–	–	–	14 562	–
Goodwill and intangible assets	4 049	3 587	–	–	–	–	–	– 0	3 587
Deferred tax assets	1 328	1 053	–	–	–	–	–	848	205
Total assets	1 101 023	1 070 775	926 410	77 381	2 499	104 711	5 167	47 912	(15 022)

	a	b	c	d	e	f		g
	2016							
			Carrying values of items					
	Carrying values as reported in published financial statements Rm	Carrying values under scope of regulatory consolidation Rm	Subject to credit risk framework Rm	Subject to CCR framework Rm	Subject to securitisation framework Rm	Subject to market risk framework Rm	Equity investment risk Rm	Other assets Rm	Not subject to capital requirements or subject to deduction from capital Rm
Liabilities									
Deposits from banks	53 192	53 192	–	–	–	–	–	–	53 192
Trading portfolio liabilities	47 429	47 429	–	46 759	–	47 429	–	–	–
Hedging portfolio liabilities	2 064	2 064	–	–	–	–	–	–	2 064
Other liabilities	27 696	25 789	–	–	–	–	–	–	25 789
Provisions	3 005	2 948	–	–	–	–	–	–	2 948
Current tax liabilities	244	231	–	–	–	–	–	–	231
Non-current liabilities held for sale	9	9	–	–	–	–	–	–	9
Deposits due to customers	674 865	674 234	–	–	–	–	–	–	674 234
Debt securities in issue	139 714	139 714	–	–	–	–	–	–	139 714
Liabilities under investment contracts	29 198	8 807	–	–	–	–	–	–	8 807
Policyholder liabilities under insurance contracts	4 469	–	–	–	–	–	–	–	–
Borrowed funds	15 673	15 673	–	–	–	–	–	–	15 673
Deferred tax liabilities	1 185	1 119	–	–	–	–	–	–	1 119
Total liabilities	998 743	971 209	–	46 759	–	47 429	–	–	923 780

Column b: The regulatory scope of consolidation excludes balances related to the Group's insurance entities, while the financial statements include these balances.

Columns c to g: The carrying value under regulatory scope of consolidation does not equal the sum of the amounts subject to the different risk framework due to:

- derivative financial instrument (contained in Trading portfolio assets, Trading portfolio liabilities and Hedging portfolio assets) are subject to RC for both CCR and market risk;
- reverse repos to non-banks included in loans and advances to customers are subject to RC under both the credit and market risk frameworks; and
- reverse repos to banks are included in loans and advances to banks are subject to RC under both the credit and market risk frameworks.

5.2 Main sources of differences between regulatory exposure amounts and carrying values in financial statements LI2

		a			b	c	
	2016						
		Items subject to					
	Total Rm	Credit risk framework Rm	Securiti-sation framework Rm	CCR framework Rm	Market risk framework Rm	Equity investment risk Rm	Other assets Rm
1 Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	1 085 797	926 410	2 498	77 381	104 711	5 167	47 913
2 Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	47 429	–	–	46 759	47 429	–	–
3 Total net amount under regulatory scope of consolidation	1 038 368	926 410	2 498	30 622	57 282	5 167	47 913
4 Off-balance sheet amounts		143 849	543	–	–	–	–
5 Cash and balances with central banks		(15 643)	–	–	–	–	–
6 Other assets		(6 402)	–	–	–	–	–
7 Differences in valuations		(5 394)	294	7 541	–	–	–
8 Differences due to consideration of provisions		(3 933)	–	–	–	–	–
9 Differences due to prudential filters		–	–	–	–	–	–
10 Credit conversion factor (CCF)		–	–	–	–	–	–
11 Significant Investments not subject to RWA		–	–	–	–	(2 847)	–
12 Exposure amounts considered for regulatory purposes	1 038 368	1 038 887	3 335	38 163	57 282	2 320	47 913

The most important drivers of the difference between the carrying value and exposures considered for regulatory purposes are:

- Line 4: Off-balance sheet exposures, which contribute to regulatory credit exposure but not the carrying value;
- Line 5: The bank's statutory cash reserve is included in the carrying value under Cash and balances with central banks, but is excluded from the credit regulatory exposure calculation;
- Line 6: Other assets under Credit Risk Framework relate to settlement balances and settlement accounts with banks and customers;
- Line 7: Differences in valuations under the Credit Risk Framework relate to differences in treatment between risk and finance as a result of eliminations and grossing up of transactions;
- Line 7: Differences in valuations under the CCR Capital Framework relate to future value add-ons for derivatives under the current exposure method (CEM); and
- Line 8: Differences due to consideration of provisions relate to the amount of specific provisions deducted from credit exposures under the standardised approach.

The Exposure amounts considered for regulatory purposes in table LI2 above correspond to the exposure reported in the following tables:

- Credit risk framework total corresponds to the sum of: EAD post CRM and CCF in table CR6 on 65 and Exposures post CCF and CRM in table CR4 on 72.
- Securitisation framework total corresponds to the sum of securitisation exposures where the Group acted as originator and sponsor in table SEC1 on 77.
- CCR framework total corresponds to the sum of EAD post CRM under the different approaches in table CCR1 on 74.
- Equity investment risk total corresponds to the sum of Exposure amount in table CR10 on 78.

5.3 Valuation methodologies

5.3.1 Fair value

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As a wide range of valuation techniques are available, it may be inappropriate to compare the Group's fair value information to independent market or other financial institutions. Assumption changes and different valuation methodologies can have a significant impact on fair values which are based on unobservable inputs.

5.3.2 Valuation inputs

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

- Quoted market prices (Level 1) – determined using observable prices in an active market.
- Valuation technique using observable inputs (Level 2) – determined using models for which inputs are observable in an active market where there is compelling evidence demonstrating an executable exit price.
- Valuation technique using significant unobservable inputs (Level 3) – fair value incorporates significant inputs that are not based on observable market data. These are generally determined based on observable inputs of a similar nature, historical observations or other analytical techniques.

5.3.3 Financial assets and financial liabilities

The Group has an established control framework with respect to the measurement of fair values. The framework includes a valuation committee and valuation control team, which is independent from the front office. The Valuation Committee, which comprises representatives from senior management, will formally approve valuation policies and any changes to valuation methodologies. Significant valuation issues are reported to the GACC. The Valuation Committee is responsible for overseeing the valuation control process and will therefore consider the appropriateness of valuation techniques and inputs for fair value measurement.

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

5.3.4 Investment properties

The fair value of investment properties is determined based on the most appropriate methodology applicable to the specific property. Methodologies include the market comparable approach that reflects recent transaction prices for similar properties, discounted cash flows and income capitalisation methodologies. In estimating the fair value of the properties, the highest and best use of the properties is taken into account. Where possible, the fair value of the Group's investment properties is determined through valuations performed by external independent valuators. When the Group's internal valuations are different to that of the external independent valuers, detailed procedures are performed to substantiate the differences, whereby the IVC verifies the procedures performed by front office and considers the appropriateness of any differences from external independent valuations.

5.3.5 Judgemental inputs on valuation of principal instruments

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

- Debt securities, equity instruments and treasury and other eligible bills – these are valued using quoted market prices from an exchange, dealer broker, industry group or pricing service, where available. Where unavailable, quoted market prices for similar instruments or, in the case of certain mortgage-backed securities, valuation techniques using inputs derived from observable market data, and, where relevant, assumptions in respect of unobservable inputs. Included in equity instruments are non-public investments, which include investments in venture capital organisations. The fair value is determined using appropriate valuation methodologies which, dependent on the nature of the investment, may include discounted cash flow analysis, enterprise value comparisons with similar companies and price earnings comparisons.
- Derivatives – can be exchange-traded or traded OTC. OTC derivative contracts include forward, swap and option contracts related to interest rates, bonds, foreign currencies, credit spreads, equity prices and commodity prices or indices on these instruments. Fair values are obtained from quoted market prices, dealer price quotations, discounted cash flow and pricing models.
- Loans and advances – fair value is determined by discounting contractual cash flows. Discount factors are determined using the relevant forward base rates (as at valuation date) plus the originally priced spread. Where a significant change in credit risk has occurred, an updated spread is used to reflect valuation date pricing. Behavioural cash flow profiles, instead of contractual cash flow profiles, are used to determine expected cash flows where contractual cash flow profiles would provide an inaccurate fair value.
- Deposits, debt securities in issue and borrowed funds – are valued using discounted cash flow models, applying rates currently offered for issuances with similar characteristics. Where these instruments include embedded derivatives, the embedded derivative component is valued using the methodology for derivatives.

5.3.6 Fair value adjustments

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

- Bid-offer valuation adjustments reflect expected close-out strategy and, for derivatives, the fact that they are managed on a portfolio basis. The methodology for determining the bid-offer adjustment for a derivative portfolio will generally involve netting between long and short positions and the bucketing of risk by strike and term in accordance with the hedging strategy. Mid prices are adjusted to bid where the Group is not a market maker unless the relevant mid prices reflect the appropriate exit price as a practical expedient given the nature of the underlying instruments. Bid-offer levels are derived from market sources, such as broker data.
- Uncollateralised derivative adjustments to reflect the impact on fair value of CCR, as well as the cost of funding across all asset classes.
- Model valuation adjustments are made for model limitations (for example, if the model does not incorporate volatility skew) and are dependent on the size of the portfolio, complexity of the model, whether the model is market standard and to what extent it incorporates all known risk factors. These are subject to review on at least an annual basis under the Group's model governance framework.

6. Credit risk

6.1 General information about credit risk CRA

Credit risk is the risk of suffering financial loss due to a borrower, counterparty to a derivative transaction, or an issuer of debt securities defaulting on its contractual obligations.

6.1.1 Strategy

The Group actively seeks to originate and manage credit risk in such a way as to achieve sustainable asset growth and risk-adjusted returns in line with Board-approved risk appetite. The Group's credit risk objectives are:

- supporting the achievement of sustainable growth and returns within the constraints of the Group's risk appetite and available financial resources;
- limiting earnings volatility and protecting the bank's capital base through diversification and setting of concentration limits;
- investing in skills and experience;
- operating sound credit approval processes;
- monitoring credit diligently;
- using appropriate models to assist decision-making, capital allocation, impairment and pricing for credit risk; and
- focusing on data and systems as enablers of efficient credit risk management.

6.1.2 Approach to credit risk management

The ERMF, owned by the GCRO and approved by the Board, sets out the processes and governance arrangements used to evaluate, respond and monitor risks incurred by Barclays Africa. Credit Risk is identified within the ERMF as a Principal Risk. Wholesale Credit Risk and Retail Credit Risk are Key Risks. Under the ERMF each Key Risk must have a documented, Board-approved, Key Risk Framework. The Key Risk Framework applies the Evaluate-Respond-Monitor (E-R-M) process to the Key Risk and is common across all businesses to ensure each Key Risk is managed effectively and efficiently, in line with the approved risk appetite. The Credit Risk Frameworks include policies that augment the frameworks and contain detailed control objectives that must be met.

The credit risk management and control function consists of committees and individuals at Board, executive management and business unit level:

Credit portfolio oversight: The GRCMC is the Board sub-committee responsible for credit risk oversight. At a Barclays Africa Exco level, the Financial Risk Committee (FRC) is responsible for oversight of the bank's credit risk profile. At a business unit level there are credit portfolio review meetings that are responsible for the oversight and management of the credit portfolios of each business unit.

Impairments and disclosure: The GACC is the Board sub-committee responsible for impairment oversight. At a Barclays Africa Exco level the Group Impairment Committee is responsible for oversight of impairments and provision adequacy in the bank. Business unit impairment committees are responsible for the governance and oversight of credit impairments in each of the business units.

Model governance: The Board level MC is responsible for the review and approval of material credit models. Business unit model approval forums are in place for the review and approval of lower materiality models.

Sanctioning: The CoRC, a Board sub-committee, is the ultimate sanctioning authority in the bank, responsible for the approval of exposures that exceed 10% of the Barclays Africa qualifying capital and reserves. Further, the committee delegates authorities for the approval of exposures that fall below the 10% threshold to the Group Credit Committee (GCC) – a Barclays Africa Exco committee – which in turn delegates authorities to the Group Chief Credit Officer (GCCO).

Credit risk reporting goes from business units, to Exco level committees to board committees. Reporting on the credit portfolio includes:

- monitoring key credit metrics;
- credit risk appetite utilisation against approved targets and limits;
- key credit risk concentrations;
- impairments and capital utilisation against budget;
- monitoring of credit EWIs; and
- monitoring of emerging risks and other potential stress scenarios relevant to credit risk.

Barclays Africa considers credit risk appetite from the following perspectives: earnings-at-risk, capital-at-risk and concentration risk:

- Earnings-at-risk and capital-at-risk are the two main measures of risk appetite used across financial risk types and business units. Earnings-at-risk is a measure of earnings volatility and is defined as the maximum downward deviation from expectation in profit before tax measured over a one-year time horizon at a specified confidence level (equivalent to a mild severity loss). Capital-at-risk is defined in terms of RC and EC demand. EC demand is defined as the maximum downward deviation from expectation in shareholder value, measured over a one-year time horizon at a high confidence level. Barclays Africa measures its current utilisation of credit risk appetite as well as expected utilisation on a forward-looking basis by considering different macroeconomic scenarios.
- The concentration risk framework consists of the following components:
  - Mandate and Scale caps are portfolio concentration management tools that seek to measure, monitor and control business activities to ensure that they are within the Group's mandate (i.e. aligned to strategy) and are of an appropriate scale (relative to the risk and reward of the underlying activities);
  - Caps on the absolute level of potential credit risk exposure to obligors or obligor groups; and
  - Country risk limits are set to control the potential impact of country risk events. The country risk measure aims to provide a view of the maximum amount at risk should a country risk event unfold in a particular country.

Earnings-at-risk and capital-at-risk demand are allocated to credit risk through the annual integrated planning process. Earnings-at-risk and capital-at-risk demand are proposed by the business units on a bottom-up basis. Based on the availability of risk appetite and financial resources at Group level, final proposed business unit allocations and aggregate credit risk appetite is recommended to the GRCMC for approval. Concentration risk limits are also reviewed on an annual basis.

Credit authorisation and delegation is broken down into two separate but inter-linked activities:

- Portfolio Oversight – responsible for ensuring that the overall portfolio is within the allocated risk appetite for that business and setting business level mandate and scale caps to control the overall risk profile and concentration risk within a portfolio.
- Credit Approval – responsible for sanctioning individual obligor limits, derived from an authority framework under which credit officers have clear and specific credit approval authority delegated to them.

Business unit CROs assign portfolio oversight within their respective businesses to ensure the overall credit risk appetite is allocated and managed appropriately. Regular updates from the portfolio teams are provided to FRC as part of the review of the risk profile of the credit portfolio.

The CoRC is a Barclays Africa Board sub-committee which acts as the highest-level sanctioning body for single name exposures, and oversee all forms of concentration risk. CoRC is mandated to approve total financing limits exceeding 10% of the Bank's qualifying capital and reserves.

The Barclays Africa Group Credit Committee (GCC), a Barclays Africa Exco committee, is mandated to approve total financing limits up to 10% of the Bank's qualifying capital and reserves and settlement limits up to 20% of the Bank's qualifying capital and reserves. This committee is further responsible for delegating and approving discretions to the GCCO, who in turn delegates discretions further down in the organisation.

6.2 Credit risk profile

6.2.1 Credit quality of assets CR1

		a	b	c	d
		2016			
		Gross carrying values of			
		Defaulted exposures Rm	Non-defaulted exposures Rm	Allowances/ impairments Rm	Net values (a+b-c) Rm
1	Loans	31 096	725 030	19 715	736 411
2	Debt securities	–	129 687	–	129 687
3	Off-balance sheet exposures	–	189 251	–	189 251
4	**Total**	**31 096**	**1 043 968**	**19 715**	**1 055 349**

6.2.2 Changes in stock of defaulted loans and debt securities CR2

		a
		2016
		Defaulted exposures Rm
1	Defaulted loans and debt securities at end of the previous reporting period	27 980
2	Loans and debt securities that have defaulted since the last reporting period	24 282
3	Returned to non-defaulted status	(10 210)
4	Amounts written off	(5 936)
5	Other changes	(5 019)
6	**Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)**	31 097

- 'Other changes' include security realised and/or closed.
- Loans and debt securities that have defaulted include larger defaults in specific countries in the Retail and Business Banking (RBB) Rest of Africa portfolio, single-name default in consumer sector and deterioration in construct across all portfolios in Retail as a result of macroeconomic strain.

6.2.3 Additional disclosure related to the credit quality of assets CRB

Refer Barclays Africa AFS note 63.2 for the ageing analysis of accounting past due exposures.

6.2.3.1 Definition of Default

For retail exposures, default is evaluated at an individual facility level. It is thus possible for certain facilities to a customer to be in default, while others are still performing. For wholesale exposures, default is evaluated at customer level so that all facilities will either be in default or performing. If any exposure to a wholesale customer triggers default, all exposures to the customer will be considered as defaulted.

Aligned with the regulatory definition, exposures are classified as defaulted when:

- Payment is 90 days or more past the contractual due date, or payment is three or more instalments in arrears, or the utilisation on a revolving facility remains in excess of an advised limit for 90 days or more; and
- The Group considers that the customer is unlikely to pay its credit obligation to the bank in full.

Indications of "unlikely to pay" include:

- The Group puts the credit obligation on non-accrued status;
- The Group consents to a distressed restructuring of the credit obligation. The Group classifies all cases of distressed restructures as defaulted, and not only those that lead to a diminished financial obligation;
- The customer applies for debt review, business rescue or similar protection;
- Declined distressed restructure; and
- Bankruptcy or a similar order.

6.2.3.2 Definition of Impaired

Impaired assets (accounting definition used by the bank) exist where there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition (a 'loss' event).

Objective evidence that a financial asset is impaired includes observable data about the following loss events:

- Significant financial difficulty of issuer or obligor;
- Breach of contract (default or delinquency in interest or principal). A tolerance of one cent one day is used for delinquency;
- Granting a concession to the borrower that would not otherwise be considered due to borrower's financial difficulty (distressed restructure);
- Probable bankruptcy or financial reorganisation for borrower;
- The disappearance of an active market for the financial asset because of financial difficulties; and
- Observable data at a portfolio level indicating that there is a measurable decrease in the estimated future cash flows, although the decrease cannot yet be ascribed to individual assets in the portfolio – such as adverse changes in the payment status of borrowers in the portfolio or national or local economic conditions that correlate with defaults on the assets in the portfolio.

Impaired assets (regulatory definition used by the bank) are defined as regulatory defaulted assets on which an identified impairment has been raised and the loan is classified as non-performing.

6.2.3.3 Definition of Non-Performing Loans (NPLs)

NPLs are defined as:

- in the Retail portfolio, loans that are more than 90 days past due; and
- in the Wholesale portfolio, loans that are considered unlikely to make full repayment of capital and interest to the bank and where the intent of the bank switch from rehabilitation to recovery of the outstanding capital and accrued interest.

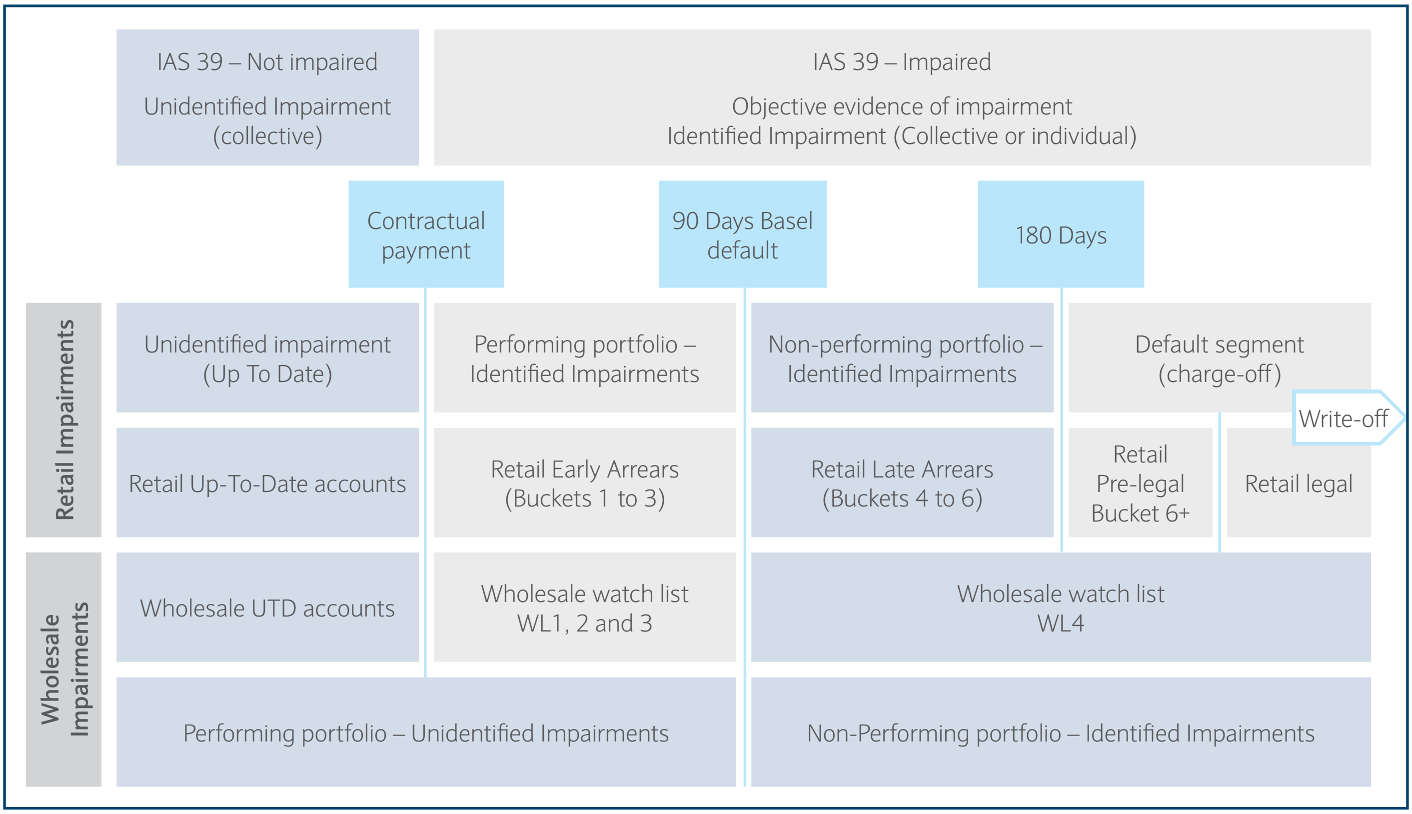
6.2.3.4 Definition of Past due/Delinquent

The tolerance for past due/delinquency buckets is set at 1 cent one day for reporting purposes, i.e. a loan with an instalment is treated as overdue where part of an instalment is in arrears for one day or more, and a revolving loan is overdue where the exposure is in excess of approved limits for one day or more.

The gross customer balances on accounts that are up to one monthly payment in arrears with regards to capital or interest payments at the end of the month are classified as "past due up to one month", accounts that are between one and two payments in arrears are classified as "past due one to two months", etc.

6.2.3.5 Methods to determine impairments

The diagram depicts the stages of risk and related impairments:



Impairment assessments are conducted individually for significant assets, which comprise all Wholesale customer loans and larger retail business loans, and collectively for smaller loans and for portfolio level risks, such as country or sectoral risks. For the purposes of the assessment, loans with similar credit risk characteristics are grouped together, generally on the basis of their product type, industry, geographical location, collateral type, past due status and other factors relevant to the evaluation of expected future cash flows.

The impairment assessment includes estimating the expected future cash flows from the asset, or the group of assets, which are then discounted using the original effective interest rate calculated for the asset. If this is lower than the carrying value of the asset or the portfolio, an impairment allowance is raised.

If, in a subsequent reporting period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

Following impairment, interest income is recognised at the original effective interest rate on the reduced carrying amount, representing the unwind of the discount of the expected cash flows, including the principal due on non-accrual loans. The impairment allowance contains a net present value adjustment that represents the time value of money of expected cash flows. Such time value of money reduces as the point of cash flow is approached. The time-based reduction in time value of money is recognised in the statement of comprehensive income as interest received on impaired assets. Uncollectible loans are written off against the related allowance for loan impairment on completion of the Group's internal processes and all recoverable amounts have been collected. Subsequent recoveries of amounts previously written off are credited to impairment losses on loans and advances in profit or loss.

Identified impairment

- Impairment allowances are calculated on an individual basis and all relevant considerations that have a bearing on the expected future cash flows of that instrument being assessed are taken into account, for example, the business prospects for the customer, the fair value of collateral, the Group's position relative to other claimants, the reliability of customer information and the likely cost and duration of the workout process. Subjective judgements are made in this process by management.
- Furthermore, judgements change with time as new information becomes available or as workout strategies evolve, resulting in revisions to the impairment allowance as individual decisions are taken case by case.
- Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in a collective assessment of impairment.

Unidentified impairment

- An impairment allowance is recognised when observable data indicates there is a measurable decrease in the estimated future cash flows from a group of financial assets since the original recognition of those assets, even though the decrease cannot yet be identified for the individual assets in the Group. The unidentified impairment calculation is based on the asset's probability of moving from the performing portfolio to the defaulted portfolio as a result of a risk condition that has already occurred, but will only be identifiable at a borrower level at a future date. The purpose of collective assessment of impairment is to test for latent losses on a portfolio of loans that have not been individually evidenced.
- In cases where the collective impairment of a portfolio cannot be individually evidenced, the Group sets out to prove that a risk condition has taken place that will result in an impairment of assets (based on historic experience), but the losses will only be identifiable at an individual borrower level at a future date.

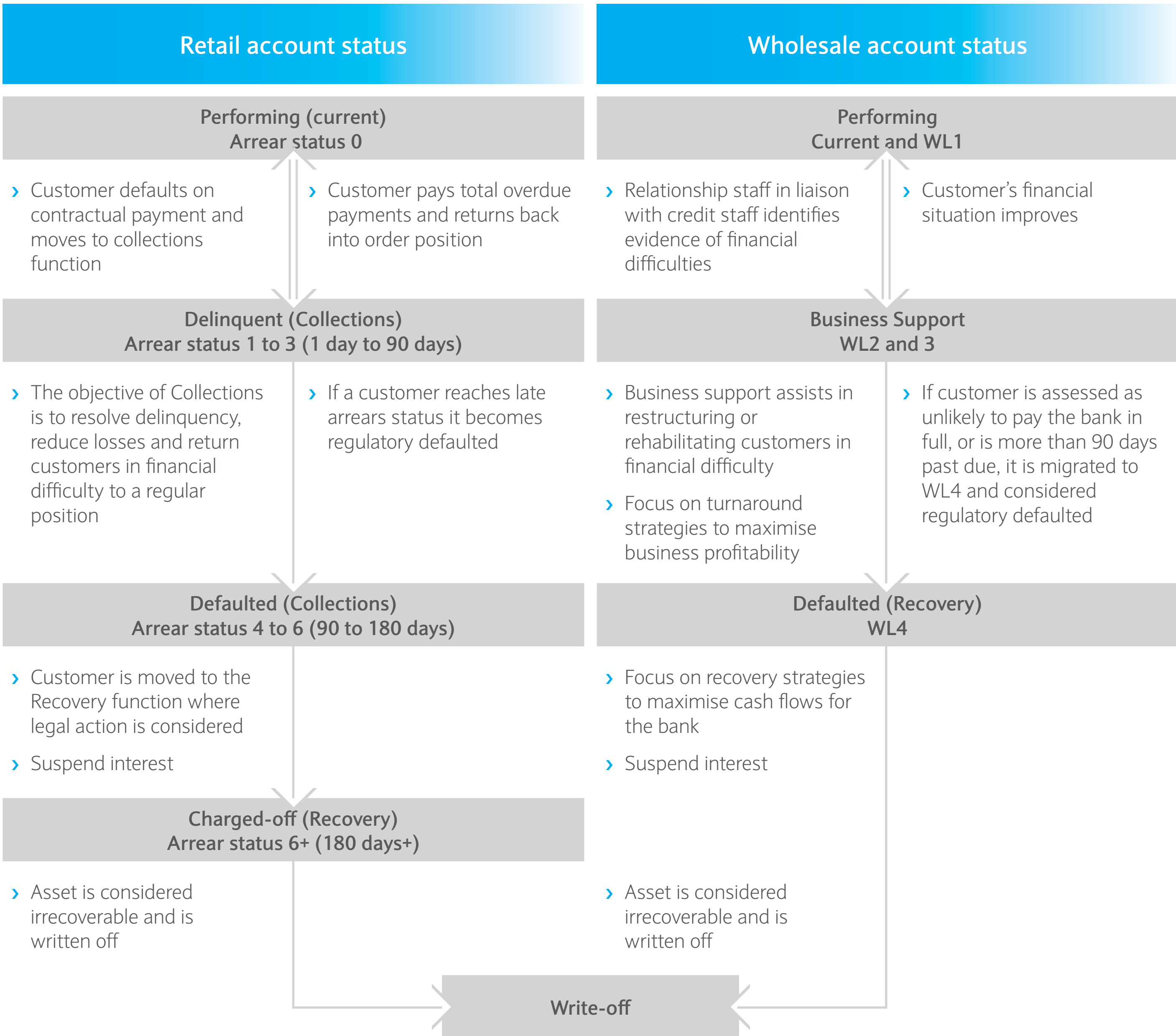
To the extent that the unidentified impairments created by the banking operations of the Group are insufficient to meet the minimum regulatory general provision, such shortfall is accommodated by a transfer of the applicable after-tax amount from distributable to non-distributable reserves.

6.2.3.6 Management of customers in distress

Distressed assets must be subject to enhanced risk oversight and monitoring to ensure that appropriate action is taken in a timely manner, allowing a high level of turnaround success and reduced risk of loss for the bank.

Wholesale businesses are required to identify, at an early stage, those customers believed to be facing financial distress or where there are grounds for concern regarding their financial health. Distressed customers are assigned to a specific Watch List (WL) category based on various qualifying criteria relating to the severity of their financial difficulties. It is expected that most customers would be categorised WL1 before migrating to a different WL category (WL2, WL3, WL4) or out of the WL framework. WL1 through WL4 represent increasing levels of concern and an evolution of Group strategies from simply closer monitoring of a customer (WL1) to a focus on turnaround strategies (WL2 and WL3) to exit strategies in order to minimise the bank's losses (WL4). WL4 counterparties are assessed as unlikely to pay their credit obligations in full and as such represent defaulted assets. WL categories are updated monthly and are subjected to business unit-aligned governance forums where the status of individual names are discussed and approved. Once an account is included on a WL, exposure is carefully monitored and, where deemed necessary, a reduction of the exposure is pursued.

Within the Retail portfolios the Collections and Recovery functions are responsible to manage customers in financial distress. Business units have established consistent approaches to the identification and management of customers in financial distress using toolkits such as High Risk (HR) customer strategies, restructures, collection arrangements and legal action. HR customers are not in arrears, but are identified systematically either through an event or observed behaviour to exhibit potential financial distress. Strategies are in place to prevent these customers from rolling to an arrears status. Collection activities (1 – 180 days in arrears) are focused on assisting customers to return to a current status. Once an account reaches 90 days in arrears, it is classified as defaulted for regulatory purposes. Recovery activities (180 days+ arrears) are focused on collection of the full amount owed. Legal action may be considered at this stage, and interest is suspended.



The Group may offer restructure plans to assist customers in financial distress. A distressed restructure is defined as an agreement between the bank and a customer to accept less than contractual amounts due for a period of time, where financial distress would otherwise prevent satisfactory repayment within the original terms and conditions of the contract. The restructuring may result in reduced financial obligation where interest or capital concessions are made. The following factors are taken into account when determining whether the restructure was performed due to the financial distress of the customer:

- in all cases, if the loan is in arrears at the time of the restructure, the restructure is regarded as a distressed restructure;
- if the loan has been in arrears at any point during the past six months prior to the restructure, the restructure is regarded as a distressed restructure; and
- where the loan is not in arrears at the time of the restructure and the terms and conditions were changed in order to prevent the customer from going into arrears, this is regarded as a distressed restructure. In order to determine whether the terms and conditions were changed for the purposes of preventing the customer from going into arrears the following should be considered:
  - bankruptcy or application for bankruptcy by the customer;
  - application for debt counselling by the customer;
  - analysis of the information available indicates that the cash flows will be insufficient to service the existing agreement; and
  - any other information that comes to the bank's attention that indicates that the customer is experiencing financial distress.

A distressed restructure is objective evidence of impairment. Such exposures are assessed for impairment at the time of the restructure and at appropriate intervals thereafter. Where subsequent to the impairment test an identified impairment is raised against the exposure or where there is any other reduction of the financial obligation, this should be regarded as a reduced financial obligation and the exposure is classified as 'impaired'.

Barclays Africa treats all distressed restructure exposures as 'defaulted' for regulatory purposes.

Restructured exposures (impaired versus not impaired) CRB5

	2016		
	Gross carrying values of		
	Total Rm	Impaired[1] Rm	Not Impaired Rm
Total Restructured Exposures	13.25	4.43	8.82

6.2.4 Credit concentrations

Credit risk management includes the management of concentrations, or pools of exposures, whose collective performance has the potential to affect a bank negatively even if each individual transaction within a pool is soundly underwritten. When exposures in a pool are sensitive to the same economic or business conditions, that sensitivity, if triggered, may cause the sum of the transactions to perform as if it were a single, large exposure.

The primary dimensions of credit concentration risk monitored by the bank are:

- exposure to the same counterparty or group of related counterparties;
- exposure to an industry or economic sectors;
- exposure secured by common collateral, e.g. a particular debt instrument;
- exposure to a common country of risk, or originated in the same geographic area;
- exposure to a product; and
- exposure with common underwriting criteria that is expected to behave similarly in economic downturn conditions e.g. secured transactions with a high loan-to-value (LTV) level, unsecured products to lower-income customers, and leveraged products.

Portfolio size and volatility in performance metrics are both important considerations in the management of concentration risk. The difference in performance between normal and stressed economic conditions may vary widely and is a direct measure of risk. Generally, the greater the difference in portfolio metrics between normal and stressed conditions in conjunction with portfolio size, the greater the risk of that portfolio and the more attention and capital that it requires.

6.2.4.1 Measuring and managing concentrations

For the purposes of concentration risk management, exposure is measured as the total credit limit against a facility or counterparty. All forms of exposure are considered, namely loans and advances, loan commitments, debt securities, derivatives and securities finance.

Exposure to individual counterparties or groups of related counterparties is limited through the setting of maximum exposure guidelines. There is a regulatory requirement that limits designated as large exposures be approved and monitored by a Board-level risk committee. CoRC plays this role. Any exposure in excess of 10% of the Group's qualifying capital and reserves is designated a large exposure. Exposures in excess of 25% of the Group's qualifying capital and reserves require SARB approval.

Mandate and scale limits are used to control concentrations to industries, products and exposures with common underwriting criteria. Limits are set on both the stock of exposure and the flow of new exposures.

Exposures to geographical areas are controlled through country loss given default (CLGD) limits. Utilisation against a CLGD limit is driven by the bank's cross border exposure to counterparties in a particular country, foreign currency lending off the local balance sheet, equity investments in subsidiaries in a country and an estimate of the percentage loss the bank can expect given a country risk event.

[1] Regulatory definition of impaired

6.2.4.2 Mitigating concentration risk

Some of the bank's strategies to manage concentration risk are incremental, such as reducing risk over a period of time, while others have a more immediate impact. These strategies include:

- modifying underwriting standards to increase exposure to transactions that are less sensitive to downturn conditions, or to reduce exposure to borrowers that are considered vulnerable;
- adding transactions to the portfolio that are not likely to have similar sensitivities to the existing portfolio;
- use of risk mitigation techniques, e.g. obtaining guarantees or buying credit derivative protection; and
- holding sufficient capital to compensate for the risk associated with concentrations in the portfolio. The use of stress testing and EC estimates plays an important part in confirming that the bank's capital levels are sufficient to survive a severe downturn in the context of the concentrations inherent in its portfolio.

6.2.4.3 Wrong-way risk

Wrong-way risk is a special form of concentration risk and arises when there is positive correlation between the counterparty's PD and the Bank's exposure, net of collateral, to the counterparty. The correlation is owing to co-dependency of PD and exposure on the same risk factors. The Group distinguishes between two types of wrong-way risk:

- specific wrong-way risk, which may arise in transactions with certain structural features, such as the collateralisation of a loan with the borrower's, or a related party's shares; and
- general or conjectural wrong-way risk, which may arise where the credit quality of the counterparty is related to the value of the transaction for non-specific reasons, such as where both the credit quality of the counterparty and the value of the derivative are strongly related to the same macroeconomic variable.

The Group aims to limit both these risk exposures. General wrong-way risk is limited through mandates and scales and potential future exposure (PFE) limits. Specific wrong-way risk is transaction-specific and must be pre-approved by credit on a case-by-case basis. The first line of defence is principally responsible for identifying specific wrong-way risk transactions. The Group recognises the need to engage in certain transactions that could expose the Group to specific wrong-way risk, such as funding broad-based black economic empowerment (BBBEE) transactions.

6.2.4.4 Analysis of credit exposures by geography, industry, Basel asset class and maturity CRB1, CRB2 and CRB3

The bank maintains a well-diversified portfolio of credit assets. Natural concentrations exist in areas where it is largely unavoidable due to the bank's position and role in the South African economy:

- private households, and specifically the home loans asset class due to the bank's position as a major retail bank in the South African market;
- sovereign exposure, that is largely due to the bank's liquid asset portfolio holdings;
- South Africa geographic exposure due to the bank's home base being South Africa; and
- banks due to the bank's funding and hedging activities.

In the tables below, Total Exposure represents both drawn and undrawn credit exposure, including revocable off-balance sheet exposure.

	2016			
	Total exposure Rm	Non-performing loans Rm	Specific impairments Rm	Write-Offs Rm
Asia	2 704	–	–	–
Europe	17 681	–	–	–
North America	5 643	–	–	–
Other	6 184	–	–	–
Other African countries	183 202	5 262	2 687	941
South Africa	971 767	25 834	11 058	4 991
South America	135	–	–	–
Total	**1 187 316**	**31 096**	**13 745**	**5 932**

	2016		
	Total exposure Rm	NPLs Rm	Specific impairments Rm
Agriculture, hunting, forestry and fishing	38 464	891	183
Business services	113 264	2 266	461
Community, social and personal services	100 437	8	4
Construction	16 548	895	268
Electricity, gas and water supply	19 273	28	1
Financial intermediation and insurance	97 586	675	348
Manufacturing	63 880	365	120
Mining and quarrying	22 288	162	60
Other	82 172	388	255
Private households	484 258	21 496	9 867
Real estate	50 556	1 491	701
Transport, storage and communication	35 094	116	71
Wholesale and retail trade, repair of specified items, hotels and restaurants	63 494	2 316	1 406
Total	1 187 314	31 097	13 745

	2016				
	Total exposure Rm	Current to 6 months Rm	6 months to 1 year Rm	1 year to 5 years Rm	More than 5 years Rm
Banks	57 489	11 417	27 171	18 259	642
Corporate	320 043	150 566	26 894	129 699	12 884
Local governments and municipalities	9 127	4 967	4	2 345	1 811
Public sector entities	28 213	8 304	3 097	10 656	6 156
Retail – other	103 847	7 985	3 625	77 317	14 920
Retail mortgages (including any home equity line of credit)	282 061	38 789	1 285	12 641	229 346
Retail revolving credit	98 057	98 057	–	–	–
Securities firms	1 601	99	2	1 500	–
SME Corporate	125 037	77 246	18 643	24 322	4 826
SME Retail	29 928	18 392	703	7 122	3 711
Sovereign (including central government and central bank)	118 877	32 173	26 816	23 658	36 230
Specialised lending – income producing real estate	6 377	6 289	–	88	–
Specialised lending – project finance (PF)	6 658	1 267	1 052	907	3 432
Total	1 187 315	455 551	109 292	308 514	313 958

6.3 Credit risk mitigation (CRM)

Refer Barclays Africa AFS note 63.2 for an analysis of CRM and collateral.

6.3.1 Qualitative disclosure requirements related to CRM techniques CRC

The Group employs a number of techniques to mitigate credit risk, such as:

- strengthening the Group's position as a lender in a range of transactions, from retail mortgage lending to large wholesale financing, and by structuring a security interest in a physical or financial asset (collateral);
- netting of debtor and creditor balances under regulatory and internal policy, which requires a formal agreement with the customer to net the balances and a legal right to set-off (on and off-statement of financial position); and
- selective hedging through credit derivatives.

In certain circumstances, depending on the Group's assessment of a customer's financial capacity, financing may be granted on an unsecured basis.

Generally one or more forms of security are sought in the credit approval process. The use and approach to CRM varies by product type, portfolio, customer and business strategy. Minimum standards, as prescribed in the applicable policies and business processes, are applied across portfolios and cover:

- general requirements including acceptable risk mitigation types, and any conditions or restrictions applicable to these mitigants;
- the maximum LTV ratios, minimum haircuts or other volatility adjustments applicable to each type of mitigant, including, where appropriate, adjustments for currency mismatch, obsolescence and any time sensitivities on asset values;
- the means by which legal certainty is to be established, including required documentation and necessary steps required to establish legal rights;
- acceptable methodologies for initial and any subsequent valuations of collateral and the frequency with which they are to be revalued;
- actions to be taken in the event of the current value of mitigation falling below required levels;
- management of the risk of correlation between changes in the credit risk of the customer and the value of CRM, for example, any situation where customer default materially impacts the value of a mitigant and applying a haircut or recovery value adjustment which reflects the potential correlation risk;
- management of concentration risks, for example, setting thresholds and controls on the acceptability of credit risk mitigants and/or lines of business that are characterised by a specific collateral type or structure; and
- collateral management to ensure that CRM is legally effective and enforceable.

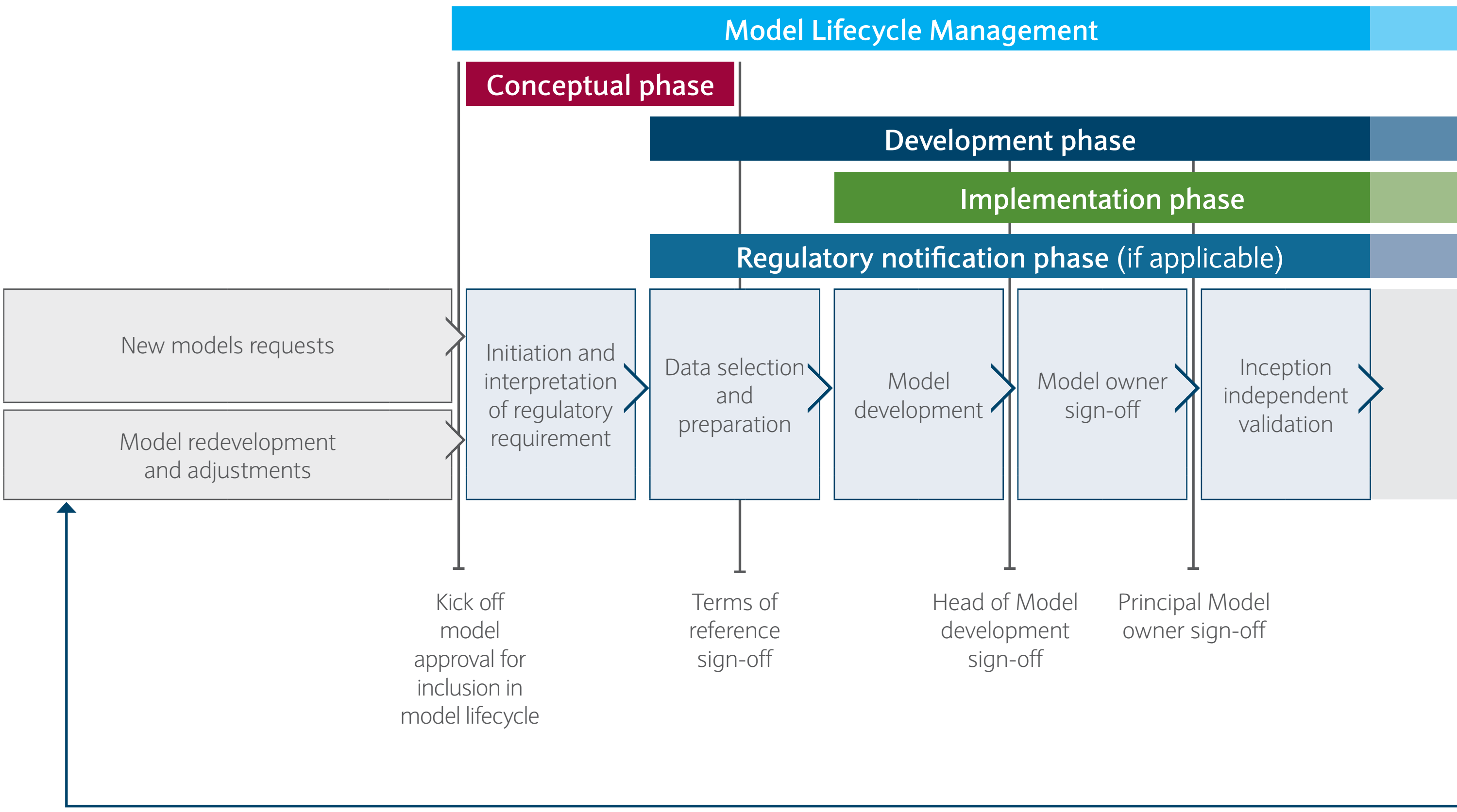
The bank accepts the following types of collateral:

- Financial collateral, such as cash, government bonds, commodities, listed or unlisted equities and pledged securities;
- Physical collateral, such as bonds over properties (commercial and residential), equipment and vehicles;
- Other funded collateral, such as intangible assets and receivables; and
- Unfunded collateral, such as guarantees, suretyships, letters of credit, credit derivatives, insurance policies and on-balance sheet netting.

6.3.2 Valuation of collateral

6.3.2.1 Performing book

The Group uses a number of approaches for the valuation of collateral that is not in a defaulted state, including physical inspection, automated valuation model (AVM), desktop valuation, statistical indexing and price volatility modelling.



6.3.2.1 Non-performing book

For the Wholesale portfolio, collateral valuations are updated when an account enters the legal/recovery process to ensure an appropriate impairment allowance can be calculated. In the Wholesale portfolios these valuations are reviewed regularly to ensure any impairments raised remain at an appropriate level.

In the Retail portfolio, mortgage asset valuations are updated using an Automated Valuation Model (AVM), while an indexing methodology is used for instalment sales assets. High value property assets are valued through a physical valuation. Valuations are updated at least every six months.

The collateral management process is focused on the efficient handling and processing of a large number of cases in the Retail portfolio and the lower end of the corporate sector, therefore relying heavily on the Group's collateral and document management systems. For larger wholesale exposures and capital market transactions, collateral is managed jointly between the Credit and Legal functions as transactions and associated legal agreements are often bespoke in nature, in particular, where credit derivatives or customised netting agreements are used as a risk mitigant. All security structures and legal covenants are reviewed at least annually to ensure they remain fit for purpose and consistent with accepted market practice.

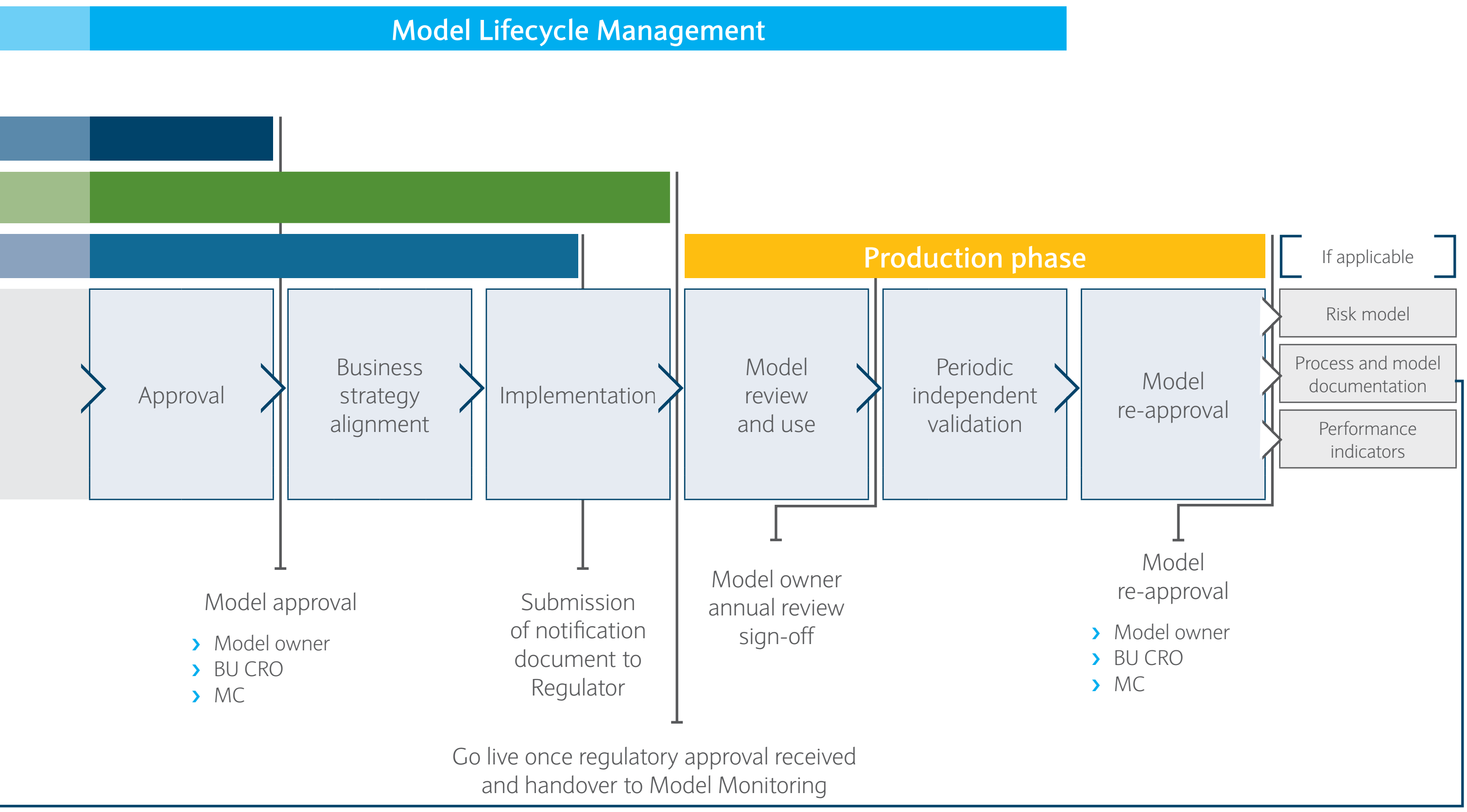
6.3.3 Types of guarantor and credit derivative counterparties

In the commercial, corporate and financial sector, reliance is often placed on a third party guarantor, which may be a parent company to the borrower, a major shareholder or a bank. Similarly, credit derivative transactions are sometimes used to hedge specific parts of any single name risk in the wholesale portfolio. For these transactions, the most common counterparties or issuers are banks, non-bank financial institutions, large corporates, parastatals and governments. The creditworthiness of the guarantor or derivative counterparty/issuer is assessed as part of the credit approval process and the value of such a guarantee or derivative contract is adjusted accordingly for the purpose of calculating internal LGD or PD estimates.

6.4 Credit risk under the internal ratings-based (IRB) approach

6.4.1 Qualitative disclosures related to IRB models [CRE I

Model risk has been identified as a risk to be managed under the ERMF. The model lifecycle and associated controls are depicted in the diagram below. These controls are in line with the Group Model Risk Policy (GMRP) and End-to-End Model Lifecycle Management Standard.



The GMRP sets out the accountabilities and controls pertaining to this Risk and relevant standards have been developed for risk types. The GMRP identifies Model Approvers based on the materiality of models. Material models are designated by the MC (Board Committee) for approval while models of lesser materiality are approved by the Business Unit Chief Risk Officers through a governance forum or committee.

The scope of the GMRP includes models such as RC, EC, stress testing, impairment and scorecards. Model risk controls have been documented in Risk and Control Self-Assessment (RCSA) and are tested on an annual basis.

In accordance with the GMRP, model ownership vests with the businesses which use the output of models to quantify risk. The BU CRO of each business takes responsibility for model approval and compliance with the policy.

The Model Risk and Development Group was created as a centralised function to enable the process for the management of Model Risk. A primary objective of the function is to ensure that all controls required by the GMRP receive increased senior management oversight and clear focus. Control areas have all been elevated and strengthened to achieve this goal. Clear functional hand-offs between controls and processes are in place.

To ensure independence, the Independent Validation Unit (IVU) reports to the MC Chair.

A combined assurance plan has been developed for Model Risk and the results of assurance testing are presented to the MC. The assurance providers include:

- Model Owner and Model Interface (first Line of Defence);
- Independent Validation Unit and Model Governance and Control (second Line of Defence); and
- Internal and External Audit (third Line of Defence).

The scope of the Shared Service includes:

- Credit risk modeling and operational risk modelling for Barclays Africa; and
- Capital Reporting for credit and operational risk for Barclays Africa.

Below is a presentation of the structure of the Shared Service.

Model Risk and Development

Board Models Committee Chair

Independent Validation Unit (IVU)

- Independent validation of all models in line with Policy and Regulatory requirements
- Global shared service contact for IVU

Governance and Control

- Model governance tracking and reporting
- Reporting governance tracking and reporting
- Policies and standards
- Regulatory interaction
- RCSA
- Manage India shared service team for model monitoring production
- Contact for Rest of Africa

Model interface

- Model data staging
- Model implementation
- Automation
- Model infrastructure requirements
- Grading and model support (wholesale credit)
- Contact for Business Bank and WIMI
- IT contact for all model areas

Capital Reporting

- Capital computation (SARB and PRA) for
  - Retail and Wholesale credit
  - Operational risk

Retail Risk Model Development

- Scorecards for Application, Behavioural, Collections etc.
- Impairment
- Capital
- Forecasting
- Profitability/Pricing models
- Monitoring engagement
- Contact for Retail SA

Wholesale and Risk Aggregation Models

- Wholesale credit modelling (all)
- Economic Capital Credit Retail and Wholesale
- Stress testing
- Economic capital aggregation
- Economic Capital non-credit risk
- Operational Risk models
- Monitoring engagement
- Contact for CIB and global shared service model development

A Model Risk Report is produced on a monthly basis and submitted to a number of committees attended by senior management as well as to the MC. The report focuses on the following:

- Progress on regulatory and other model development;
- Adherence to Policy and Standards including any model-related audit findings and control issues;
- Models in governance coverage, i.e. models monitored, reviewed and validated; and
- Model risk assessment (Red, Amber, Green) including intrinsic and residual ratings (reflecting mitigating actions).

Barclays Africa has approval to use the AIRB approach for all its South African portfolios with the exception of the Edcon retail portfolio, while all the Rest of Africa portfolios are on the Standardised Approach. The feasibility of developing AIRB model suites for the Edcon portfolio will be investigated during 2018. There are no immediate plans to migrate the Rest of Africa portfolios to an IRB approach.

The EAD coverage per approach and subject to a roll-out plan is listed below:

	2016		
	AIRB %	AIRB roll-out plan %	Standardised %
Retail South Africa	35.8	2.4	–
Wholesale South Africa	46.3	–	–
Rest of Africa	–	–	15.6
Total	82.1	2.4	15.6

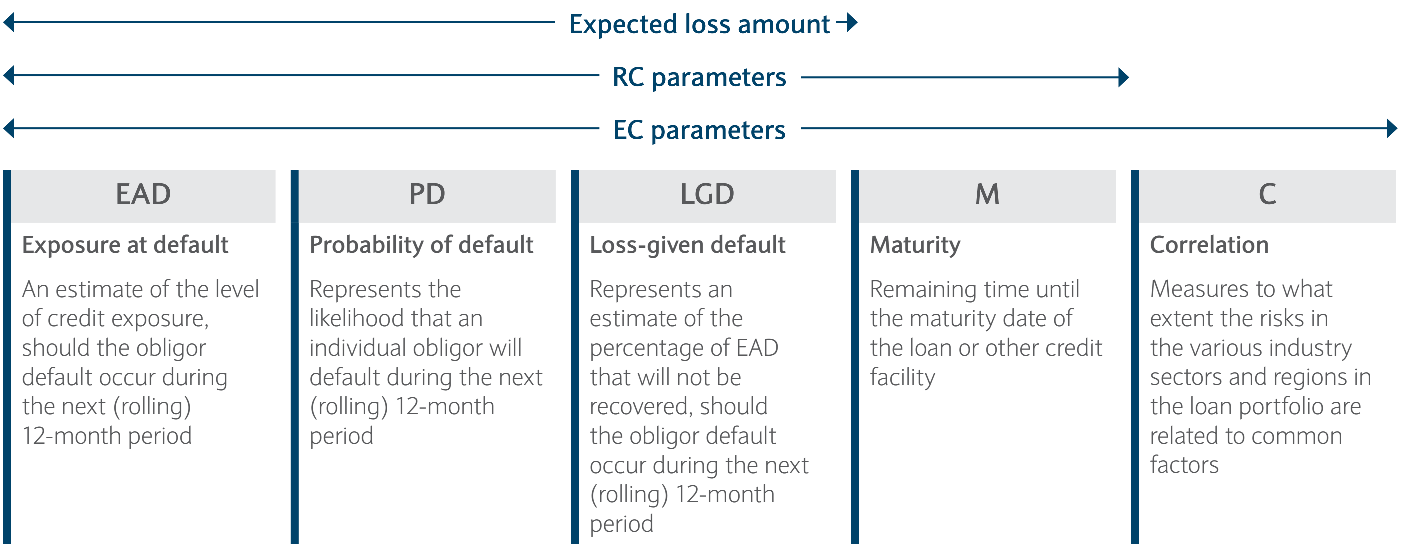
The number of key models used with respect to PD, EAD and LGD AIRB calculations is shown below:

	2016		
	PD number	LGD number	EAD number
Retail South Africa	7	6	6
Wholesale South Africa	11	1	1
Rest of Africa	–	–	–
Total	18	7	7

PD, EAD and LGD models are in place for each Retail product. In the case of Wholesale, there are PD models for each portfolio and an EAD and LGD model catering for the entire Wholesale portfolio. New portfolio-specific EAD and LGD models are being developed.

6.4.2 Approach to credit modelling

The principal objective of credit modelling is to produce the most accurate possible quantitative assessment of credit risk to which the Group is exposed from the level of individual facilities up to the total portfolio. Integral to this is the calculation of internal credit parameters that are used for credit risk management purposes and in the calculation of RC, EC and impairment requirements. The key credit parameters used in this process are EAD, PD, LGD, maturity (M) and correlation.



Internal and vendor-supplied credit models are used to estimate the key credit parameters of PD, LGD, EAD and correlation. The Bank uses different modelling methodologies, ranging from pure statistical models and cash flow models to expert-based models, taking into account quantitative and qualitative risk drivers. PD, LGD and EAD estimates can be calculated to represent different views of the credit cycle, which are used in different applications:

- PD estimates can be calculated on a through-the-cycle (TTC) basis, reflecting the predicted default frequency in an average 12-month period across the credit cycle, or on a PIT basis, reflecting the predicted default frequency in the next 12 months.
- EAD and LGD estimates can be calculated as downturn measures, reflecting behaviour observed under stressed economic conditions, or as business-as-usual measures, reflecting behaviour under current conditions.

Internal credit parameters are used for the following purposes:

- **Credit approval:** PD models are used in the approval process in both retail and wholesale portfolios. In high-volume retail portfolios, application and behaviour scorecards are frequently used as decision-making tools. In wholesale and certain retail home loan portfolios, PD models are used to direct applications to an appropriate credit sanctioning level.
- **Risk-reward and pricing:** PD, EAD and LGD metrics are used to assess the profitability of deals and portfolios and to allow for risk-adjusted pricing and strategy decisions.
- **Risk appetite setting and monitoring:** RC, EC and measures of earnings volatility are used in the Group's risk appetite framework. Measures of stressed losses and capital utilisation are used in the setting of concentration risk limits.
- **Impairment calculation:** under IAS 39 Financial Instruments: Recognition and Measurement (IAS 39), the collective impairment estimates incorporate the use of the Group's PD and LGD estimates.
- **EC calculations:** EC calculations use the same PD, LGD and EAD inputs as the RC process. The EC process in addition relies on correlation estimates.
- **Credit Risk profile reporting:** credit risk reports to board and senior management make use of model outputs to describe the bank's credit risk profile.

Wholesale portfolio

The PD rating process relies both on internally developed rating models and vendor provided solutions. The rating process in the wholesale portfolio relies on quantitative and qualitative assessments at a customer level. The models used for wholesale PD modelling are grouped into one of the following categories:

- Statistical scorecard: In data rich portfolios (e.g. the SME portfolio) statistical scorecards are developed on internal data. Scorecards are typically developed using a logistic regression technique. Factors considered in developing a scorecard include financial statement information, qualitative factors, industry information and behavioural characteristics;
- Hybrid scorecard: In portfolios with lower volumes of data (e.g. listed corporate loans) where statistical results are still plausible but the results are less robust, statistical methods are augmented with the experience of experts. This enhances the reliability of models by ensuring results are both valid in practice and statistically sound;
- Constrained expert judgement: Some portfolios have such low incidence of default that statistical methods are of limited value (e.g. the sovereign portfolio). In these instances scorecards can be developed to replicate the process followed by sanctioning teams in evaluating and approving loans to customers is this segment. Appropriate levels of prudence are introduced during the modelling process to compensate for the model risk introduced by the inherent uncertainty related to low incidence of historical default; and
- Structural model: Certain customers can be rated by replicating the structure of a transaction in a systematic fashion and estimating risk via a process of scenario generation (Monte Carlo simulation) or by using publicly observed information on a customer to determine the implied level of credit risk through the structural relationship between public information (e.g. exchange traded share price, financial statements) and the default risk.

LGD is estimated using a historical workout approach where historical loss experience is used as a proxy for the future. In evaluating historical experience, the LGD takes into account customers that return to performing with or without assistance from the bank as well as liquidation scenarios. The LGD estimate for loss scenarios is decomposed into two parts, namely recovery from security and unsecured recovery. Recovery from security is estimated by applying a forced sale haircut to the market value of security. The haircuts adjust the LGD for the expected collateral recovery and factors such as currency mismatch between the collateral and exposure. Unsecured recovery reflects historical experience of recovery from unpledged assets or a sale of the business. Where internal data volume is insufficient to allow for robust estimation, internal data is supplemented with expert opinion, external data and industry research.

EAD measures the exposure expected to materialise as an on-balance sheet exposure at the point of default. The estimate is the sum of the current on-balance sheet exposure and the on-balance sheet equivalent of the off-balance sheet exposure. The on-balance sheet equivalent of the off-balance sheet exposure is an estimate of the portion of the off-balance sheet exposure that will move on-balance sheet in the event of default. Estimation can be divided into three broad categories, namely term facilities without a discretionary limit component (e.g. commercial mortgages), revolving facilities or term facilities with a discretionary component (e.g. working capital facilities) and contingent facilities (e.g. letters of credit). Non-discretionary term facilities have nearly deterministic exposure. The on-balance sheet equivalent of the off-balance sheet exposure for revolving and contingent facilities is estimated with linear models. Where internal data volume is insufficient to allow for robust estimation, internal data is supplemented with external data.

Retail portfolio

Ratings assigned across each Retail portfolio are based on automated application and behavioural scoring systems. The underlying rating is calculated at the point of application and is updated monthly. The methodology and data employed in the risk estimation and the rating processes can be summarised as follows:

PIT PD estimates are based on bespoke behavioural scorecards. During the build of each scorecard a broad range of risk characteristics are evaluated including payment behaviour, delinquency and demographic variables. Each scorecard produces a range of scores with the lowest score representing the highest risk of default and the highest score the lowest risk of default. Each scorecard is recalibrated to the most recent experience using the regulatory default definition whereby a PIT PD estimate is assigned to each score. The PIT PD for each facility is converted into a non-cyclical TTC estimate through a scaling method.

LGD is estimated by using at least five years of data history. Both a long-run average LGD and a downturn LGD are estimated. A workout methodology is employed in the calculation of downturn LGD estimates. Either single-stage models (all unsecured portfolios) or two stage models (secured portfolios) are fitted and calibrated to the downturn period using regression methods. A two-stage model measures the probability of a defaulted account curing or resulting in a loss event. The probability of each outcome is then combined with the severity of loss should the outcome event realise. A single-stage model models the loss rate directly using expected recovery streams following the default event.

A CCF is calculated on all products that have a revolving component, and measures the additional drawdown in the event of default. Both a long-run average CCF and a downturn CCF are estimated. The higher of the two estimates is then used in the RC formula. The methodology follows either a cohort-based approach or momentum approach. Under the cohort-based approach, for all accounts defaulting in the next 12 months, the average drawdown percentage on available facilities is estimated using regression techniques. For accounts where the current drawn amount is close to the available limit, the momentum approach is employed to estimate the EAD as a percentage of the total limit. Segmentation is based on both product type and utilisation percentage of available facilities.

6.4.3 Internal PD mapping scale

The bank uses an internal credit rating scale that makes use of 21 performing rating grades. The table below provides an indicative mapping of the internal grades to both external agency ratings and the IRB reporting buckets used in this report.

Barclays PD Scale								
	PD lower bound	PD mid bound	PD upper bound	S&P	Moody's	Rating Bucket		Reporting Buckets
DG 1	0.00%	0.01%	0.02%	AAA	Aaa	AAA	Investment Grade	0.00 to < 0.15
DG 2	0.02%	0.025%	0.03%	AA+/AA	Aa1/Aa2	AA		
DG 3	0.03%	0.04%	0.05%	AA-	Aa3/A1			
DG 4	0.05%	0.075%	0.10%	A+ to A-	A2/A3	A		
DG 5	0.10%	0.125%	0.15%	BBB+	Baa1	BBB		
DG 6	0.15%	0.175%	0.20%	BBB	Baa2			0.15 to < 0.25
DG 7	0.20%	0.225%	0.25%	BBB/BBB-	Baa3			
DG 8	0.25%	0.275%	0.30%	BBB-	Baa3			0.25 to <0.50
DG 9	0.30%	0.35%	0.40%	BBB-/BB+	Baa3			
DG 10	0.40%	0.45%	0.50%	BB+	Baa3/Ba1	BB	Non-Investment Grade	
DG 11	0.50%	0.55%	0.60%	BB+/BB	Ba1			0.50 to <0.75
DG 12	0.60%	0.90%	1.20%	BB/BB-	Ba1/Ba2			0.75 to <2.50
DG 13	1.20%	1.375%	1.55%	BB-/B+	Ba3			
DG 14	1.55%	1.85%	2.15%	B+	Ba3	B		2.50 to <10.00
DG 15	2.15%	2.60%	3.05%	B+	B1			
DG 16	3.05%	3.75%	4.45%	B	B2			
DG 17	4.45%	5.40%	6.35%	B/B-	B3			
DG 18	6.35%	7.50%	8.65%	B-	Caa1			
DG 19	8.65%	10.00%	11.35%	B-	Caa1/Caa2			
DG 20	11.35%	15.00%	18.65%	B-/CCC/C	Caa2	CCC/C		10.00 to <100.00
DG 21	18.65%	30%	100%	CCC/C	Caa3 to C			
DG 22	100%	100%	100%	D	D	D	Def	100.00 (Default)
DG 23	100%	100%	100%	D	D	D		

6.4.4 Credit risk exposures by portfolio and PD range [CR6]

The tables that follow provide a detailed breakdown, per Basel asset class, of the drivers of the bank's capital requirements under the AIRB approach.

	a	b	c	d	e	f	g	h	i	j	k	l
	2016											
PD scale	Original on-balance sheet gross exposure Rm	Off-balance sheet exposures pre-CCF Rm	Average CCF %	EAD post-CRM and post-CCF Rm	Average PD %	Number of obligors	Average LGD	Average maturity	RWA Rm	RWA density %	EL Rm	Provisions Rm
Corporate												
0.00 to <0.15	67 871	29 530	35	81 309	0.12	290	38	2.05	18 690	23	36	39
0.15 to <0.25	25 435	9 755	37	30 487	0.23	190	31	3.53	9 768	32	21	22
0.25 to <0.50	31 766	26 231	42	42 440	0.36	403	35	2.41	17 734	42	53	50
0.50 to <0.75	6 224	2 612	34	7 297	0.59	157	35	3.01	4 199	58	15	12
0.75 to <2.50	31 654	25 899	24	38 915	1.64	854	37	2.62	33 926	87	236	200
2.50 to <10.00	6 141	7 337	38	9 066	4.87	183	40	1.95	11 712	129	177	122
10.00 to <100.00	1 858	1 564	46	2 646	21.78	31	43	2.25	5 910	223	248	178
100.00 (Default)	2 267	943	–	2 333	100.00	10	34	–	263	11	1 026	1 102
Sub-total	173 216	103 871	34	214 493	0.94	2 118	36	2.45	102 202	48	1 812	1 725
Specialised lending												
0.00 to <0.15	333	321	39	472	0.11	19	29	4.53	79	17	–	–
0.15 to <0.25	133	52	36	156	0.22	11	13	6.55	24	15	–	–
0.25 to <0.50	3 971	785	28	4 309	0.39	28	24	7.76	1 761	41	4	4
0.50 to <0.75	409	18	1	422	0.59	10	17	7.94	137	32	–	–
0.75 to <2.50	3 478	1 446	29	4 000	1.49	64	24	3.18	2 061	52	15	12
2.50 to <10.00	1 203	172	6	1 251	5.70	23	28	12.25	1 360	109	22	11
10.00 to <100.00	–	60	–	–	21.63	3	10	3.67	–	–	–	–
100.00 (Default)	332	53	2	333	100.00	10	26	–	73	22	75	75
Sub-total	9 859	2 907	27	10 943	1.43	168	24	6.33	5 495	50	116	102
SME Corporate												
0.00 to <0.15	860	303	61	1 089	0.10	395	46	3.51	230	21	–	1
0.15 to <0.25	1 743	994	48	2 484	0.23	321	26	5.47	643	26	1	1
0.25 to <0.50	6 949	3 025	67	9 451	0.40	3 154	31	3.84	3 544	38	12	10
0.50 to <0.75	5 945	1 639	60	7 225	0.62	1 924	32	4.77	3 707	51	14	13
0.75 to <2.50	30 708	13 239	43	37 612	1.72	18 956	33	4.26	26 678	71	219	186
2.50 to <10.00	13 898	4 613	36	16 141	5.27	4 536	38	3.61	17 626	109	324	336
10.00 to <100.00	1 817	1 496	9	2 011	22.64	916	39	3.38	3 504	174	172	156
100.00 (Default)	4 349	1 189	25	4 398	100.00	1 128	32	–	3 906	89	1 350	1 350
Sub-total	66 269	26 498	43	80 411	2.69	31 330	34	4.11	59 838	74	2 092	2 053

	a	b	c	d	e	f	g	h	i	j	k	l
						2016						
PD scale	Original on-balance sheet gross exposure Rm	Off-balance sheet exposures pre-CCF Rm	Average CCF %	EAD post-CRM and post-CCF Rm	Average PD %	Number of obligors	Average LGD	Average maturity	RWA Rm	RWA density %	EL Rm	Provisions Rm
Public sector entities												
0.00 to <0.15	10 095	5 634	46	13 023	0.15	28	29	5.57	3 296	25	5	6
0.15 to <0.25	6 362	581	29	6 610	0.23	12	26	3.36	1 836	28	4	5
0.25 to <0.50	17	44	74	39	0.37	16	13	1.87	5	14	–	–
0.50 to <0.75	5	–	51	5	0.58	3	5	4.12	1	12	–	–
0.75 to <2.50	583	1 410	40	1 162	1.48	23	19	2.06	556	48	4	2
2.50 to <10.00	22	1	74	23	4.26	4	15	3.94	13	57	–	–
10.00 to <100.00	–	45	51	23	15.00	1	44	1.0	50	212	2	1
100.00 (Default)	–	–	–	–	–	–	–	–	–	–	–	–
Sub-total	17 084	7 715	44	20 885	0.27	87	27	4.66	5 757	28	15	14
Local government and municipalities												
0.00 to <0.15	3 423	2 609	8	3 718	0.12	72	15	4.48	382	10	1	–
0.15 to <0.25	235	2 070	48	1 259	0.22	33	12	1.93	149	12	–	–
0.25 to <0.50	31	215	99	252	0.31	22	13	1.94	37	15	–	–
0.50 to <0.75	13	24	81	34	0.64	11	45	3.05	26	76	–	–
0.75 to <2.50	306	23	83	334	2.71	90	12	4.96	103	31	1	–
2.50 to <10.00	–	1	71	1	4.15	4	51	5.0	1	157	–	–
10.00 to <100.00	–	–	–	–	–	–	–	–	–	–	–	–
100.00 (Default)	–	–	–	–	–	–	–	–	–	–	–	–
Sub-total	4 008	4 942	29	5 598	0.31	232	14	3.81	698	12	2	–
Sovereign (including central government and central bank)												
0.00 to <0.15	77 107	154	–	81 677	0.12	3	8	6.83	4 250	5	6	–
0.15 to <0.25	186	108	52	248	0.22	19	5	6.65	16	7	–	–
0.25 to <0.50	–	60	54	32	0.41	13	5	1.11	2	6	–	–
0.50 to <0.75	–	4	51	2	0.69	3	5	1.0	–	7	–	–
0.75 to <2.50	1	304	48	149	1.67	22	5	1.0	17	11	–	–
2.50 to <10.00	361	–	96	372	5.40	2	44	1.0	523	141	9	13
10.00 to <100.00	–	–	–	–	–	–	–	–	–	–	–	–
100.00 (Default)	–	–	–	–	–	–	–	–	–	–	–	–
Sub-total	77 655	630	38	82 480	0.15	62	8	6.79	4 808	6	15	13

	a	b	c	d	e	f	g	h	i	j	k	l
						2016						
PD scale	Original on-balance sheet gross exposure Rm	Off-balance sheet exposures pre-CCF Rm	Average CCF %	EAD post-CRM and post-CCF Rm	Average PD %	Number of obligors	Average LGD	Average maturity	RWA Rm	RWA density %	EL Rm	Provisions Rm
Banks												
0.00 to <0.15	9 983	11 026	36	17 179	0.08	70	39	1.17	3 668	21	6	4
0.15 to <0.25	1 443	49	74	737	0.22	9	44	1.01	270	37	1	1
0.25 to <0.50	–	76	55	42	0.36	10	44	1.04	18	44	–	–
0.50 to <0.75	74	16	51	85	0.73	3	44	0.98	56	66	–	–
0.75 to <2.50	2 614	155	51	1 927	1.71	24	44	1.77	1 997	104	14	4
2.50 to <10.00	886	1 726	37	1 547	6.11	17	36	3.02	1 909	123	34	3
10.00 to <100.00	–	131	20	27	13.44	7	44	0.99	55	204	2	–
100.00 (Default)	–	–	–	–	–	–	–	–	–	–	–	–
Sub-total	15 000	13 179	37	21 544	0.41	140	40	1.35	7 973	37	57	12
Securities firms												
0.00 to <0.15	78	–	–	–	0.08	4	44	1.0	–	16	–	–
0.15 to <0.25	2	1 500	–	–	0.21	4	27	1.0	–	100	–	–
0.25 to <0.50	1	–	–	1	0.50	1	44	1.0	1	54	–	–
0.50 to <0.75	–	–	–	–	–	–	–	–	–	–	–	–
0.75 to <2.50	–	–	–	–	1.38	1	44	1.0	–	100	–	–
2.50 to <10.00	–	–	–	–	–	–	–	–	–	–	–	–
10.00 to <100.00	–	–	–	–	–	–	–	–	–	–	–	–
100.00 (Default)	–	–	–	–	–	–	–	–	–	–	–	–
Sub-total	81	1 500	–	1	0.50	10	44	1.0	1	54	–	–
Retail mortgages (including any home equity line of credit)												
0.00 to <0.15	919	1 142	54	1 602	0.11	2 983	13	10.12	60	4	–	1
0.15 to <0.25	2 016	3 288	48	3 648	0.22	9 451	11	10.74	183	5	1	1
0.25 to <0.50	11 287	10 199	55	17 179	0.37	34 387	13	9.04	1 497	9	8	9
0.50 to <0.75	18 848	17 519	54	28 994	0.64	58 813	13	8.42	3 793	13	25	11
0.75 to <2.50	116 231	12 691	54	127 226	1.84	255 371	12	12.24	28 962	23	275	341
2.50 to <10.00	45 117	5 419	74	48 524	4.27	73 407	12	14.28	18 526	38	254	292
10.00 to <100.00	10 054	86	62	10 359	28.91	24 933	12	11.57	6 864	66	345	403
100.00 (Default)	18 795	96	–	17 988	100.00	36 976	16	–	5 543	31	2 032	2 032
Sub-total	223 267	50 440	56	255 520	3.23	496 321	13	11.77	65 428	26	2 940	3 090

	a	b	c	d	e	f	g	h	i	j	k	l
						2016						
PD scale	Original on-balance sheet gross exposure Rm	Off-balance sheet exposures pre-CCF Rm	Average CCF %	EAD post-CRM and post-CCF Rm	Average PD %	Number of obligors	Average LGD	Average maturity	RWA Rm	RWA density %	EL Rm	Provisions Rm
Retail revolving credit												
0.00 to <0.15	405	5 766	51	4 860	0.11	362 877	57	–	184	4	3	2
0.15 to <0.25	583	2 306	50	2 015	0.23	139 540	58	–	148	7	3	1
0.25 to <0.50	2 071	4 276	52	4 921	0.39	303 284	57	–	551	11	11	5
0.50 to <0.75	1 546	1 901	52	2 859	0.65	185 169	56	–	467	16	10	2
0.75 to <2.50	8 150	5 190	54	12 107	1.62	746 638	56	–	3 877	32	110	64
2.50 to <10.00	15 774	14 344	94	21 343	4.96	641 332	57	–	15 243	71	598	300
10.00 to <100.00	2 306	307	58	2 730	27.12	232 235	55	–	4 031	148	408	229
100.00 (Default)	5 076	81	–	5 070	100.00	207 970	73	–	5 948	117	3 222	3 222
Sub-total	35 911	34 171	70	55 905	4.02	2 819 045	58	–	30 449	54	4 365	3 825
SME Retail												
0.00 to <0.15	197	1 056	70	1 484	0.04	100 961	75	0.56	40	3	–	–
0.15 to <0.25	57	38	85	96	0.21	170	45	2.96	19	20	–	–
0.25 to <0.50	660	773	76	1 557	0.38	28 631	62	1.91	279	18	4	1
0.50 to <0.75	195	322	80	575	0.62	4 495	73	0.81	149	26	3	1
0.75 to <2.50	10 506	4 636	80	15 391	1.87	93 121	44	4.79	7 001	45	130	29
2.50 to <10.00	6 883	1 411	72	8 197	4.88	36 569	52	2.71	6 298	77	212	22
10.00 to <100.00	1 335	158	82	1 531	22.57	5 896	52	3.26	2 021	132	178	20
100.00 (Default)	360	–	–	321	100.00	1 426	46	–	391	122	147	147
Sub-total	20 193	8 394	77	29 152	3.62	271 269	50	3.67	16 198	56	674	220
Retail – other												
0.00 to <0.15	500	117	96	640	0.08	15 901	63	2.79	85	13	–	–
0.15 to <0.25	877	1 001	73	3 534	0.24	6 480	20	0.21	342	10	2	1
0.25 to <0.50	1 227	112	88	1 408	0.44	17 057	43	2.64	414	29	3	1
0.50 to <0.75	2 193	20	94	2 222	0.65	24 423	38	2.95	744	33	6	1
0.75 to <2.50	18 922	147	95	19 134	1.90	168 651	41	3.45	10 381	54	150	76
2.50 to <10.00	35 695	562	58	36 355	5.65	360 244	40	3.78	23 301	64	860	455
10.00 to <100.00	11 863	–	96	11 864	20.52	168 842	47	3.49	12 833	108	1 163	680
100.00 (Default)	6 413	–	–	6 085	100.00	98 099	52	–	11 201	184	1 999	1 999
Sub-total	77 690	1 959	73	81 242	6.50	859 697	42	3.37	59 301	73	4 183	3 213
Total (all portfolios)	720 233	256 206	46	858 174	2.46	4 480 479	28	5.90	358 148	42	16 271	14 267

Credit Derivatives were not used as credit risk mitigants on the portfolio, and table CR7 is thus omitted.

RWA flow statements of credit risk exposures under IRB CR8

		a
		2016
		RWA amounts Rm
1	RWA as at end of previous reporting period	353 052
2	Asset size	12 075
3	Asset quality	–
4	Model updates	2 599
5	Methodology and policy	–
6	Acquisitions and disposals	–
7	Foreign exchange movements	–
8	Other	(8 901)
9	RWA as at end of reporting period	358 825

There were no significant changes in the bank's IRB RWA amounts over the past year. Increases due to asset growth and model updates were largely offset by increased impairment levels.

IRB: Backtesting of PD per portfolio CR9

The tables that follow provide backtesting results to validate the reliability of the bank's IRB PD models. In particular, the tables compare the TTC PD used in AIRB capital calculations with the realised default[1] rate observed over a five-year period, per Basel asset class. The average historical default rate is calculated as the number of defaults in a given year, divided by the number of obligors that was performing at the start of that year (averaged over five years).

From the tables presented, comfort can be taken that PD models are generally performing according to expectation: models are able to rank order risk and are able to predict an absolute level of default over an economic cycle accurately.

	a	b	c	d	e	f	g
	2016						
				Number of obligors			
PD range	External rating equivalent	Weighted average PD %	Arithmetic average PD by obligors %	End of previous year number	End of the year number	Defaulted obligors in the year number	Average historical annual default rate %
Corporate							
0 to <0.15	AAA, AA, A, BBB+	0.09	0.07	299	290	–	0.10
0.15 to <0.25	BBB, BBB-	0.19	0.20	206	190	–	0.18
0.25 to <0.5	BBB-, BB+	0.35	0.37	411	403	1	0.32
0.5 to <0.75	BB+, BB	0.58	0.61	169	157	1	0.84
0.75 to <2.5	BB, BB-, B+	1.46	1.35	834	854	7	1.66
2.5 to <10	B+, B, B-	4.03	3.96	176	183	7	1.42
10 to <100	CCC/C	19.25	27.91	36	31	11	8.08
100.00 (Default)	100.00 (Default)	100.00	100.00	14	10	–	–
Specialised lending							
0 to <0.15	AAA, AA, A, BBB+	0.12	0.10	12	19	–	–
0.15 to <0.25	BBB, BBB-	0.19	0.20	8	11	–	–
0.25 to <0.5	BBB-, BB+	0.38	0.39	28	28	–	0.25
0.5 to <0.75	BB+, BB	0.59	0.61	12	10	–	–
0.75 to <2.5	BB, BB-, B+	1.35	1.32	72	64	–	0.76
2.5 to <10	B+, B, B-	3.78	3.92	42	23	3	0.62
10 to <100	CCC/C	14.53	18.34	5	3	1	3.69
100.00 (Default)	100.00 (Default)	100.00	100.00	15	10	–	–
SME Corporate							
0 to <0.15	AAA, AA, A, BBB+	0.07	0.07	801	395	–	0.08
0.15 to <0.25	BBB, BBB-	0.21	0.20	1 498	321	1	0.19
0.25 to <0.5	BBB-, BB+	0.37	0.37	5 612	3 154	13	0.48
0.5 to <0.75	BB+, BB	0.61	0.62	2 901	1 924	21	0.60
0.75 to <2.5	BB, BB-, B+	1.42	1.44	14 384	18 956	144	1.85
2.5 to <10	B+, B, B-	4.24	3.62	21 675	4 536	506	2.37
10 to <100	CCC/C	21.28	20.02	1 334	916	261	15.61
100.00 (Default)	100.00 (Default)	100.00	100.00	1 685	1 128	–	–

[1] Refer to 6.2.3.1 for the definition of regulatory default used by the bank.

	a	b	c	d	e	f	g
				2016			
				Number of obligors			
PD range	External rating equivalent	Weighted average PD %	Arithmetic average PD by obligors %	End of previous year number	End of the year number	Defaulted obligors in the year number	Average historical annual default rate %
Sovereigns							
0 to <0.15	AAA, AA, A, BBB+	0.12	0.11	3	3	–	–
0.15 to <0.25	BBB, BBB-	0.20	0.23	18	19	–	–
0.25 to <0.5	BBB-, BB+	0.38	0.36	13	13	–	–
0.5 to <0.75	BB+, BB	0.55	0.66	3	3	–	–
0.75 to <2.5	BB, BB-, B+	1.55	1.91	2	22	–	–
2.5 to <10	B+, B, B-	5.25	2.78	20	2	–	–
10 to <100	CCC/C	–	–	–	–	–	–
100.00 (Default)	100.00 (Default)	–	–	–	–	–	–
Banks							
0 to <0.15	AAA, AA, A, BBB+	0.08	0.07	70	70	–	–
0.15 to <0.25	BBB, BBB-	0.22	0.21	11	9	–	–
0.25 to <0.5	BBB-, BB+	0.36	0.35	8	10	–	–
0.5 to <0.75	BB+, BB	0.73	0.70	3	3	–	–
0.75 to <2.5	BB, BB-, B+	1.71	1.35	21	24	–	–
2.5 to <10	B+, B, B-	6.11	4.35	20	17	–	–
10 to <100	CCC/C	13.44	13.93	7	7	–	–
100.00 (Default)	100.00 (Default)	–	–	–	–	–	–
Retail mortgages							
0 to <0.25	AAA, AA, A, BBB, BBB-	0.13	0.15	11 256	12 434	7	0.18
0.25 to <0.5	BBB-, BB+	0.37	0.37	28 859	34 387	44	0.21
0.5 to <0.75	BB+, BB	0.63	0.62	57 303	58 813	164	0.35
0.75 to <2.5	BB, BB-, B+	1.63	1.63	208 421	255 371	2 478	1.13
2.5 to <10	B+, B, B-	3.61	3.59	131 324	73 407	4 051	2.50
10 to <100	CCC/C	28.44	28.36	26 497	24 933	6 828	20.92
100.00 (Default)	100.00 (Default)	100.00	100.00	34 136	36 976	–	–
Retail revolving credit							
0 to <0.25	AAA, AA, A, BBB, BBB-	0.14	0.14	466 244	502 417	663	0.15
0.25 to <0.5	BBB-, BB+	0.36	0.36	316 976	303 284	1 331	0.39
0.5 to <0.75	BB+, BB	0.62	0.62	197 649	185 169	1 566	0.68
0.75 to <2.5	BB, BB-, B+	1.45	1.46	662 655	746 638	13 097	1.58
2.5 to <10	B+, B, B-	5.04	5.26	734 880	641 332	58 731	5.75
10 to <100	CCC/C	23.81	23.98	292 548	232 235	73 496	16.89
100.00 (Default)	100.00 (Default)	100.00	100.00	201 979	207 970	–	–

	a	b	c	d	e	f	g
				2016			
				Number of obligors			
PD range	External rating equivalent	Weighted average PD %	Arithmetic average PD by obligors %	End of previous year number	End of the year number	Defaulted obligors in the year number	Average historical annual default rate %
SME retail							
0 to <0.15	AAA, AA, A, BBB+	0.04	0.04	97 710	100 961	1	0.00
0.15 to <0.25	BBB, BBB-	0.20	0.19	145	170	2	0.19
0.25 to <0.5	BBB-, BB+	0.39	0.33	26 863	28 631	4	0.01
0.5 to <0.75	BB+, BB	0.61	0.61	4 886	4 495	5	0.05
0.75 to <2.5	BB, BB-, B+	1.52	1.54	51 896	93 121	122	0.13
2.5 to <10	B+, B, B-	4.01	3.95	32 116	36 569	109	0.14
10 to <100	CCC/C	21.15	21.79	3 057	5 896	323	4.04
100.00 (Default)	100.00 (Default)	100.00	100.00	1 441	1 426	–	–
Retail – other							
0 to <0.5	0.22	0.21	18 599	39 438	587	0.89	0.22
0.5 to <0.75	0.64	0.64	20 668	24 423	306	0.96	0.64
0.75 to <2.5	1.67	1.63	100 351	168 651	3 082	1.56	1.67
2.5 to <10	5.08	5.16	241 615	360 244	19 012	4.20	5.08
10 to <100	21.59	21.85	79 724	168 842	35 455	16.50	21.59
100.00 (Default)	100.00	100.00	27 530	98 099	–	–	100.00

Specific commentary on backtesting results by asset class:

- The Corporate asset class represents 29% of the Bank's AIRB RWA. This is a low default portfolio that suffers from a small number of observations that could cause distortions in results. In general, though, the results show that the corporate models are able to rank order risk, and predict risk accurately.
- The SME Corporate asset class represents 17% of the Bank's AIRB RWA. In general the results show that the SME corporate models are able to rank order risk, and predict risk accurately.
- No defaults were observed in the Bank and Sovereign asset class over the five-year observation period, so that meaningful observations are not possible.
- The Mortgages asset class represents 18% of the Bank's AIRB RWA. The results show that the mortgage model is able to rank order risk, and is generally predicting risk conservatively.
- The Retail revolving credit asset class represents 9% of the Bank's AIRB RWA. The results show that the revolving product models are able to rank order risk, and are predicting risk accurately.
- The SME Retail asset class represents 5% of the Bank's AIRB RWA. The results show that the SME retail models are predicting risk conservatively.
- The Retail Other asset class (including portfolios like Vehicle Finance and Personal Loans) represents 17% of the Bank's AIRB RWA. The results show that the Retail Other models are able to rank order risk, and is generally predicting risk accurately.

6.5 Credit risk under standardised approach

6.5.1 Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk CRD

The Group uses the standardised credit risk approach for its Rest of Africa portfolios (both wholesale and retail), and in South Africa for the Edcon retail portfolio. Due to the relative scarcity of data, the Rest of Africa portfolios are not currently on the bank's IRB migration plan. The Edcon portfolio is on the bank's IRB migration plan.

Standard & Poor's and Moody's ratings are used by the bank as input into standardised capital formulas for the Bank, Corporate and Sovereign asset classes. Rating agencies have limited coverage in the Africa regions where the bank applies the standardised approach. Where more than one rating is available, the more conservative rating is applied.

[1] Refer to 6.2.3.1 for the definition of regulatory default used by the bank.

6.5.2 Quantitative disclosures on standardised credit risk exposure

The table that follows provides an analysis, per Basel asset class, of the exposure and impact of CRM under the standardised approach. In the Rest of Africa portfolio there are limited amounts of eligible collateral available for use in regulatory calculations.

Standardised approach – credit risk exposure and CRM effects CR4

		a	b	c	d	e	f
		2016					
		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		On-balance sheet amount Rm	Off-balance sheet amount Rm	On-balance sheet amount Rm	Off-balance sheet amount Rm	RWA Rm	RWA density Rm
1	Corporate	22 503	15 105	22 503	7 221	31 560	106
2	SME Corporate	23 092	6 435	23 092	3 526	26 901	101
3	Public sector entities	2 845	273	2 845	236	2 070	67
4	Local governments and municipalities	–	–	–	–	–	–
5	Sovereign (including central government and central bank)	37 998	1 451	37 998	1 102	32 564	83
6	Banks	28 305	600	28 305	273	6 585	23
7	Securities firms	15	–	15	–	15	100
8	Residential mortgages (including any home equity line of credit)	6 939	37	6 939	–	3 853	56
9	Retail – revolving credit	10 570	13 921	10 570	11 535	8 659	39
10	Retail – other	23 890	23	23 890	–	16 913	71
11	SME retail	660	28	660	–	510	77
12	**Total**	156 817	37 873	156 817	23 893	129 630	72

The table that follows provides an analysis, per Basel asset class, of the risk weights applied to standardised exposures.

Standardised approach – exposures by asset classes and risk weights CR5

		a	b	c	d	e	f	g	h	i	j	k
		2016 Risk weight										
		0%	>0% – 10%	>10% – 20%	>20 % – 35%	>35% – 50%	>50 % – 75%	>75 % – 100 %	>100% –150%	>150 %	Others	Total credit exposures amount (post CCF and post-CRM)
	Asset classes											
1	Corporate	–	–	–	–	–	–	25 978	3 746	–	–	29 724
2	SME Corporate	–	–	–	–	–	–	25 942	676	–	–	26 618
3	Public sector entities	–	–	–	–	–	–	2 931	150	–	–	3 081
4	Local governments and municipalities	–	–	–	–	–	–	–	–	–	–	–
5	Sovereign (including central government and central bank)	–	–	4 928	–	5 255	–	28 850	67	–	–	39 100
6	Banks	18 663	–	283	–	5 661	–	3 968	4	–	–	28 579
7	Securities firms	–	–	–	–	–	–	15	–	–	–	15
8	Residential mortgages (including any home equity line of credit)	–	–	–	1 601	–	5 338	–	–	–	–	6 939
9	Retail – revolving credit	–	–	–	–	–	22 104	–	–	–	–	22 104
10	Retail – other	–	–	–	–	253	23 638	–	–	–	–	23 891
11	SME retail	–	–	–	–	–	614	–	47	–	–	661
12	**Total**	18 663	–	5 211	1 601	11 169	51 694	87 684	4 690	–	–	180 712

6.6 Counterparty credit risk (CCR)

6.6.1 Qualitative disclosures related to counterparty credit risk CCRA

CCR arises from the risk that counterparties are unable to meet their payment obligations under derivatives and securities financing transactions. The credit risk that relates to a derivative or securities financing transaction does not remain static over time, but changes due to movement in underlying market variables. The loss to the Bank is the cost of replacing or closing out the contract and is recognised as a trading loss. In order to quantify the potential impact of these changes in market factors on counterparty exposures, the Bank employs both Monte Carlo and MTM plus add-on techniques to estimate a counterparty's PFE. The PFE is a measure of maximum replacement cost (MTM) over the life (uncollateralised portfolios) or closeout period (collateralised portfolios) of a counterparty portfolio. A confidence level of 98% is used to measure PFE.

CCR exposures must be approved by the Risk Sanctioning Unit (RSU) by setting PFE credit limits at counterparty level. PFE limits are made available to the first line of defence for trade approvals on a case-by-case basis. The first line of defence is responsible for ensuring that trading exposure falls within approved credit appetite. PFE limits define the magnitude and tenors of acceptable exposure. The RSU is authorised to approve requests for new PFE limits and adjustments to existing PFE limits. The RSU gives due consideration to current usage under relevant concentration limits. All CCR credit limits are considered uncommitted and are revocable at any PIT.

Wrong-way risk (WWR) arises when there is adverse (positive) correlation between the obligor's PD and the bank's exposure to the obligor. Right-Way Risk (RWR) arises when an obligor exposure is negatively correlated with the PD.

Specific wrong-way risk (SWWR) arises when the CCR exposure to a particular counterparty is positively correlated to the PD of the counterparty due to the structure of the transaction (e.g. when stock of a related party is provided as collateral against default, or a Credit Default Swap is purchased from a counterparty on the credit of a related party). Failure to recognise and adjust for SWWR may lead to under-recording the replacement cost in the event of a counterparty default. SWWR transactions are transaction specific and are only executed in exceptional circumstances. SWWR transactions are adjusted to reflect exposure conditional on counterparty default, which will often mean that collateral will have a zero value. SWWR transactions are approved on a case-by-case basis by the RSU and cannot be executed by the first line of defence under pre-approved limits.

General wrong-way risk (GWWR) arises where there is positive correlation between risk factors driving the obligor's PD and exposure (net of collateral) to the client, owing to co-dependency of PD and exposure on the same risk factors. GWWR can arise due to the behaviour of market risk or credit risk factors and impact both collateral and/or exposure. There is no requirement for RSU to pre-approve GWWR transactions beyond approving a PFE limit. Stress testing and scenario analysis plays an import role in the identification and monitoring of GWWR. Stress scenarios are run on a monthly basis on portfolios that contain GWWR transactions.

For regulatory and economic capital purposes, EAD is calculated through:

- the CEM for OTC derivative exposures; and
- the comprehensive approach for securities financing transactions.

In terms of these approaches, EAD estimates are calculated as PFE estimates at a counterparty level. The estimates are based on:

- regulatory add-ons and collateral haircuts;
- netting arrangements in place;
- the collateral placed/received for the transaction, and the collateral agreements that are in place;
- the trade's residual maturity; and
- the nature of each trade.

In line with international market practice, the Group endeavours to use netting agreements wherever possible. The Group primarily employs (i) International Swaps and Derivatives Association (ISDA) master agreements as well as collateral support annexures (CSAs); (ii) International Securities Lending Association (ISLA) Global Master Securities Lending (GMSLA); and (iii) the International Capital Market Association (ICMA) Global Master Repurchase Agreement (GMRA) that provide standardised and commonly accepted processes for managing collateral and margin calls over the lifetime of the transaction.

These agreements may create an obligation on the Group unrelated to the underlying instruments in the event of a credit downgrade of the bank. Only a small number of the Group's agreements would require the bank to post additional collateral in the event of a downgrade, and the amount that would need to be posted is not material.

6.6.2 Analysis of CCR

The table that follows provides a view of the Group's CCR exposure, effectiveness of CRM techniques and RWA consumption. The table excludes CVA charges (table CCR2) and exposures cleared through central counterparties (CCPs) (table CCR8).

Analysis of CCR exposure by approach CCR1

	a	b	c	d	e	f
	2016					
	Replacement cost Rm	PFE Rm	EEPE Rm	Alpha used for computing regulatory EAD Rm	EAD post-CRM Rm	RWA Rm
1 CEM (for derivatives)	15 887	17 455		1.4	31 416	13 955
2 IMM (for derivatives and SFTs)						
3 Simple Approach for CRM (for SFTs)						
4 Comprehensive Approach for CRM (for SFTs)					6 746	1 238
5 VaR for SFTs						
6 Total						15 193

CVA accounts for the risk of mark-to-market losses on an OTC derivative due to credit quality fluctuations on the derivative counterparty. A CVA capital charge is required under Basel III rules. The bank uses the standardised approach for the calculation of CVA capital.

CVA capital charge CCR2

	2016	
	a	b
	EAD post-CRM Rm	RWA Rm
Total portfolios subject to the Advanced CVA capital charge		
1 i. VaR component (including the 3×multiplier)		
2 ii. Stressed VaR component (including the 3×multiplier)		
3 All portfolios subject to the Standardised CVA capital charge	31 416	16 696
4 **Total subject to the CVA capital charge**	31 416	16 696

The table that follows provide a view of all relevant parameters used for the calculation of CCR capital requirements under the bank's AIRB models. The table excludes CVA charges and exposures cleared through a CCP. Since collateral is taken into account in the EAD estimate of CCR transactions, an unsecured LGD is used in capital formulas.

IRB – CCR exposures by portfolio and PD scale CCR4

	a	b	c	d	e	f	g
	2016						
PD scale	EAD post-CRM Rm	Average PD %	Number of obligors	Average LGD %	Average maturity Yrs	RWA Rm	RWA density %
Corporate/SME Corporate							
0.00 to <0.15	2 533	0.11	61	43	2.75	744	29
0.15 to <0.25	6 493	0.23	40	26	4.64	2 456	38
0.25 to <0.50	1 232	0.39	91	38	4.89	678	55
0.50 to <0.75	479	0.56	33	40	9.13	406	85
0.75 to <2.50	2 064	1.74	282	41	8.70	1 952	95
2.50 to <10.00	87	4.39	83	44	1.81	120	138
10.00 to <100.00	18	16.33	8	44	1.25	40	217
100.00 (Default)	1	100.00	1	44	1.00	–	0
Sub-total	12 907	0.53	599	34	5.08	6 396	50
Banks/Securities firms							
0.00 to <0.15	22 336	0.08	38	44	1.64	5 857	26
0.15 to <0.25	95	0.22	5	44	5.24	57	60
0.25 to <0.50	33	0.33	6	44	1.86	17	52
0.50 to <0.75	1 185	0.59	3	44	7.78	1 279	108
0.75 to <2.50	1 053	1.50	21	44	1.75	1 014	96
2.50 to <10.00	127	3.94	13	44	9.18	185	146
10.00 to <100.00	1	30.00	1	44	1.00	–	0
100.00 (Default)	–	–	–	–	–	–	–
Sub-total	24 830	0.19	87	44	1.99	8 409	34
Total (all portfolios)	37 737	0.31	686	40	3.05	14 805	39

The table that follows provides a breakdown of the types of collateral posted or received by the bank to support or reduce the CCR exposure related to derivatives and SFTs, including transactions cleared through a CCP. The Group relies mainly on cash and government bonds as collateral for derivative and securities financing contracts. The value of collateral used in each leg of SFTs is shown on a gross basis.

Composition of collateral for CCR exposure CCR5

	a	b	c	d	e	f
	2016					
	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral			
	Segregated Rm	Unsegregated Rm	Segregated Rm	Unsegregated Rm	Fair value of collateral received Rm	Fair value of posted collateral Rm
Cash – domestic currency	–	1 715	–	1 422	30 841	18 140
Cash – other currencies	–	2 604	–	4 622	–	16 744
Domestic sovereign debt	–	–	–	–	17 044	13 209
Other sovereign debt	–	–	–	–	–	–
Government agency debt	–	–	–	–	970	601
Corporate bonds	–	2 011	–	–	10 561	–
Equity securities	–	–	–	–	–	–
Other collateral	–	–	–	–	–	–
Total	–	6 330	–	6 044	59 416	48 694

The table that follows illustrates the extent of the bank's exposures to credit derivative transactions broken down between protection bought and protection sold positions.

Credit derivatives exposures CCR6

	a	b
	2016	
	Protection bought Rm	Protection sold Rm
Notionals		
Single-name credit default swaps	619	11 635
Index credit default swaps	–	–
Total return swaps	9 086	–
Credit options	–	–
Other credit derivatives	–	–
Total notionals	9 705	11 635
Fair values		
Positive fair value (asset)	2	183
Negative fair value (liability)	(18)	(218)

The table that follows provides a comprehensive picture of the bank's exposure to qualifying CCPs. The bank has no exposure to non-qualifying CCPs. The table includes exposures due to operations, margins posted and contributions to default funds.

Exposures to CCPs CCR8

		a	b
		2016	
		EAD post-CRM Rm	RWA Rm
1	**Exposures to QCCPs (total)**		1 448
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	–	–
3	i. OTC derivatives	–	–
4	ii. Exchange-traded derivatives	1 427	357
5	iii. Securities financing transactions	–	–
6	iv. Netting sets where cross-product netting has been approved	–	–
7	Segregated initial margin	–	
8	Non-segregated initial margin	5 449	1 090
9	Pre-funded default fund contributions	56	1
10	Unfunded default fund contributions	–	–
11	**Exposures to non-QCCPs (total)**		–
12	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	–	–
13	i. OTC derivatives	–	–
14	ii. Exchange-traded derivatives	–	–
15	iii. Securities financing transactions	–	–
16	iv. Netting sets where cross-product netting has been approved	–	–
17	Segregated initial margin	–	
18	Non-segregated initial margin	–	–
19	Pre-funded default fund contributions	–	–
20	Unfunded default fund contributions	–	–

6.7 Securitisation

Securitisation transactions are used as a means of raising long-term funding.

The Group currently does not undertake any securitisation transactions apart from the SARB CLF which is a non-market securitisation transaction. Home loans are sold into an SPV structure, notes are issued to Absa Bank Limited to fund this acquisition, and the senior notes are ceded to the SARB as collateral for the CLF.

As at the current reporting date, the Group's own assets relating to the Home Loans portfolio were securitised. The look-through approach is applied for the Home Obligors Mortgage Enhanced Securities Proprietary Limited and Absa Home Loans 101 (RF) Limited (AHL101) (Homes securitisation); hence transfer of credit risk does not take place. In addition to credit risk, liquidity and interest rate risk are also considered regularly.

The Group does not enter into any re-securitisation transactions.

Securitisation exposures in the banking book SEC1

	a	b	c	e	f	g
	Bank acts as originator			Bank acts as sponsor		
	Traditional Rm	Synthetic Rm	Sub-total Rm	Traditional Rm	Synthetic Rm	Sub-total Rm
1 **Retail (total)**	2 792	–	2 792	544	–	544
2 Residential mortgage	2 792	–	2 792	544	–	544
6 **Wholesale (total)**	–	–	–	–	–	–

Quantitative disclosure – calculation of capital requirements

Securitisation exposures in the banking book and associated RC requirements – bank acting as originator or as sponsor SEC3

	2016								
	Exposure values (by RW bands)					Exposure values (by regulatory approach)			
	≤20% RW Rm	>20% to 50% RW Rm	50% to 100% RW Rm	>100% to <1 250% RW Rm	1 250% RW Rm	IRB RBA (incl. IAA) Rm	IRB SFA Rm	SA/SSFA Rm	1 250% Rm
1 **Total exposures**	3 336	–	–	–	–	–	3 336	–	–
2 Traditional securitisation	3 336	–	–	–	–	–	3 336	–	–
3 Of which securitisation	3 336	–	–	–	–	–	3 336	–	–
4 Of which retail underlying	3 336	–	–	–	–	–	3 336	–	–
5 Of which wholesale	–	–	–	–	–	–	–	–	–
6 Of which re-securitisation	–	–	–	–	–	–	–	–	–
7 Of which senior	–	–	–	–	–	–	–	–	–
8 Of which non-senior	–	–	–	–	–	–	–	–	–
9 Synthetic securitisation	–	–	–	–	–	–	–	–	–
10 Of which securitisation	–	–	–	–	–	–	–	–	–
11 Of which retail underlying	–	–	–	–	–	–	–	–	–
12 Of which wholesale	–	–	–	–	–	–	–	–	–
13 Of which re-securitisation	–	–	–	–	–	–	–	–	–
14 Of which senior	–	–	–	–	–	–	–	–	–
15 Of which non-senior	–	–	–	–	–	–	–	–	–

6.8 Equity investment risk

Equity investment risk refers to the risk of adverse changes in the value of listed and unlisted equity investments. These investments are longer-term investments held in the banking book for non-trading purposes.

The Equity Investment portfolio continues to be reduced in line with the Group's strategy to exit non-core businesses.

The Group's governance of equity investments is based on the following key fundamental principles:

- A formal approval governance process;
- Key functional specialists reviewing investment proposals;
- Adequate monitoring and control after the investment decision has been implemented; and
- Implementation of best practice standards based on current market trends, hurdle rates and benchmarks.

Criteria considered for transactions cover a comprehensive set of financial, commercial, legal (and technical, where required) matters. The performance of these investments is monitored relative to the objectives of the portfolio.

The majority of the Group's equity investments are held in CIB and Business Bank. Equity and other investments held by the Group's insurance entities are addressed in the insurance risk management section of this report.

The bank uses the simple risk-weight regulatory approach for the calculation of RC requirements on its equity investment portfolio.

IRB (specialised lending and equities under the simple risk-weight method) CR10

	2016				
	On-balance sheet amount Rm	Off-balance sheet amount Rm	Risk weight Rm	Exposure amount Rm	RWA Rm
Exchange-traded equity exposures	170		300	170	541
Private equity exposures	2 150		400	2 150	9 117
Total	2 320			2 320	9 658

2016							
RWA (by regulatory approach)				Capital charge after cap			
IRB RBA (incl. IAA) Rm	IRB SFA Rm	SA/SSFA Rm	1 250% Rm	IRB RBA (incl. IAA) Rm	IRB SFA Rm	SA/SSFA Rm	1 250% Rm
–	576	–	–	–	46	–	–
–	576	–	–	–	46	–	–
–	576	–	–	–	46	–	–
–	576	–	–	–	46	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
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–	–	–	–	–	–	–	–

7. Market risk

7.1 General information about market risk

Market risk is the risk that the Group's earnings, capital or business objectives will be adversely impacted by changes in the level or volatility of market rates or prices such as interest rates, foreign exchange rates, equity prices, commodity prices and credit spreads. It consists of the following:

- Traded market risk is the risk of the Group being impacted by changes in the level or volatility of positions in its trading books, primarily in the Investment Bank;
- Non-traded market risk is the risk of the Group's earnings or capital being reduced due to the market risk exposure from banking book positions which may arise net of hedging activities;
- Insurance risk is the risk that future claims, expenses, policyholder behaviour and investment returns differ adversely from the allowances made in measuring policyholder liabilities and in product pricing; and
- Pension risk arises when an adverse movement between pension assets and liabilities results in a pension deficit.

The Group Market Risk Committee (GMRC) meets monthly to review, challenge and make recommendations concerning the market risk profile, including risk appetite, policies, limits, risk utilisation, RWA and the associated RC, and the effectiveness of the control environment.

The Trading Risk Committee (TRC), ATC and their respective regional sub-committees provide oversight of business and region-specific market risk.

7.1.1 Strategy

Market risk management objectives are to:

- ensure risk is managed within the Group's appetite by monitoring risk against the limit and appetite framework;
- ensure a sufficient degree of net interest margin stability in the Group's banking books;
- understand risk sensitivity and volatility;
- take advantage of stress testing and empirical analytics;
- use appropriate models to measure risk;
- underwrite risks that are well diversified in terms of types of risk and the level of insured benefits;
- develop strategies to reduce earnings volatility and increase potential profits under good claims experience conditions;
- reduce exposures to insurance business lines where the risk-adjusted returns are low, and increase exposures to more attractive business lines to improve the risk-return outlook;
- monitor and continuously reassess the inherent quality and risk profile of the insurance business book;
- ensure pension risk is managed within outlined principles, objectives and governance, as well as country-specific regulations; and
- retain additional capital reserves which target at least 99.6% level of confidence that policyholder obligations will be met during severe economic and demographic scenarios. The Group's adequacy of reserves, premiums and retained capital is regularly reviewed in preparation for the SAM legislation.

7.2 Traded market risk

7.2.1 Approach

Market risk is prevalent in both the trading book and the banking book, as defined for regulatory purposes. IRRBB is subjected to equally rigorous measurement and control standards as the trading book, but the associated sensitivities are reported as part of the IRRBB section.

7.2.2 Risk appetite

The risk appetite for traded market risk is based on:

- the losses incurred from hypothetical stress scenarios;
- proposed business strategy and growth;
- targeted growth in risk;
- budgeted revenue growth;
- historical risk usage;
- statistical modelling measures; and
- risk equated to capital projection under various stress scenarios.

Total traded market risk minimum capital requirement increased by 15.5% (R388m) in 2016. Trading exposures were managed within overall risk appetite and the trading business remained resilient despite macroeconomic conditions. The increase in RC was driven by an increase in DVaR and SVaR due to the increased positional and market volatility in the internal models DVaR and sVaR measure for the South African business.

	YoY trend	2016 Rm	2015 Rm
Internal model-based approach	▲	2 044	1 578
VaR	▲	841	592
SVaR	▲	1 204	986
Standardised approach	▼	845	923
Interest rate risk	▼	771	805
Equity risk	▼	47	61
Foreign exchange risk	▼	26	57
Total traded market risk capital requirement	▲	2 889	2 501

7.2.3 Risk measurement

A number of techniques are used to measure and control traded market risk daily, which include:

- VaR-based measures including sVaR;
- tail metrics;
- position and sensitivity reporting (Non-VaR);
- stress testing;
- EAD risk monitoring;
- backtesting; and
- standardised general and specific risk, as relevant.

TSA is used to quantify RC requirements for general risk for the Rest of Africa. Additional measures such as VaR, Non-VaR stress testing and EC are used for management reporting purposes.

In line with regulatory requirements for public disclosures on the internal models approach (IMA), the sections below on DVaR, Backtesting, Tail metrics and sVaR specifically relate to the models used for South Africa.

7.2.4 Daily value at risk (DVaR)

DVaR provides an estimate of the potential losses, at a chosen confidence level, that may arise from unfavourable market movements if current positions were to be held unchanged for one business day.

The Group uses an internal DVaR model based on the historical simulation method to derive the quantitative market risk measures under normal conditions. The DVaR model utilises a two-year data history of unweighted historical price and rate data, and a holding period of one day with a confidence interval of 95%.

The historical simulation methodology can be split into three parts:

- calculate hypothetical daily profit or loss for each position over the most recent two years, using observed daily market moves between consecutive business days;
- sum of all hypothetical profits or losses for day one across all positions, giving one total profit or loss. Repeat for all other days in the two-year history; and
- DVaR is the 95th percentile loss selected from the resultant two-year historically simulated strip of daily hypothetical net profit or loss amounts. Assuming the assumptions behind VaR hold true, daily losses in excess of the DVaR figure are likely to occur, on average, up to 26 times over the two-year period.

This internal model is also used for measuring the VaR over both a one-day and a 10-day holding period at a 99% confidence level for regulatory backtesting and RC calculation purposes, respectively. The VaR internal model has been approved by the SARB to calculate the RC for all trading book exposures, including certain banking book exposures. The approval covers general position risk across the following asset classes: interest rate, foreign exchange, commodity, equity and traded credit products. The issuer-specific risk is currently reported in accordance with the regulatory standardised approach. Additionally, for any new products which are awaiting regulatory approval, the regulatory standardised approach is used to determine the capital.

DVaR is an important market risk measurement and control tool. As such the performance of the model is regularly assessed for continued suitability. The main technique employed is backtesting, which counts the number of days where the daily trading losses exceed the corresponding VaR estimate. Backtesting measures the daily losses against VaR assuming a one-day holding period and a 99% level of confidence. Backtesting reports are monitored daily.

The VaR estimates have a number of limitations namely:

- The historical simulation assumes that the past is a good representation of the future[1], which might not always be the case;
- The assumed time horizon does not fully capture the market risk of positions that cannot be closed out or hedged within this time horizon;
- The VaR may underestimate the severity of potential losses;
- The VaR is based on positions at the close of business day. The intra-day risk or the risk from a position being bought and sold on the same day is not captured;
- Prudent valuation practices are used in the VaR calculation when there is a difficulty in obtaining historical rate/price information; and
- VaR is not additive, e.g. one cannot simply add two VaR amounts from different parts of a business.

Tail risk metrics, stress testing and other sensitivity measures are used to complement VaR.

7.2.4.1 Backtesting

The Group conducts backtesting of the VaR risk measurement model against:

- the theoretical profit and loss representing the change in the value of the portfolio as computed by the risk system under the assumption that the portfolio holdings remained constant for the holding period; and
- the actual profit and loss representing the actual daily trading outcome from price moves only (excluding fees, commissions, provisions, NII and the time value of money), as required for regulatory backtesting purposes.

7.2.5 Tail metrics

Tail risk metrics highlight the risk beyond the percentile selected for DVaR. The two-tail risk metrics chosen for daily monitoring, using the current portfolio and two years of price and rate history, are:

- the average of the worst three hypothetical losses from the historical simulation; and
- expected shortfall (also referred to as expected tail loss). This is the average of all hypothetical losses from the historical simulation beyond the 95th percentile used for the DVaR.

7.2.6 Non-VaR

The non-VaR reporting covers non-statistical measures of measuring and monitoring risk sensitivities and exposures as well as gross or notional limits, and issuer risk limits and concentration exposure where appropriate. All asset classes and product types have Non-VaR reporting and limit monitoring. These limits are aligned to DVaR limits, but do not bear a direct linear relationship.

7.2.7 Stressed value at risk (sVaR)

The sVaR is an estimate of the potential loss arising from a 12-month period of significant financial stress. The sVaR model and period selection methodology was approved by the SARB. The SARB has also assigned a sVaR model multiplier to be used for the calculations. Therefore, sVaR uses DVaR methodology based on inputs calibrated to historical data from a continuous 12-month period which represents a period of significant stress. A regular process is applied to assess the stress period in terms of the approved methodology, which means that the stress period is subject to change.

The sVaR RC requirement is calculated daily and is disclosed for the reporting period.

7.2.8 Stress testing

Stress testing provides an indication of the potential size of losses that could occur in extreme conditions. Stress testing assists in identifying risk concentrations across business lines and assists senior management in making capital planning decisions. The Group performs two main types of stress/scenario testing. Firstly, risk factor stress testing is carried out, where extended historical stress moves are applied to each of the main risk categories including interest rate, equity, foreign exchange, commodity and credit spread risk. Secondly, the trading book is subjected to multi-factor scenarios that simulate past periods of significant market disturbance and hypothetical extreme yet plausible events. Scenarios are reviewed at least annually.

Stress testing results are monitored against approved limits and triggers for South Africa's trading books. A full revaluation approach is applied to undertake stress testing for South Africa's trading books.

[1] To be more accurate, it is assumed the distribution of historical returns is the same as the distribution of future returns.

7.2.9 Standardised risk

Idiosyncratic risks are capitalised through the Basel/regulatory framework using standardised rules. In addition, the standardised rules are used to quantify general risk RC for any instruments traded in South Africa for which the internal model approach approval has not yet been obtained.

General risk for the Rest of Africa is also quantified using standardised rules, specifically for the interest rate and foreign exchange asset classes to which exposures in these entities are limited. In particular, the maturity method is used to quantify general interest rate risk for the Rest of Africa.

7.2.10 Risk control

Risk limits are set and reviewed at least annually to control the Group's trading activities, in line with the defined risk appetite. The criteria for setting risk limits include relevant market analysis, market liquidity and business strategy.

This limit structure comprises the following types of market risk limits:

- VaR limits (VaR and sVaR);
- position and sensitivity (Non-VaR) limits;
- stress testing limits, where relevant;
- loss notification thresholds: actual losses versus pre-determined tolerance levels; and
- the valuation control, independent price testing and bid-offer testing are conducted by the Product Control and the Independent Price Verification teams. The results are reviewed monthly by the Valuation Governance and Control Committee.

Model Risk is the potential for adverse consequences (e.g. financial loss, reputational impact, regulatory censure, etc.) to arise from decisions based on incorrect or misused model outputs and reports. The Group has implemented a Model Risk Policy, which covers non-trivial quantitative methods, systems or approaches used for estimating risk, calculating EC or RC, external reporting requirements and business decisions. Standards are set to cover model development, model approval, model monitoring and model validation. Each model owner is responsible for model development, implementation and regular monitoring, whereas the Model Risk function is responsible for policy and control, as well as independent model validation. Every new model is subjected to an inception validation and is approved by the relevant approver. The most material models, including EC and RC models, are approved by the MC.

7.2.11 Risk reporting

The Group's Market risk team produces a number of detailed and summary market risk reports daily and monthly. These reports summarise the positions, risks, stresses, RWA and capital across all asset classes for the Trading Book. A risk summary is also presented at the GMRC and other governance committees, as required, including the Risk Profile Report tabled at the GRCMC.

7.3 Non-traded market risk

7.3.1 Interest rate risk in the banking book (IRRBB)

7.3.1.1 Approach

Interest rate risk is the risk that the Group's financial position may be adversely affected by changes in interest rate levels, yield curves and spreads. Non-traded interest rate risk arises in the banking book from the provision of retail and wholesale (non-traded) banking products and services, as well as from certain structural exposures within the statement of financial position, mainly due to re-pricing differences between assets, liabilities and equity. These risks impact both the earnings and economic value of the Group.

The Group's objective for managing IRRBB is to ensure a higher degree of interest rate margin stability and lower interest rate risk over an interest rate cycle. This is achieved by transferring the interest rate risk from the business to the local treasury or Group Treasury, which in turn hedges material net exposures with the external market. As a result of mainly timing considerations, interest rate risk may arise when some of the net position remains with Treasury. Therefore, there is a limit framework in place to ensure that the retained risk remains within approved risk appetite.

Risk management strategies considered include:

- strategies regarding changes in the volume, composition, pricing and interest rate risk characteristics of assets and liabilities; and
- the execution of applicable derivative contracts to maintain the Group's interest rate risk exposure within limits.

Where possible, hedge accounting is applied to derivatives that are used to hedge IRRBB. In cases where hedge relationships do not qualify for hedge accounting, mismatches may arise due to different bases used in fair valuing the hedges and the underlying banking book exposure. Applicable accounting rules, as detailed in the Group's accounting policies, are followed.

Structural interest rate risk arises from the variability of income from non-interest bearing products, managed variable rate products and the Group's equity and is managed by Group Treasury. Interest rate risk also arises in each of the Rest of Africa treasuries in the normal course of managing the statement of financial position and facilitating customer activity. The risk is managed by the local treasury functions, subject to modest risk limits and other controls.

Embedded customer optionality risk may also give rise to IRRBB. This risk arises from a customer's right to buy, sell or in some manner alter the cash flow of a financial contract.

Prepayment risk arises in relation to transactions where an early settlement option is embedded in the product. This risk most commonly arises in relation to fixed-rate loans offered to retail customers, where the customer has an option to repay the loan prior to contractual maturity and where the Group is unable to collect full market-related compensation.

Recruitment risk arises when the Group commits to providing a product at a pre-determined price for a period into the future. Customers have the option to take up this offer.

Market risk processes are in place to enable robust management of these additional forms of IRRBB.

7.3.1.2 Risk measurement

The techniques used to measure and control IRRBB include re-pricing profiles, annual earnings at risk (AEaR), DVaR and tail metrics, economic value of equity (EVE) sensitivity and stress testing.

7.3.1.3 Re-pricing profiles

With the re-pricing profile, instruments are allocated to time periods with reference to the earlier of the next contractual interest rate re-pricing date and the maturity date. Instruments which have no explicit contractual re-pricing or maturity dates are placed in time buckets based on the most likely re-pricing behaviour. The re-pricing profiles take the assumed behavioural profile of structural product balances into account.

7.3.1.4 AEaR/NII sensitivity

AEaR/NII sensitivity measures the sensitivity of NII over the next 12 months to a specified shock in interest rates. AEaR is assessed across a range of interest rate scenarios, including parallel and key rate shocks and yield curve twists and inversions as appropriate for each business. AEaR is monitored against approved internal limits.

7.3.1.5 DVaR

A one-day VaR (DVaR) calculated at a 95% confidence level for measuring IRRBB is used. The DVaR is monitored against approved internal limits and is used as a complementary metric to AEaR. The DVaR is supplemented by non-DVaR, stress and tail metrics.

7.3.1.6 EVE sensitivity

EVE sensitivity measures the sensitivity of the present value of the banking book at a specific PIT to a specified shock to the yield curve. Similar to DVaR, EVE is present value sensitive and is complementary to income sensitivity measures such as AEaR. EVE sensitivity is measured against regulatory guidelines and not against approved internal limits.

7.3.1.7 Stress testing

Stress testing is tailored to each banking book and consists of a combination of stress scenarios and historical stress movements applied to the respective banking books. Stress testing is carried out by Market Risk to supplement the DVaR and AEaR metrics for South Africa. Stress testing for the Rest of Africa is carried out by Market Risk and the risk functions in country and has been adopted as one of the primary risk metrics for the Rest of Africa. It is monitored against formal internal limits.

7.3.1.8 Risk control

Market risk is controlled through the use of AEaR, DVaR and stress limits as appropriate and supported by non-DVaR metrics, as well as the monthly monitoring of the risk profiles and EVE sensitivity. Limits are set and monitored in accordance with the limit framework. Limits for AEaR, DVaR and stress are agreed by the GMRC. Compliance with limits is monitored by the respective Rest of Africa market risk teams with oversight provided by Market Risk.

7.3.1.9 Risk reporting

DVaR and supporting metrics and stress are reported daily for Group Treasury and the Rest of Africa businesses, respectively, with the exception of two businesses where reporting is done on a monthly basis. The re-pricing profiles, AEaR, EVE sensitivity and stress results are reported monthly for both Group Treasury and the Rest of Africa.

7.3.2 Foreign exchange risk

The Group is exposed to two sources of foreign exchange risk, namely transactional and translation risk. Translation risk is addressed under the Capital Management section.

Transactional foreign exchange risk arises when the banking assets and liabilities are not denominated in the functional currency of the transacting entity. The Group's policy is for transactional foreign exchange risk to be concentrated and managed within the trading books.

In accordance with the Group's policy, there were no significant net open currency positions outside the trading books at the reporting date that would give rise to material foreign exchange gains and losses being recognised in the statement of comprehensive income or in equity as a result of a foreign exchange rate shock.

7.4 Insurance risk

Within the Group, insurance risk is managed within the following broad categories:

- Short-term insurance underwriting: the risk associated with underwriting fixed and/or moveable assets, accidents, guarantees and liabilities;
- Life insurance underwriting: the risk associated with insuring the lives and/or health of individuals or groups of individuals;
- Market risk, which includes the following:
  - Asset liability management: the risk that the profile of assets held to back policyholder liabilities is inappropriate to match the profile of these liabilities;
  - Investment management: the risk associated with changes in asset values and includes short and long-term interest rates, foreign exchange and equity risk; and
- Reinsurance and risk transfer: the risk associated with the transfer of insurance exposures to a reinsurance provider/counterparty, which exposes the insurer to counterparty default risk.

The categories of insurance risk are managed within different entities within the Group.

Insurance risk will be elevated from a Key Risk under Market Risk to a Principal Risk under the ERMF in Q1 2017.

7.4.1 Strategy

The Group's insurance risk management objectives are:

- pursuing profitable growth opportunities;
- balancing exposure between life and short-term insurance to allow for better diversification;
- Retention of desired risks; and
- value creation in Rest of Africa footprint.

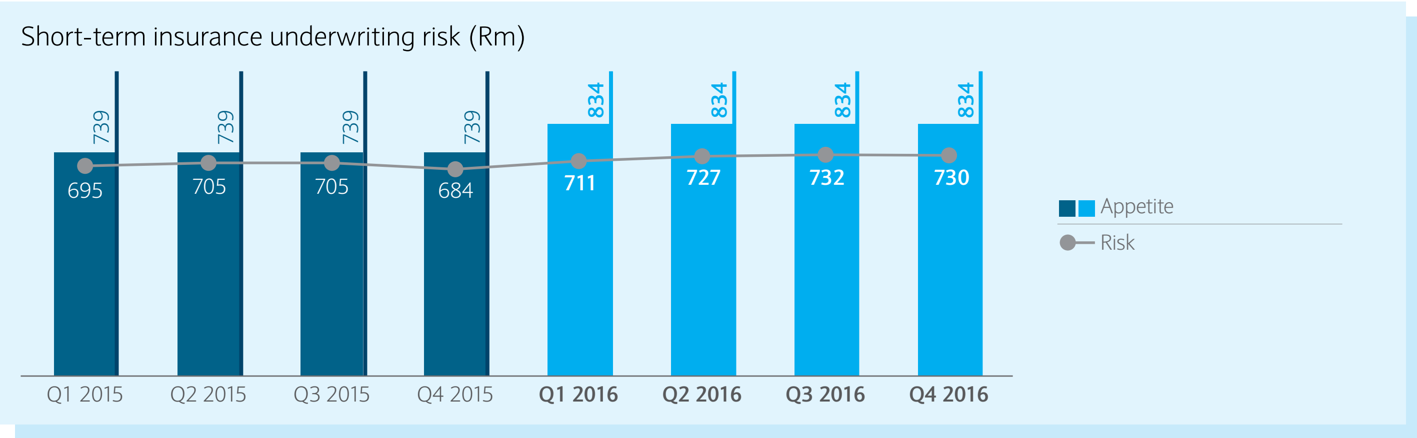
Within the Group, the different risk types are managed through specific committees, as set out below:

- Short-term insurance underwriting risk is managed through underwriting authority mandates and through referral to an underwriting review forum, as and when required. Risk governance is monitored by the Control Review Committee (CRC), the Group Actuarial Committee (GAC), the WIMI FRC and Key Risk reporting.
- Life insurance underwriting risk is monitored on a quarterly basis by the underwriting risk forum to ensure the risk taken is in line with the risk priced and reserved for. Risk governance is monitored by the CRC, the GAC, the WIMI FRC and Key Risk reporting.
- Life and short-term insurance investment risk is monitored by the WIMI FRC on at least a quarterly basis.
- Model governance and oversight is monitored by the WIMI MC.

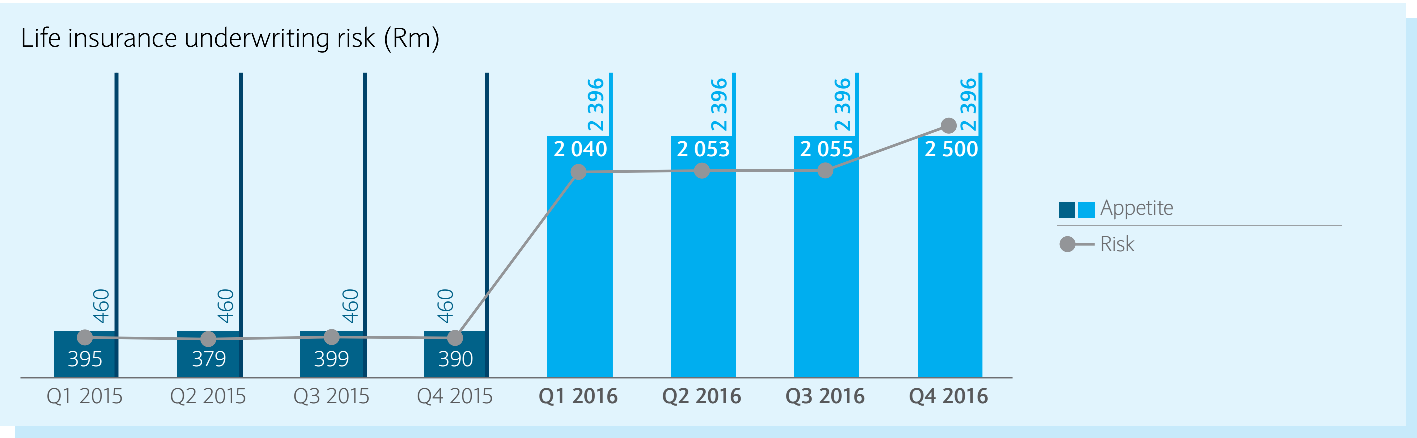
7.4.2 Insurance risk profile

The insurance risk appetite figures for 2017 in the South African and Rest of Africa insurance entities were approved by the GAC in November 2016.

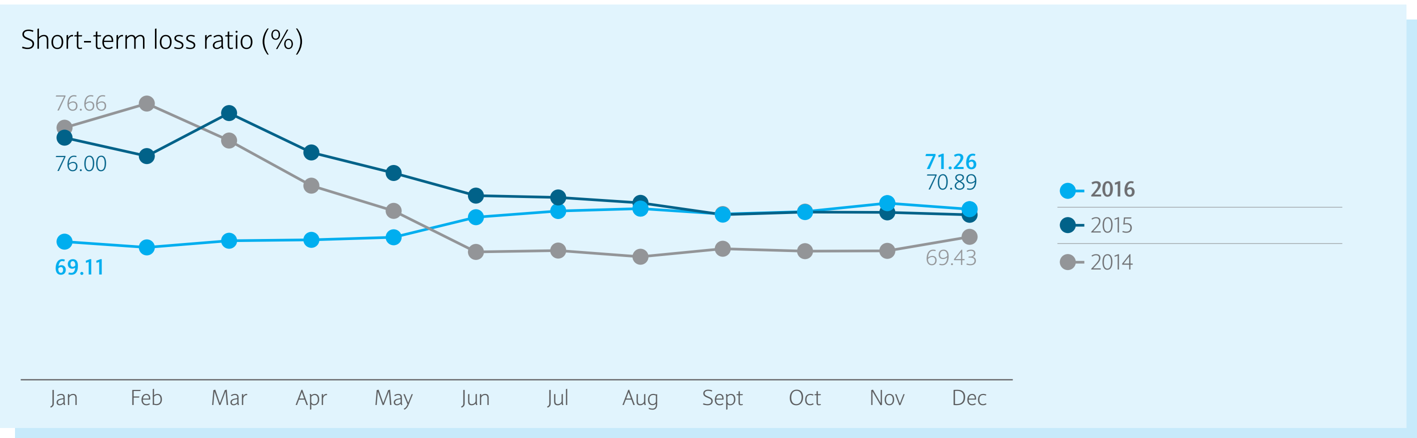
The utilisation compared to appetite is indicated below:



Short-term insurance risk remained within appetite.

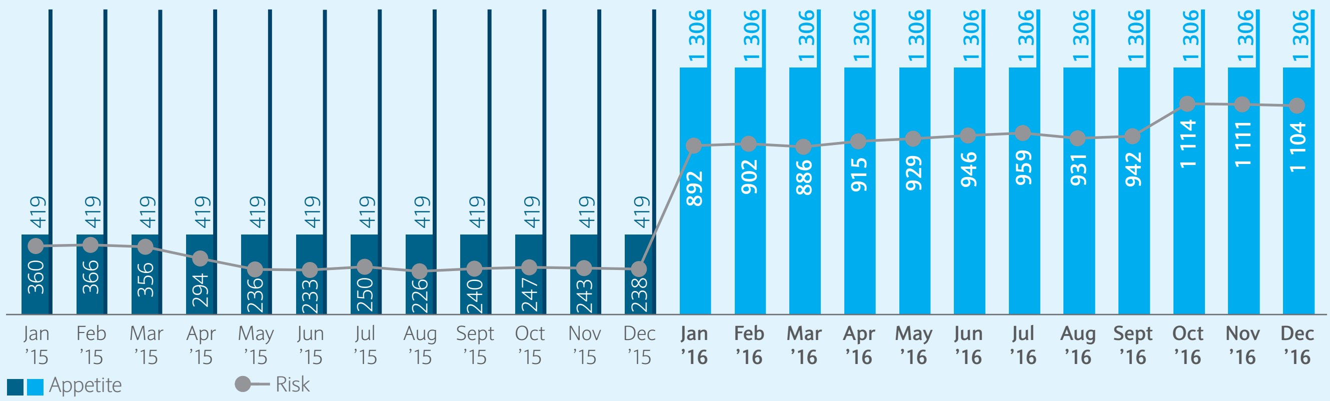


The 31 December 2016 actuarial reserving resulted in an increase of the underwriting risk capital charge, which resulted in a once-off increase above appetite. The Group Actuarial Committee had oversight over the reserving methodologies and results.



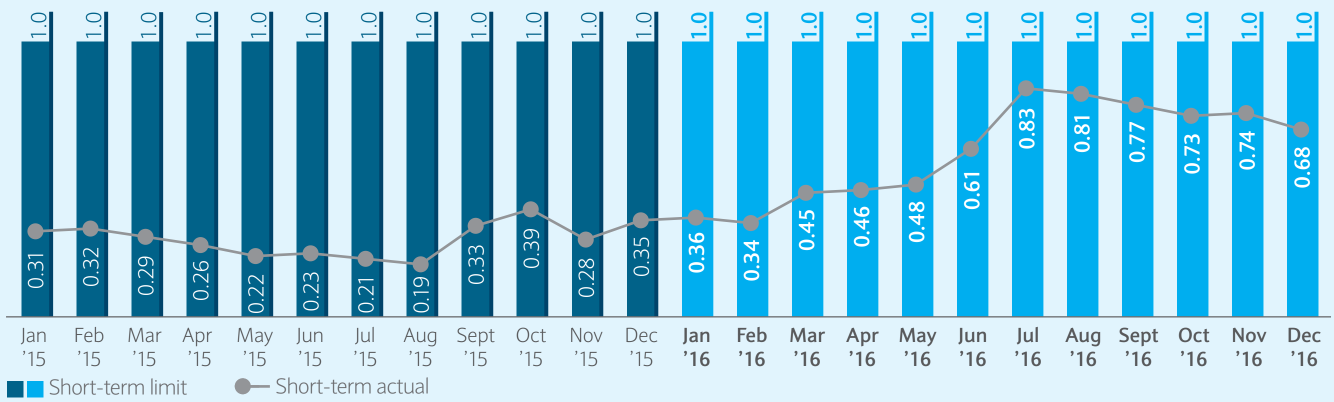
The short-term insurance loss ratios increased slightly over the reporting period.

Life and short-term investment risk – position vs appetite (Rm)



Investment risk remained well within appetite over the reporting period.

Short-term investment duration matching (years)



Assets backing short-term insurance liabilities remained within the mandated one-year maximum.

7.5 Pension risk

The Group maintains different pension plans with defined benefit and defined contribution structures for current and former employees. In respect of defined benefit plans, the ability to meet the projected pension payments is maintained through investments and regular contributions. Market risk arises when the estimated market value of the pension plan assets declines, their investment returns reduce, or when the estimated value of the pension liabilities increases, resulting in a funding deficit. In these circumstances, the Group could be required or might choose to make additional contributions to the defined benefit plan.

7.6 Market risk under the IMA

This section specifically relate to the trading books for which internal models approval has been in place for the previous and current reporting period.

7.6.1 Analysis of market risk exposure

This section specifically relates to the trading books for which internal models approval has been in place for the previous and current reporting period.

7.6.2 Analysis of market risk exposure

The following table reflects the DVaR and expected shortfall statistics for the trading book activities as measured by the IMA for general trading position risk. Traded market risk exposure, as measured by average total DVaR, increased to R25.1m for the full 2016 financial year, which is up 8% compared to R23.2m for the full 2015 financial year. This was driven mainly by continued market volatility coupled with increased exposures driven by client flow across the foreign exchange, interest rate and inflation profiles. While the equity and credit profiles noted a decrease due to active risk management in volatile markets.

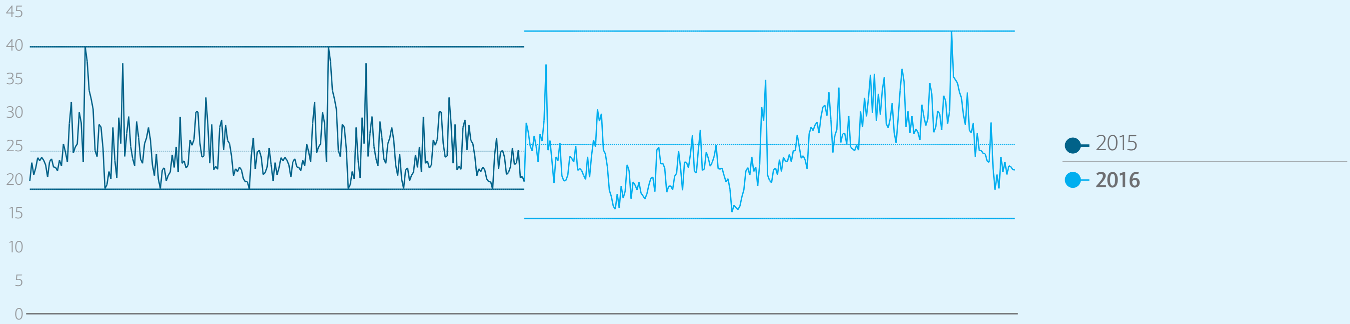
The business model of the CIB is focused on client flow and the risk profile is maintained so that it is aligned with the near-term demands of the Group's clients.

Trading book DVaR summary

	2016				2015			
	Average Rm	**High[1] Rm**	**Low[1] Rm**	**At the reporting date Rm**	Average Rm	High[1] Rm	Low[1] Rm	At the reporting date Rm
Interest rate risk	**23.26**	**37.46**	**15.83**	**23.80**	20.41	33.61	13.36	23.95
Foreign exchange risk	**7.97**	**23.30**	**1.70**	**6.51**	6.54	24.26	1.83	5.86
Equity risk	**5.79**	**20.25**	**1.91**	**3.21**	6.23	14.46	1.97	4.92
Commodity risk	**0.45**	**1.75**	**0.02**	**0.66**	0.59	1.76	0.07	0.14
Inflation risk	**10.97**	**32.59**	**4.06**	**8.12**	9.49	24.75	3.14	15.81
Credit spread risk	**7.89**	**16.47**	**5.85**	**6.02**	10.94	15.79	7.27	15.77
Diversification effect	**(31.22)**	**n/a**	**n/a**	**(25.53)**	(31.00)	n/a	n/a	(36.75)
Total DVaR[2]	**25.12**	**48.51**	**14.10**	**22.80**	23.19	39.65	16.98	29.71
Expected shortfall	**39.34**	**83.52**	**21.23**	**33.70**	35.52	24.58	61.85	50.30
Regulatory VaR[3]	**45.55**	**98.46**	**23.91**	**44.56**	39.61	81.15	26.14	47.76
Regulatory sVaR[3]	**84.54**	**144.51**	**50.49**	**50.49**	62.79	125.17	31.36	89.97

The following graph indicates the daily history of the trading book DVaR, along with the period averages, highs and lows. The average increased in H1 2016. This was driven mainly by continued market volatility coupled with increased exposures driven by client flow across the foreign exchange, interest rate and inflation profiles.

Trading book management DVaR (daily values, period average, high and low) (Rm)



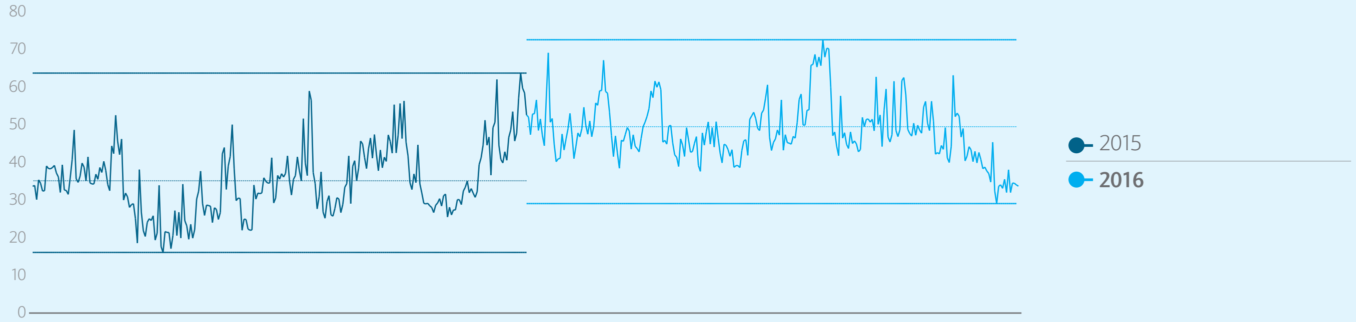
[1] The high and low DVaR figures reported for each category did not necessarily occur on the same day as the high (and low) total DVaR. Consequently, a diversification effect number for the high (and low) DVaR figures would not be meaningful and is therefore omitted.

[2] The analysis includes trading books for which internal models approval has been obtained.

[3] Regulatory VaR and sVaR are reported with a one-day holding period at a 99% confidence level. Consequently, these figures are not directly comparable to the 95% risk metrics reported in the rest of the table. The sVaR period is subject to ongoing review for appropriateness.

The following graph shows the daily history of the trading book sVaR. There was an increase in 2016, driven by temporary foreign exchange positions as well as increases in interest rate positions, with sVaR being more sensitive to curve profiles than overall positions.

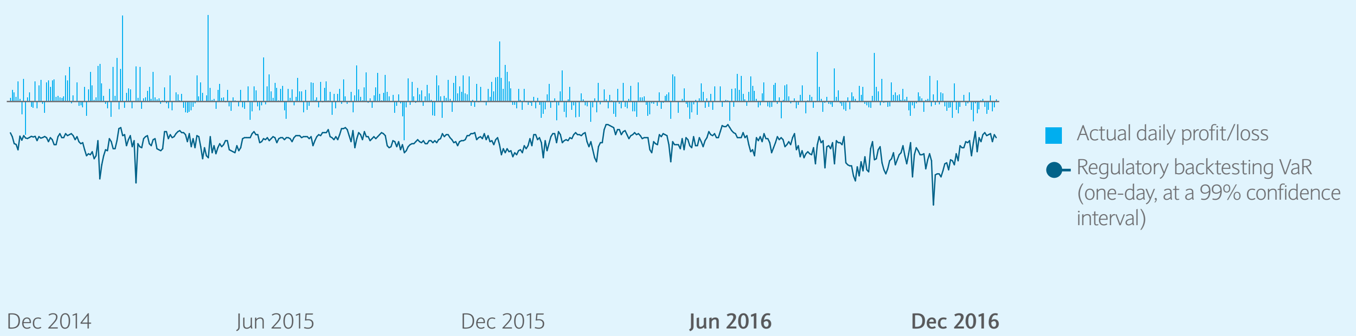
Trading book management sVaR (daily values, period average, high and low) (Rm)



7.6.2.1.Comparison of VaR estimates with trading revenues

The following graph compares the total VaR estimates over a one-day holding period at a 99% confidence level with the daily revenues generated by the trading units for the previous period and the reporting period. Revenue as reported here relates to actual 'clean' trading book revenue only, excluding fees, commissions, bid-ask spreads and NII, as required for regulatory backtesting purposes. There were no actual losses that exceeded the VaR estimate during the current reporting period.

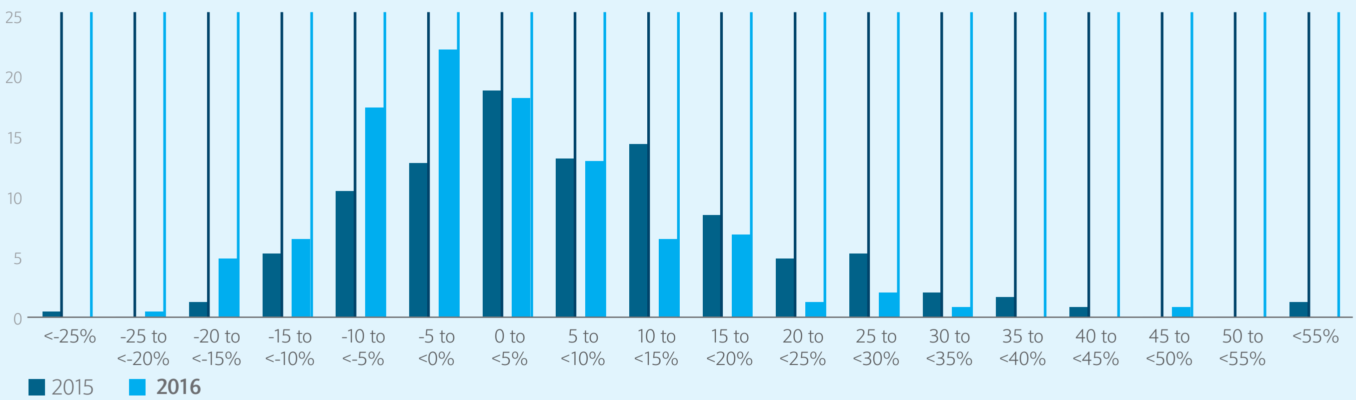
The Group's trading book revenue backtested against regulatory VaR (Rm)



7.6.2.2 Analysis of trading revenue

The following histogram depicts the distribution of daily trading revenue of the trading book for the previous period and the reporting period. Revenue includes net trading book income, excluding net fees and commissions. The distributions are skewed to the profit side. The average daily trading revenue for the reporting period increased compared to that of the previous reporting period.

Daily trading book revenue (Rm) achieved per percentage of business days (%)



7.6.3 Interest rate risk in the banking book (IRRBB)

7.6.3.1 Impact on earnings

The following table shows the impact on AEaR/NII sensitivity for 100 and 200 bps up and down movements in market interest rates for the Group's banking books. Assuming no management action is taken in response to market interest rate movements, a hypothetical, immediate and sustained parallel decrease of 200 bps in all market interest rates would, at the reporting date, result in a pre-tax reduction in projected 12-month NII of R2.38bn (2015: R1.96bn). A similar sustained parallel increase in interest rates would result in an increase in projected 12-month NII of R2.32bn (2015: R2.26bn). AEaR decreased by 0.6% to 5.7% of the NII (2015: 5.1%). A sensitivity analysis by major currency market interest rates indicates that earnings sensitivity to South African Rand (ZAR) market interest rates constitutes 77.2% of the total earnings at risk at the reporting date (2015: 70%), therefore indicating that the Group remains primarily exposed to South African market interest rates.

AEaR for 100 and 200 bps changes in market interest rates

	2016			
	200 bps decrease	**100 bps decrease**	**100 bps increase**	**200 bps increase**
Domestic bank book[1] (Rm)	**(1 835)**	**(766)**	**840**	**1 681**
Foreign subsidiaries[1] banks books[2] (Rm)	**(541)**	**(270)**	**270**	**541**
Total (Rm)	**(2 376)**	**(1 036)**	**1 110**	**2 222**
Percentage of the Group's NII (%)	**(5.7)**	**(2.5)**	**2.6**	**5.3**
Percentage of the Group's equity (%)	**(2.3)**	**(1.0)**	**1.1**	**2.2**

	2015			
	200 bps decrease	100 bps decrease	100 bps increase	200 bps increase
Domestic bank book[1] (Rm)	(1 376)	(701)	865	1 672
Foreign subsidiaries[1] banks books[2] (Rm)	(586)	(293)	293	586
Total (Rm)	(1 962)	(994)	1 158	2 258
Percentage of the Group's NII (%)	(5.1)	(2.6)	3.0	5.9
Percentage of the Group's equity (%)	(2.0)	(1.0)	1.2	2.3

[1] Includes exposures held in the CIB banking book.
[2] African subsidiaries' interest rate sensitivities are shown on a 100% (rather than actual) shareholding basis.

7.6.4 Interest return on average balances

Average balances and weighted average effective interest rates were as follows:

Group average statement of financial position

Group average statement of financial position	2016 Average balance[3] Rm	2016 Average rate %	2016 Interest income/ (expense) Rm	2015[2] Average balance[1] Rm	2015[2] Average rate %	2015[2] Interest income/ (expense)[4] Rm
Assets						
Cash, cash balances and balances with central banks	849	1.53	13	950	2.32	22
Investment securities	94 790	8.9	8 436	84 662	8.70	7 365
Loans and advances to banks and customers	757 393	10.02	75 898	713 704	9.03	64 450
Other interest[4]	–	–	767	–	–	1 766
Interest-bearing assets	853 032	9.98	85 114	799 316	9.21	73 603
Non-interest-bearing assets	268 712	–	–	245 388	0.00	–
Total assets	1 121 744	7.59	85 114	1 044 704	7.05	73 603
Liabilities						
Deposits from banks and due to customers	646 546	(4.79)	(30 946)	637 454	(4.18)	(26 663)
Debt securities in issue	123 540	(8.15)	(10 068)	119 511	(6.92)	(8 271)
Borrowed funds	13 821	(10.88)	(1 504)	11 891	(12.28)	(1 460)
Other interest[2]	–	–	(593)	–	–	1 198
Interest-bearing liabilities	783 907	(5.5)	(43 111)	768 856	(4.58)	(35 196)
Non-interest bearing liabilities	227 495	–	–	181 718	–	–
Total liabilities	1 011 402	(4.26)	(43 111)	950 574	(3.70)	(35 196)
Total equity	110 342	–	–	94 130	–	–
Total liabilities and equity	1 121 744	(3.84)	(43 111)	1 044 704	(3.37)	(35 196)
Net interest margin on average interest bearing assets	–	4.92	–	–	4.81	–

[1] African subsidiaries' interest rate sensitivities are shown on a 100% (rather than actual) shareholding basis.
[2] These numbers have been restated, refer to the reporting changes overview on the inside front cover of the booklet.
[3] Average balances are calculated based on daily and monthly weighted average balances.
[4] 'Other interest' on assets and liabilities includes fair value adjustments on hedging instruments and hedged items.

8. Funding risk

8.1 General information about funding risk

The risk that the Group is unable to achieve its business plans as a result of capital and liquidity shortfalls:

8.2 Liquidity risk management

Liquidity risk is the risk that the Group is unable to meet its obligations as they fall due, resulting in an inability to support normal business activity, and a failure to meet liquidity-related regulatory requirements. These outflows would deplete available cash resources for client lending, trading activities and investments. Such outflows could be through customer withdrawals, wholesale counterparties removing financing, collateral posting requirements or loan drawdowns. This risk is inherent in all banking operations and can be affected by a range of Group-specific and market-wide events.

Liquidity risk is monitored at a Group level under a single comprehensive Liquidity Risk Framework. The Liquidity Risk Framework is designed to deliver the appropriate term and structure of funding consistent with the LRA set by the local Board. This framework is delivered through a combination of policy formation, review and governance, analysis, stress testing, limit setting and monitoring.

Each geographic entity is required to be self-sustaining from a liquidity and funding perspective, and is responsible for implementing appropriate processes and controls to ensure compliance with local LRA, regulatory limits and reporting requirements.

8.2.1 Strategy

The Group's liquidity risk management objectives are:

- manage the funding position in line with local Board-approved LRA framework and regulatory requirements;
- build and maintain adequate liquidity buffers to ensure the Bank remains continuously compliant with the LCR;
- grow and diversify the funding base to support asset growth and other strategic initiatives;
- manage the Bank's maturity profile in order to achieve planned liquidity ratios; and
- balance the above objectives against the long-term impacts on the Bank's cost of funding.

The Group is expected to maintain a healthy liquidity position throughout 2017 which will enable it to support its growth targets.

8.2.2 Approach to liquidity risk

The efficient management of liquidity is essential for safeguarding the Group's depositors, preserving market confidence and maintaining the Group's brand. The Group considers sustainable access to appropriate liquidity for each of its entities to be extremely important. Liquidity risk is managed in line with the Liquidity Risk Framework, which is designed to meet the following objectives:

- to maintain liquidity resources that are sufficient in amount and quality and a funding profile that is appropriate to meet the LRA as expressed by the Board;
- to maintain market confidence;
- to set limits to control liquidity risk within and across lines of business and legal entities;
- to price liquidity costs accurately, benefits and risks and incorporate those into product pricing and performance measurement;
- to set EWIs to identify immediately the emergence of increased liquidity risk or vulnerabilities including events that would impair access to liquidity resources;
- to project fully over an appropriate set of time horizons cash flows arising from assets, liabilities and off-balance sheet items; and
- to maintain a CFP that is comprehensive and proportionate to the nature, scale and complexity of the business and that is regularly tested to ensure that it is operationally robust.

The liquidity risk management processes are summarised in the table below:

Funding planning	Liquidity risk monitoring	Execution and intra-day liquidity risk	Contingent funding planning	Regulatory compliance
› Funding plan › Concentration risk › Client behaviour › Pricing liquidity risk through funds transfer pricing	› Liquidity framework and policies › LRA › Stress testing › Limits and metrics › Intraday liquidity risk monitoring › Monitoring other contingent liquidity risks › New product review › Debt buyback monitoring	› Liquidity buffers › Funding execution › Daily clearing and settlement › Contingent liquidity risks in transaction documentation	› Contingency planning › EWIs › Liquidity simulations › Recovery and resolution planning	› Reserving › Liquid assets › Regulatory reporting › LCR › NSFR

8.2.2.1 Funding planning

Each entity is required to ensure that funding diversification is taken into account in its business planning process and maintain a funding plan or forecast. This takes into account market conditions and the changes in factors that affect the entity's ability to raise funds.

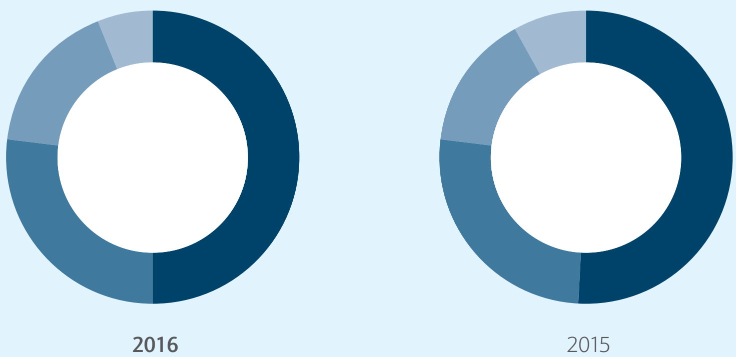
Entities avoid undue reliance on large deposits from a single source, a particular business type, a particular geographic region, a common maturity date or through an individual product as this could, in extreme circumstances, lead to a rapid outflow of funds in times of stress.

8.2.3 Funding structure

Funding is sourced from a variety of depositors representing a diversity of economic sectors, with a wide range of maturities. The Group has a well-diversified deposit base and concentration risk is managed within appropriate guidelines. Sources of liquidity are regularly reviewed to maintain a wide diversity of provider, product and term.

Funding structure (%)

50 (51) Deposits from banks
27 (26) Demand deposits
17 (15) Term deposits
6 (8) Debt securities in issue



8.2.4 Loan-to-deposit ratio

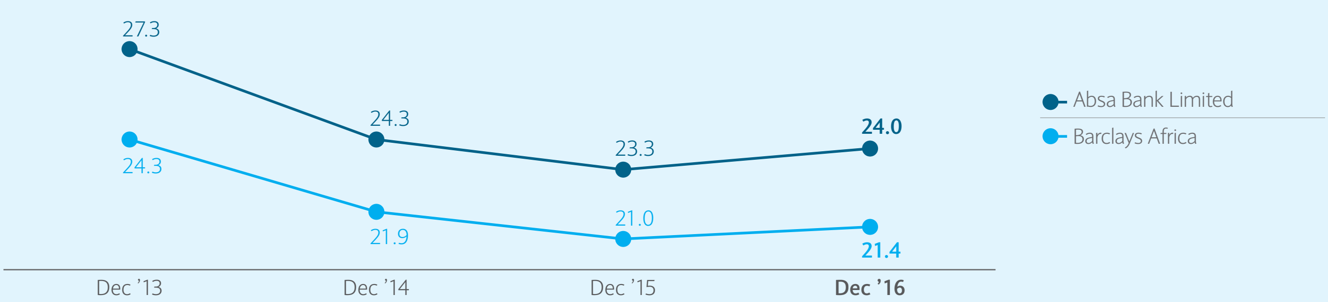
	2016	2015
Advances		
Loans and advances to customers	**720 309**	703 359
Deposits	**814 579**	817 102
Deposits due to customers	**674 865**	688 419
Debt securities in issue	**139 714**	128 683
Loan-to-deposit ratio (%)	**88.4**	86.1

The Barclays Africa ratio of 88.4% is 2.3% higher compared to December 2015, mainly due to growth in loans and advances to customers. On a constant currency basis, deposits due to customers increased by 1% year-on-year.

8.2.5 Long-term funding ratio

A key metric used to track the funding structure is the average long-term funding ratio. This ratio reflects the proportion of total funding with an outstanding term in excess of six months. The history of Absa Bank's average long-term funding ratio is shown below. Between December 2015 and December 2016 the Bank's average long-term funding ratio increased to 24.0% to match the growth in longer-term assets. The Rest of Africa entities reduced the Group ratio by 2.6% to 21.4%. These Rest of Africa entities are predominantly deposit-led banks funded through retail and corporate deposits. Whilst these deposits are very stable they are generally short-term.

Long-term funding ratio (%)



8.2.6 Liquidity coverage ratio (LCR)

The objective of the LCR is to ensure that every bank maintains an adequate stock of HQLA to survive a significant stress scenario lasting 30 days. A minimum LCR of 60% has been required since 1 January 2015 with a 10% increase each year to 100% on 1 January 2019.

The changes in the LCR requirement are primarily driven by changes to the Group's overall balance sheet size and composition as it relates to counterparties, products, maturities and collateral. The bank's funding and investment strategies have been adapted to react to these drivers.

The liquid asset portfolio continues to be the bank's largest source of liquidity and includes a volatility buffer in excess of the requirement. The objective of this buffer is to ensure continuous compliance with the ratio. The size of the buffer is dynamically reassessed, taking into account cycles in the market and observable volatility.

Barclays Africa and Absa Bank Limited held HQLA in excess of the regulatory minimum requirement. The table below represents the average LCR for the quarter ended[1]:

	Barclays Africa		Absa Bank Limited[2]	
	2016	2015	**2016**	2015
High-quality liquid assets (Rm)[3]	**142 097**	110 009	**134 142**	101 578
Net cash outflows (Rm)	**149 266**	157 340	**136 653**	145 031
LCR (%)	**95.2**	69.9	**98.2**	70.0
Required LCR (%)	**70.0**	60.0	**70.0**	60.0

8.2.7 Net stable funding ratio (NSFR)

The NSFR is defined as the amount of available stable funding relative to the amount of required stable funding. The NSFR was designed to encourage banks to use stable funding sources and reduce their dependence on short-term funding.

The bank expects that it would exceed the minimum regulatory requirement of 100% when the ratio becomes effective on 1 January 2018.

1 The values disclosed represent the simple average of the relevant three month-end data points.
2 Absa Bank Limited includes the South African banking operations.
3 Surplus high quality liquid asset holdings in excess of the minimum requirement of 70% have been excluded from the aggregated high-quality liquid asset number in the case of all Rest of Africa banking entities. The three month average LCR for Barclays Africa is 96.8% if surplus high-quality liquid asset holdings in excess of 100% are excluded.

8.2.8 High-quality liquid assets

Each bank holds a stock of HQLA to meet any unexpected liquidity drains. In the majority of locations, local regulators impose rules on the quantum of reserve liquidity to be held.

HQLA consists of cash and cash equivalents, deposits with central banks, government debt, and other qualifying instruments under the Basel III framework. Each entity within the Group maintains and demonstrates constant access to the relevant underlying asset market to avoid undue price movement if liquid assets need to be sold. Each operation ensures that its buffer can be liquidated at short notice.

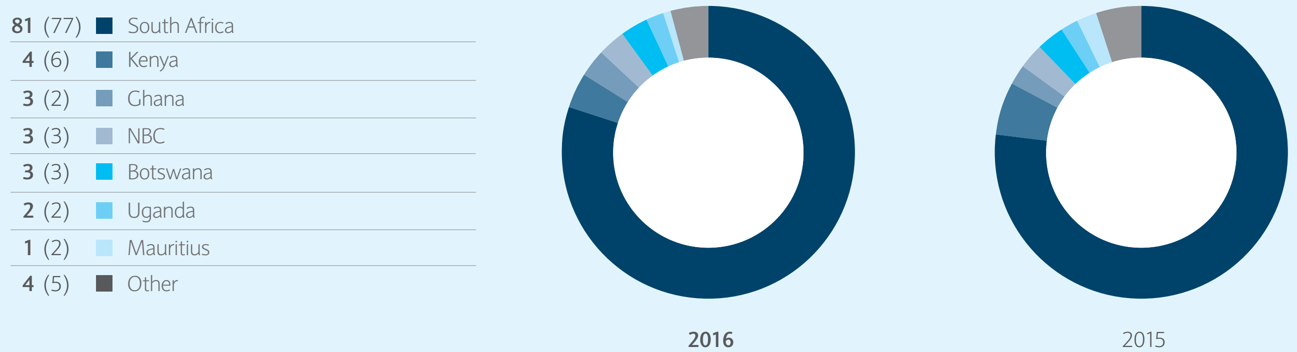
Absa Bank Limited successfully applied for a committed liquidity facility (CLF) from the SARB, which is included in HQLA for LCR purposes from January 2016.

8.2.9 The Group sources of liquidity

	2016 Rm	2015 Rm
The Group sources of liquidity	**239 265**	199 024
High-quality liquid assets	**144 695**	105 332
Other liquid assets (outside South Africa)	**33 201**	31 640
Other sources of liquidity	**61 369**	62 052

Barclays Africa's sources of liquidity amount to 35.5% of deposits due to customers.

Composition of liquid assets (%)



8.2.10 Stress and scenario testing

Under the Liquidity Framework, the Group has established the LRA, which is the level of liquidity risk the Group chooses to take in pursuit of its business objectives and in meeting its regulatory requirements. It is measured with reference to anticipated stressed net contractual and contingent outflows for a variety of stress scenarios and is used to size the liquidity pool.

Each entity within the Barclays Africa Group undertakes a range of stress tests appropriate to its business. Stress tests consider both institution-specific and market-wide scenarios. The results of the stress tests are used to determine the liquid asset buffer, to develop the CFP, and liquidity recovery and resolution plan. Stress-testing results are also taken into account when setting limits for the management of liquidity risk and the business planning process.

As part of stress and scenario testing, the relevant liquid assets portfolio serves as the main source of liquidity under stress. Liquidity value is also assigned to unsecured funding lines, readily marketable investment securities and price-sensitive overnight loans.

8.2.11 Contingency funding planning

Each bank maintains its own CFP. The CFP includes, *inter alia*:

- the roles and responsibilities of senior management in a crisis;
- authorities for invoking the plan;
- communications and organisation;
- an analysis of a realistic range of market-wide and Group-specific liquidity stress tests;
- scenario analyses and the extent to which each stress test and scenario can be mitigated by managing the balance sheet; and
- a range of EWIs. These assist in informing management on deciding whether the CFP should be invoked.

Each operation must adopt and conform to the Group CFP and establish local processes and procedures for managing local liquidity stresses that are consistent with the Group's plan. The CFPs set out the specific requirements to be undertaken locally in a crisis. This could include monetising the liquidity pool, slowing the extension of credit, increasing the tenor of funding and securitising or selling assets. The Group continues to build upon the recovery and resolution plan and work with the regulators and industry bodies in the formulation of recovery and resolution planning.

8.3 Capital risk management

15 Refer section 3 of this report.

9. Operational risk

9.1 General information about operational risk

Operational risk arises when there is potential for direct and indirect loss resulting from human factors, inadequate or failed internal processes, systems or external events. Operational risk exists in the natural course of business activity; therefore it is not possible to eliminate all operational risk exposure. Risk events of significance are not frequent and the organisation seeks to reduce the likelihood of these in accordance with its risk appetite.

Operational risk is recognised as a significant risk type and the organisation is committed to enhancing the measurement and management thereof. Within the operational risk framework, qualitative and quantitative methodologies and tools are applied to identify and assess operational risks and to provide management with information for determining appropriate mitigating measures.

9.2 Strategy

The Group's operational risk management objectives are to:

- articulate an appropriate level of appetite for operational risk, that supports the business strategy;
- manage risk and control effectively and in doing so maintain the operational risk profile within appetite;
- embed a positive risk culture across the organisation; and
- minimise the impact of losses suffered in the normal course of business (ELs) and to avoid or reduce the likelihood of suffering an extreme (or unexpected) loss.

Primary supporting activities include:

- further embedding an operational risk-aware culture throughout the Group;
- setting and monitoring appropriate operational risk appetite and performance metrics;
- performing end-to-end risk reviews of the Group's core processes;
- embedding a structured and disciplined approach to monitoring and assurance of the operational risk framework and its use in the businesses;
- enhancing controls using automated solutions as far as possible, specifically relating to fraud;
- strengthening follow-up and recovery actions for unexpected operational risk and boundary events; and
- continuing the shift from reactive remedial activities to effectively managing and mitigating key operational risks.

9.3 Approach to operational risk

Operational risk is a principal risk managed through an associated ORMF, which is underpinned by a taxonomy of key risks. These key risks constitute the risk environment for operational risk and the management of each key risk is overseen by designated independent senior management experts called KROs.

The ORMF comprises a number of elements that allow the Group to manage and measure its operational risk profile and to calculate the amount of operational risk capital that needs to be held to absorb unexpected losses. The minimum mandatory requirements for each of these elements are set out in the Group's operational risk standards. These standards are implemented: vertically, through the organisational structure with all businesses required to implement and operate the ORMF that meets, as a minimum, the requirements detailed in these operational risk standards; and horizontally, with the KROs required to monitor information relevant to their key risk.

The Group is committed to the management and measurement of operational risk and was granted approval for an AMA for operational risk as per the regulations to the Banks Act, which commenced in January 2008. The majority of the South African entities in the Group calculate RC using AMA. The BIA or TSA is being applied for the remaining entities.

Operational risk comprises a number of specific key risks defined as follows:

- **Supplier risk:** inadequate selection and ongoing management of suppliers;
- **Financial reporting risk:** reporting misstatement or omission in external financial or regulatory reporting;
- **Fraud risk:** dishonest behaviour with the intent to make a gain or cause a loss to others;
- **Financial crime risk:** the risk of breaching economic and financial sanctions, the facilitation of money laundering or terrorist financing and/or bribery and corruption;
- **Information risk:** inadequate protection of the Group's information in accordance with its value and sensitivity;
- **Legal risk:** failure to identify and manage legal risks;
- **Payment risk:** failure in operation of payments processes;
- **People risk:** inadequate people capabilities and/or performance/reward structures, and/or inappropriate behaviour;

- **Premises and security risk:** unavailability of premises (to meet business demand) and/or safe working environments, and inadequate protection of physical assets, employees and customers against external threats;
- **Taxation risk:** failure to comply with tax laws and practice that could lead to financial penalties, additional tax charges or reputational damage;
- **Technology risk:** failure to develop and deploy secure, stable and reliable technology solutions; and
- **Transaction operations risk:** failure in the management of critical transaction processes.

There are also certain threats/risk drivers, in addition to the key risks, that have the potential to impact the Group's strategic objectives, and require an overarching and integrated management approach. These risk exposures are designated as Enterprise Risk Themes and include Change, Cyber and Resilience.

- **Cyber:** Any cyber-attack that disrupts the ability of networks, infrastructure, or applications to perform their intended functions;
- **Change:** Risk of failure in delivering Change appropriately; and
- **Resilience**: A characteristic of an organisation, whereby it is able to survive and prosper in its commercial endeavours regardless of the impact of adverse events, shocks and chronic or incremental changes.

The primary responsibility for the management of operational risk lies with the business and functional units where the risk arises. Operational risk managers are widely distributed throughout the organisation and support these areas. The heads of Operational Risk for each of the business lines are responsible for ensuring the implementation of and compliance with the operational risk framework, policies and standards.

The ORMF has been designed to meet external and internal governance requirements including Basel and the Banks Act. The ORMF includes the following elements.

9.4 Risk and control self-assessments

Material risks are identified and assessed in each business area and the performance of key controls is evaluated regularly to mitigate those risks. Managers in the business use self-assessment techniques to identify risks, evaluate the effectiveness of key controls and assess whether the risks are effectively managed within business risk appetite. The businesses are then able to make decisions on what, if any, action is required to reduce or maintain the level of risk. These risk assessments are monitored on a regular basis to ensure that each business continually understands the risks it faces.

9.5 Internal risk events

An operational risk event is any circumstance where there is a potential or actual impact to the Group resulting from inadequately controlled or failed internal processes, people and systems, or from an external event. The definition includes situations in which a loss could have been incurred, but in fact a gain was realised, as well as incidents resulting in reputational damage or regulatory impact. Boundary events, such as operational risk materialising within credit risk, are also tracked. Thresholds are used across the organisation for reporting risk events and as part of the analysis the Group seeks to identify where improvements are needed to be made to processes or controls, to reduce the likelihood of recurrence and/or magnitude of risk events.

9.6 Lessons learnt

The ERMF includes a process and requirement to perform detailed root-cause analysis of any significant loss events incurred. This process is referred to as "Lessons Learnt". The technique contributes to management's understanding of the risk and control environment across the organisation and enables informed and appropriate remediation targeted at continuously improving the Group's risk management process and the effectiveness with which the bank is managed.

9.7 External risk events

Applicable external loss information is regularly considered to support and inform risk identification, assessment, and measurement, and provide management with insight into possible emerging risks. The Group is a member of the Operational Risk Data eXchange (ORX), a not-for-profit association of international banks formed to share anonymous loss data information. This external loss information is used to support and inform risk identification, assessment and measurement.

9.8 Key indicators (KIs)

KIs are metrics that are used to monitor the Group's operational risk profile. KIs include measurable thresholds that reflect the risk appetite of the business and are designed to track risk, control and business factors which influence the operational risk profile. KIs are monitored to alert management when risk levels exceed acceptable ranges or risk appetite levels, and drive timely decision-making and actions.

9.9 Key risk scenarios (KRS)

KRS are a summary of the extreme potential risk exposure for each Key Risk in each business and function, including an assessment of the potential frequency of risk events, the average size of losses and extreme scenarios. The KRS assessments are a key input to the AMA calculation of RC and EC requirements (see following section on Operational Risk Measurement) and are a management tool of the ORMF.

The assessment is performed by business management with the KROs providing expert input, review and challenge. The process takes into account the analysis of internal and external loss experience, KRIs, risk and control assessments and other risk information.

Business management analyses potential extreme scenarios, considering:

- the circumstances and contributing factors that could lead to an extreme event;
- the potential financial and non-financial impacts (e.g. reputational damage); and
- the controls that seek to limit the likelihood of such an event occurring, and the mitigating actions that would be taken if the event were to occur (e.g. crisis management procedures, business continuity or disaster recovery plans).

Business management may then conclude whether the potential risk is acceptable (within appetite) or whether changes in risk management control or business strategy are required.

9.10 Insurance

As part of the Group's risk management approach, insurance is applied to mitigate the impact of insurable operational risks.

9.11 Reporting

The ongoing monitoring and reporting of operational risk is a key component of an effective operational risk framework. Reports are used by the Operational Risk function and by business management to understand, monitor, manage and control operational risks and losses.

The Operational Risk and Control Committee (OR&CC) is the executive body responsible for the oversight and challenge of operational risk in the Group. The OR&CC presents relevant risk profile information to the GRCMC and GACC. The OR&CC is chaired by the GCRO.

In addition, business unit CRC and OR&CC monitor risk management and control effectiveness. In-country governance and risk committees are aligned to the requirements of the OR&CC and the overarching principles of the ERMF.

9.12 Operational risk measurement

The Group assesses its operational risk capital requirements using an AMA. The approach involves estimating the potential range of losses that could be incurred in a year from operational risk events, using statistical distributions. RC requirements are set to cover 99.9% of the estimated losses. The Group also assesses its EC requirements to cover 99.95% of the estimated losses that exceed the typical losses.

The potential frequency and severity of losses are estimated for each operational Key Risk in each business and function. The estimation is based on internal loss data, extreme scenarios (from the KRS Process) as well as external loss data from ORX.

The capital calculation also takes into account the possibility of correlations between operational risk losses occurring in a year (between risks within businesses and functions and between businesses and functions).

In certain operations outside South Africa, joint ventures and associates, Barclays might not be able to apply the AMA model. In these instances, the BIA or TSA approach is utilised.

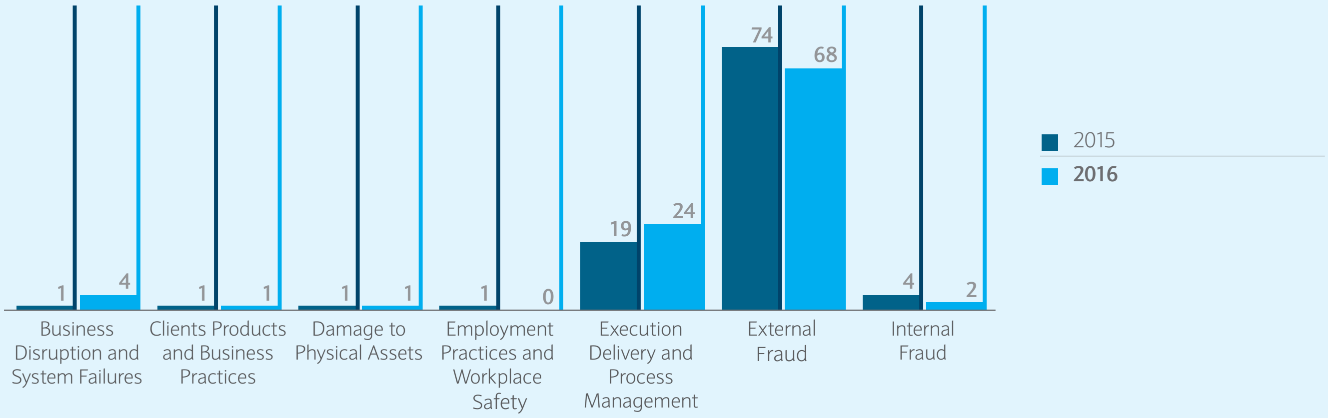
9.13 Operational risk events

The SARB expects Barclays Africa Group to record all single events that exceed a R10k threshold. Processes are implemented to monitor compliance to this requirement.

The Group monitors trends in operational risk events by size (count and value), product line and internal risk categories (including Key Risk). For comparative purposes, the analysis below presents the operational risk events by Basel II category. The highest frequency of events for the period occurred in External Fraud (68%). This pattern is in line with the nature of operational risk and the environment in which the Group operates.

The highest portion of losses by value during 2016 occurred in Execution, Delivery and Process Management (mainly transaction processing and payment-related issues) (49%) and External Fraud (37%).

Total risk events by count (%)



Total risk events by value (%)

10. Conduct risk

10.1 General information about conduct risk

Conduct risk is the risk that detriment is caused to customers, clients, counterparties or Barclays through inappropriate judgement in the execution of the Group's business activities.

Managing conduct risk effectively is a key part of the organisation's journey to building trust, improving customer loyalty and building a sustainable business. The organisation has recognised conduct risk as a separate stand-alone risk within its ERMF that supports the business in ensuring that customers' interests are being taken into account in all the Group's business decisions. Conduct risk is an evolution of Treating Customer Fairly principles. Conduct risk recognises that due to banking product complexity, the importance of banking to people's lives and the power asymmetry between customers and banks, conscious actions need to be taken which prevent or mitigate the risk of poor conduct. Implementing an effective Conduct Risk framework will support the Barclays-wide programme that aims to develop a strong culture where individuals and business units are responsible for operating in a way that is both compliant with regulatory requirements and consistent with the Group's values of respect, integrity, service, excellence and stewardship.

The conduct of banks is under more rigorous scrutiny from regulators globally and the Group is committed to enhancing the measurement and management thereof. The Twin Peaks model for regulatory supervision is in the process of being implemented in South Africa. The implementation of a Conduct Risk management framework will position the Group to meet any enhanced requirements that may result.

10.2 Strategy

The Group's conduct risk management objectives are to:

- embed conduct risk across the organisation;
- provide oversight ensuring business manages and mitigates key conduct risks within the Group's strategy and business models; and
- continue to engage with regulators and industry bodies to identify and implement regulatory change.

10.3 Approach to conduct risk

Conduct risk is a principal risk managed through an associated Conduct Principal Risk Framework (CPRF), which is underpinned by three key risks defined as follows:

- **Culture and Strategy Risk:** Our culture or strategy causes or has the potential to cause customer detriment.
- **Product Lifecycle Risk:** The way we design and implement a product does not meet customers' needs or has the potential to cause customer detriment.
- **Reputation Risk:** The risk of damage to the brand arising from association, action or inaction which is perceived by stakeholders as inappropriate or unethical.

The prime responsibility for the management of conduct risk rests with the respective business units. The heads of the different business units are responsible for ensuring the implementation of, and compliance with, the conduct risk framework. In addition, business unit Control and Risk Committees (CRC) and Country Risk and Control Committees (CRCC) monitor risk management and control effectiveness.

The Group Compliance function is responsible for establishing, owning and maintaining the CPRF and for overseeing the portfolio of conduct risk in the Group. The CRRC which is chaired by the Chief Compliance Office, is the senior executive body responsible for the oversight and challenge of conduct risk in the Group. The CRRC provides relevant risk profile information to the Social and Ethics Committee (SEC), Group Audit and Control Committee (GACC), Group Risk Capital Management Committee (GRCMC). In addition to these committees, the Barclays Africa conduct risk profile is provided to the relevant Barclays PLC committees.

The guiding principles that articulate the Group's commitment in the achievement of positive and fair customer treatment are defined in the conduct risk outcomes as follows:

- The Group does not disadvantage or exploit customers, customer segments or markets. The Group does not distort market competition;
- The Group identifies conduct risks and intervenes before they crystallise, by managing, escalating and mitigating them promptly;
- The Group's products, services and distribution channels are designed, monitored and managed to provide value, accessibility and to meet the needs of the Group's customers;
- The Group provides banking products and services that meet the Group's customers' expectations and perform as represented;
- The Group addresses any customer detriment and dissatisfaction in a timely and fair manner;
- The Group safeguards the privacy of personal data;
- The Group upholds market integrity; and
- The Group upholds the reputation of Barclays.

Achieving the Conduct Risk Outcomes is a positive indicator that we are putting our customers at the heart of our business. The Group's strategy is to develop long-term banking relationships with the Group's customers by providing banking products and services that meet their needs and do not cause detriment.

10.4 Conduct material risk assessments (CMRA) and forward-looking conduct risk reporting

The Group performs CMRAs to ensure that when developing business models and strategy it fully considers customer/client outcomes and market integrity and identifies the management actions that need to be put in place to avoid customer detriment or damage to market integrity. This consideration includes the analysis of medium term financial plans. Accountable Executives produce quarterly conduct risk reporting. By using the strategy and business model key risk lens, conduct risk reporting is not only forward-looking but also identifies conduct risks at the earliest stages of the Group's strategy formulation and decision making.

10.5 Internal risk events reporting

Conduct Risk is a non-financial risk type and intrinsic to all of the Group's activities. Customers of a bank may experience detriment e.g. due to adverse economic and market conditions. Nevertheless the Group has a low level of tolerance for customer detriment and conduct incidents. The Group recognises that from time to time conduct risks (including detriment) will crystallise and become conduct incidents.

Thresholds are used to ensure that likely and probable conduct risks and realised conduct incidents are escalated to governance forums on a monthly and quarterly basis. Root cause analysis and lessons learnt from events are key to the Group's understanding of its risk and control environment.

Interdependent risks must be managed in a way that ensures potential and actual causes and impacts are considered from a Conduct perspective.

10.6 Key indicators (KIs)

KIs are used to monitor conduct risk against measurable targets. KIs are generally categorised between Key Risk Indicator (KRI), KCI or KPI each respectively designed to monitor identified risk exposures, control effectiveness, and other business performance. Prescribed KPIs have been drafted at a high level to allow businesses to identify underlying processes and data relevant to their business's or function's key risk profile. Individual Business Units are required to develop business specific KPIs to enable a more detailed assessment of Conduct Risk Management across Barclays Africa Group Limited. Predictive key indicators (PKIs) are used to measure forward-looking risk exposures.

11. Annexures

Annexure A: Capital management disclosure

Reconciliation of accounting capital to regulatory capital (Barclays Africa)

As at 31 December 2016	Step 1[1] Accounting balance sheet per published financial statements Rm	Step 2[2] Balance sheet per regulatory scope of consolidation Rm	Reference[3]
Assets			
Cash, cash balances and balances with central banks	50 006	47 159	
Investment securities	114 315	110 112	
Loans and advances to banks	49 789	48 334	
Trading portfolio assets	96 236	96 229	
Hedging portfolio assets	1 745	1 745	
Other assets	25 542	24 001	
Current tax assets	894	837	
Non-current assets held for sale	823	823	
Loans and advances to customers	740 025	739 803	
Less: Impairments	(19 716)	(19 716)	
of which gross amount of eligible provisions: Standardised Approach	–	1 967	
of which general allowance for credit impairment, after deferred tax: standardised approach	–	584	(a)
of which gross amount of eligible provisions: IRB approach	–	12 747	
of which gross amount of eligible provisions: Securitisation	–	18	
Reinsurance assets	985	–	
Investment linked to Investment contracts	18 816	902	
Investments in associates and joint ventures	1 065	1 065	
Goodwill and intangible assets	4 049	3 587	
of which goodwill	876	715	(b)
of which other intangibles	3 173	2 872	(c)
Investment properties	478	279	
Property and equipment	14 643	14 562	
Deferred tax assets	1 328	1 053	
Total assets	1 101 023	1 070 775	

[1] Relates to Barclays Africa Group Limited balance sheet including insurance entities.
[2] Relates to Barclays Africa Group Limited excluding insurance entities.
[3] Relates to Barclays Africa Limited excluding insurance entities and references to composition of capital disclosure table.

Reconciliation of accounting capital to regulatory capital (Barclays Africa)

As at 31 December 2016	Step 1[1] Accounting balance sheet per published financial statements Rm	Step 2[2] Balance sheet per regulatory scope of consolidation Rm	Reference[3]
Liabilities			
Deposits from banks	53 192	53 192	
Trading portfolio liabilities	47 429	47 429	
Hedging portfolio liabilities	2 064	2 064	
Other liabilities	27 696	25 789	
Provisions	3 005	2 948	
Current tax liabilities	244	231	
Non-current liabilities held for sale	9	9	
Deposits due to customers	674 865	674 234	
Debt securities in issue	139 714	139 714	
Liabilities under investment contracts	29 198	8 807	
Policyholder liabilities under insurance contracts	4 469	–	
Borrowed funds	15 673	15 673	
of which instruments recognised as Tier 2 Capital	14 881	14 881	(d)
of which instruments not recognised as Tier 2 Capital	792	762	
of which minority Interest Consolidated	–	30	(d)
Deferred tax liabilities	1 185	1 119	
Total liabilities	**998 743**	**971 209**	
Equity			
Capital and reserves			
Attributable to ordinary equity holders:			
Paid-in share capital	6 160	6 161	
of which amount eligible for CET1	6 160	6 161	(e)
Retained earnings	81 604	78 871	(f)
Accumulated other comprehensive income	5 293	5 481	
of which amount eligible for CET1	4 659	4 659	(g)
of which amount related to non-qualifying reserves	634	822	
Non-controlling interest – Ordinary shares	4 579	4 410	(h)
of which relate to Surplus Deduction CET1	–	2 326	(i)
Non-controlling interest – Ordinary Preference shares	4 644	4 644	(j)
of which relate to Surplus Deduction AT1	–	969	(k)
Total equity	**102 280**	**99 566**	
Total liabilities and equity	**1 101 023**	**1 070 775**	

1 Relates to Barclays Africa Group Limited balance sheet including insurance entities.
2 Relates to Barclays Africa Group Limited excluding insurance entities.
3 Relates to Barclays Africa Limited excluding insurance entities and references to composition of capital disclosure table.

Reconciliation of accounting capital to regulatory capital (Absa Bank)

As at 31 December 2016	Step 1[1] Accounting balance sheet per published financial statements Rm	Step 2[2] Balance sheet per regulatory scope of consolidation Rm	Reference[3]
Assets			
Cash, cash balances and balances with central banks	28 252	28 252	
Investment securities	84 174	84 174	
Loans and advances to banks	39 296	39 296	
Trading portfolio assets	74 389	74 389	
Hedging portfolio assets	1 734	1 734	
Other assets	16 645	16 645	
Current tax assets	616	616	
Non-current assets held for sale	367	367	
Loans and advances to customers	644 856	644 856	
Less: Impairments	(14 210)	(14 210)	
of which gross amount of eligible provisions: Standardised Approach	–	1 463	
of which general allowance for credit impairment, after deferred tax: standardised approach	–	144	(a)
of which gross amount of eligible provisions: IRB approach	–	12 747	
Loans to Absa Group companies	25 794	25 794	
Investments in associates and Joint ventures	1 065	1 065	
Investment property	222	222	
Property and equipment	12 726	12 726	
Goodwill and intangible assets	2 339	2 339	
of which goodwill	112	112	
of which other intangibles (excluding MSRs)	2 227	2 227	(b)
Deferred tax assets	46	46	
Total assets	918 311	918 311	

[1] Absa Bank Limited includes subsidiary undertakings, special-purpose entities, joint ventures, associates and offshore holdings.
[2] Relates to Absa Bank Limited.
[3] Relates to Absa Bank Limited and references to composition of capital disclosure table.

Reconciliation of accounting capital to regulatory capital (Absa Bank)

As at 31 December 2016	Step 1[1] Accounting balance sheet per published financial statements Rm	Step 2[2] Balance sheet per regulatory scope of consolidation Rm	Reference[3]
Liabilities			
Deposits from banks	60 148	60 148	
Trading portfolio liabilities	42 503	42 503	
Hedging portfolio liabilities	2 054	2 054	
Other liabilities	21 150	21 150	
Provisions	2 060	2 060	
Current tax liabilities	4	4	
Non-current liabilities held for sale	9	9	
Deposits due to customers	564 812	564 812	
Debt securities in issue	139 573	139 573	
Borrowed funds	15 679	15 679	
of which instruments recognised as Tier 2 Capital	–	14 881	(c)
of which instruments not recognised as Tier 2 Capital	–	798	
Deferred tax liabilities	1 020	1 020	
Total liabilities	849 012	849 012	
Equity			
Capital and reserves			
Attributable to ordinary equity holders:			
Paid-in share capital	25 268	25 268	
of which amount eligible for CET1	–	25 268	(d)
Retained earnings	36 099	36 099	(e)
Accumulated other comprehensive income	3 262	3 262	(f)
Non-controlling interest – Ordinary shares	26	26	
Non-controlling interest – Ordinary Preference shares	4 644	4 644	
of which relate to Surplus Deduction AT1	–	2 786	(g)
Total equity	69 299	69 299	
Total liabilities and equity	918 311	918 311	

[1] Absa Bank Limited includes subsidiary undertakings, special-purpose entities, joint ventures, associates and offshore holdings.
[2] Relates to Absa Bank Limited.
[3] Relates to Absa Bank Limited and references to composition of capital disclosure table.

Composition of capital disclosure (Barclays Africa Group Limited)

		Amount subject to Basel III Rm	Amount subject to Pre-Basel III treatment Rm	Reference
	CET1 capital: instruments and reserves			
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	6 161		(e)
2	Retained earnings	78 871		(f)
3	Accumulated other comprehensive income (and other reserves)	4 659		(g)
4	Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)	–		
	Public sector capital injections grandfathered until 1 January 2018	–		
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in Group CET1)	2 084	–	(h) – (i)
6	**CET1 capital before regulatory adjustments**	91 774		
	CET1 capital: regulatory adjustments			
7	Prudential valuation adjustments	30	–	
8	Goodwill (net of related tax liability)	715	–	(b)
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	2 872	–	(c)
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	205	–	
11	Cash flow hedge reserve	(145)		
12	Shortfall of provisions to ELs	2 128	–	
13	Securitisation gain on sale	–	–	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	–	–	
15	Defined-benefit pension fund net assets	535	–	
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	–	–	
17	Reciprocal cross-holdings in common equity	–	–	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the Bank does not own more than 10% of the issued share capital (amount above 10% threshold)	–	–	
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	–	–	
20	Mortgage servicing rights (amount above 10% threshold)	–	–	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	–	–	
22	Amount exceeding the 15% threshold	–	–	
23	of which: significant investments in the common stock of financials	–	–	
24	of which: mortgage servicing rights	–	–	
25	of which: deferred tax assets arising from temporary differences	–	–	
26	National specific regulatory adjustments	–	–	
	REGULATORY ADJUSTMENTS APPLIED TO CET1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	–		
	OF WHICH: [INSERT NAME OF ADJUSTMENT]	–		
	OF WHICH	–		
27	Regulatory adjustments applied to CET1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	–		
28	**Total regulatory adjustment to CET1**	6 340		
29	CET1 capital (CET1)	85 434		
	Additional Tier 1 capital: instruments			
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	–		
31	of which: classified as equity under applicable accounting standards	–		
32	of which: classified as liabilities under applicable accounting standards	–		
33	Directly issued capital instruments subject to phase-out from Additional Tier 1	–		
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	3 675		(j) – (k)
35	of which: instruments issued by subsidiaries subject to phase-out	4 644		(j)
36	**Additional Tier 1 capital before regulatory adjustments**	3 675		

		Amount subject to Basel III Rm	Amount subject to Pre-Basel III treatment Rm	Reference
	Additional Tier 1 capital: regulatory adjustments			
37	Investments in own Additional Tier 1 instruments	–	–	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	–	–	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the Bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	118	–	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	–	–	
41	National specific regulatory adjustments	–		
	REGULATORY ADJUSTMENTS APPLIED TO CET1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	–		
	OF WHICH: [INSERT NAME OF ADJUSTMENT]	–		
	OF WHICH	–		
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	–		
43	**Total regulatory adjustments to Additional Tier 1 capital**	118		
44	**Additional Tier 1 capital (AT1)**	3 557		
45	**Tier 1 capital (T1 = CET1 + AT1)**	88 991		
	Tier 2 capital and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	14 911		(d)
47	Directly issued capital instruments subject to phase-out from Tier 2	7 500		
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in Group Tier 2)	7 530		
49	of which: instruments issued by subsidiaries subject to phase-out	7 500		
50	Provisions	584		(a)
51	Tier 2 capital before regulatory adjustments	15 495		
	Tier 2 capital: regulatory adjustments			
52	Investments in own Tier 2 instruments	–	–	
53	Reciprocal cross-holdings in Tier 2 instruments		–	
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	–	–	
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	–	–	
56	National specific regulatory adjustments	–		
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 2 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	–		
	OF WHICH: [INSERT NAME OF ADJUSTMENT]	–		
	OF WHICH	–		
57	**Total regulatory adjustments to Tier 2 capital**	–		
58	**Tier 2 capital (T2)**	15 495		
59	**Total capital (TC = T1 + T2)**	104 486		
	RWA IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	–		
	of which: Basel III amendments	–		
60	**Total RWA**	–		
	Capital ratios			
61	CET1 (as a percentage of RWA)	12.1		
62	Tier 1 (as a percentage of RWA)	12.6		
63	Total capital (as a percentage of RWA)	14.8		
64	Institution-specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus counter-cyclical buffer requirements plus G-SIB buffer requirement expressed as a percentage of RWA)	6.9		
65	of which: capital conservation buffer requirement	0.6		
66	of which: bank-specific counter-cyclical buffer requirement	–		
67	of which: G-SIB buffer requirement	–		

		Amount subject to Basel III Rm	Amount subject to Pre-Basel III treatment Rm	Reference
68	CET1 available to meet buffers (as a percentage of RWA)	12.1		
	National minimum (if different from Basel III)			
69	National CET1 minimum ratio (if different from Basel III minimum)	6.3		
70	National Tier 1 minimum ratio (if different from Basel III minimum)	7.5		
71	National total capital minimum ratio (if different from Basel III minimum)	9.8		
	Amounts below the thresholds for deduction (before risk weighting)			
72	Non-significant investments in the capital of other financials	1 657		
73	Significant investments in the common stock of financials	–		
74	Mortgage servicing rights (net of related tax liability)	–		
75	Deferred tax assets arising from temporary differences (net of related tax liability)	1 023		
	Applicable caps on the inclusion of provisions in Tier 2			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	584		
77	Cap on inclusion of provisions in Tier 2 under standardised approach	584		
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (IRBA) (prior to application of cap)	–		
79	Cap for inclusion of provisions in Tier 2 under IRBA	–		
	Capital instruments subject to phase-out arrangements (only applicable between 1 January 2018 and 1 January 2022)			
80	Current cap on CET1 instruments subject to phase-out arrangements	–		
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	–		
82	Current cap on AT1 instruments subject to phase-out arrangements	–		
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	–		
84	Current cap on T2 instruments subject to phase-out arrangements	–		
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	–		

Composition of capital disclosure (Absa Bank Limited)

		Amount subject to Basel III Rm	Amount subject to Pre-Basel III treatment Rm	Reference
	CET1 capital: instruments and reserves			
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	25 268		(d)
2	Retained earnings	36 099		(e)
3	Accumulated other comprehensive income (and other reserves)	3 262		(f)
4	Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)	–		
	Public sector capital injections grandfathered until 1 January 2018	–		
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in Group CET1)	–	–	
6	**CET1 capital before regulatory adjustments**	64 629		
	CET1 capital: regulatory adjustments			
7	Prudential valuation adjustments	–	–	
8	Goodwill (net of related tax liability)	112	–	
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	2 227	–	(b)
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	–	–	
11	Cash-flow hedge reserve	(145)	–	
12	Shortfall of provisions to ELs	1 983	–	
13	Securitisation gain on sale	–	–	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	–	–	
15	Defined-benefit pension fund net assets	466	–	
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	–	–	
17	Reciprocal cross-holdings in common equity	–	–	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	–	–	
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	–	–	
20	Mortgage servicing rights (amount above 10% threshold)	–	–	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	–	–	
22	Amount exceeding the 15% threshold	–	–	
23	of which: significant investments in the common stock of financials	–	–	
24	of which: mortgage servicing rights	–	–	
25	of which: deferred tax assets arising from temporary differences	–	–	
26	National specific regulatory adjustments	–	–	
	REGULATORY ADJUSTMENTS APPLIED TO CET1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	–		
	OF WHICH: [INSERT NAME OF ADJUSTMENT]	–		
	OF WHICH	–		
27	Regulatory adjustments applied to CET1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	–		
28	**Total regulatory adjustment to CET1**	4 643		
29	CET1 capital (CET1)	59 986		
	Additional Tier 1 capital: instruments			
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	2 786		
31	of which: classified as equity under applicable accounting standards	2 786		
32	of which: classified as liabilities under applicable accounting standards	–		
33	Directly issued capital instruments subject to phase-out from Additional Tier 1	4 643		
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	–		
35	of which: instruments issued by subsidiaries subject to phase-out	–		
36	**Additional Tier 1 capital before regulatory adjustments**	2 786		(g)

		Amount subject to Basel III Rm	Amount subject to Pre-Basel III treatment Rm	Reference
	Additional Tier 1 capital: regulatory adjustments			
37	Investments in own Additional Tier 1 instruments	–	–	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	–	–	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the Bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	28	–	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	–	–	
41	National specific regulatory adjustments	–		
	REGULATORY ADJUSTMENTS APPLIED TO CET1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	–		
	OF WHICH: [INSERT NAME OF ADJUSTMENT]	–		
	OF WHICH	–		
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	–		
43	**Total regulatory adjustments to Additional Tier 1 capital**	28		
44	**Additional Tier 1 capital (AT1)**	2,758		
45	**Tier 1 capital (T1 = CET1 + AT1)**	62,744		
	Tier 2 capital and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	14,881		(c)
47	Directly issued capital instruments subject to phase-out from Tier 2	–		
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in Group Tier 2)	–		
49	of which: instruments issued by subsidiaries subject to phase out	–		
50	Provisions	144		(a)
51	Tier 2 capital before regulatory adjustments	15,025		
	Tier 2 capital: regulatory adjustments			
52	Investments in own Tier 2 instruments	–	–	
53	Reciprocal cross-holdings in Tier 2 instruments	–	–	
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	–	–	
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	–	–	
56	National specific regulatory adjustments	–		
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 2 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	–		
	OF WHICH: [INSERT NAME OF ADJUSTMENT]	–		
	OF WHICH	–		
57	**Total regulatory adjustments to Tier 2 capital**	–		
58	**Tier 2 capital (T2)**	15,025		
59	**Total capital (TC = T1 + T2)**	77,769		
	RWA IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	–		
	of which: Basel III amendments	–		
60	**Total RWA**	515,467		
	Capital ratios			
61	CET1 (as a percentage of RWA)	11.6		
62	Tier 1 (as a percentage of RWA)	12.2		
63	Total capital (as a percentage of RWA)	15.1		
64	Institution-specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus counter-cyclical buffer requirements plus G-SIB buffer requirement expressed as a percentage of RWA)	6.9		
65	of which: capital conservation buffer requirement	0.6		
66	of which: bank-specific counter-cyclical buffer requirement	–		
67	of which: G-SIB buffer requirement	–		

		Amount subject to Basel III Rm	Amount subject to Pre-Basel III treatment Rm	Reference
68	CET1 available to meet buffers (as a percentage of RWA)	11.6		
	National minimum (if different from Basel III)			
69	National CET1 minimum ratio (if different from Basel III minimum)	6.3		
70	National Tier 1 minimum ratio (if different from Basel III minimum)	7.5		
71	National total capital minimum ratio (if different from Basel III minimum)	9.8		
	Amounts below the thresholds for deduction (before risk weighting)			
72	Non-significant investments in the capital of other financials	248		
73	Significant investments in the common stock of financials	–		
74	Mortgage servicing rights (net of related tax liability)	–		
75	Deferred tax assets arising from temporary differences (net of related tax liability)	14		
	Applicable caps on the inclusion of provisions in Tier 2			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	144		
77	Cap on inclusion of provisions in Tier 2 under standardised approach	144		
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to IRBA (prior to application of cap)	–		
79	Cap for inclusion of provisions in Tier 2 under IRBA	–		
	Capital instruments subject to phase-out arrangements (only applicable between 1 January 2018 and 1 January 2022)			
80	Current cap on CET1 instruments subject to phase-out arrangements	–		
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	–		
82	Current cap on AT1 instruments subject to phase-out arrangements	–		
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	–		
84	Current cap on T2 instruments subject to phase-out arrangements	–		
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	–		

Leverage ratio common disclosure template and Summary

Barclays Africa Group Limited

Summary comparison of accounting assets versus leverage ratio exposure

Table 1

	Item	Rm
1	Total consolidated assets as per published financial statements	1 415 527
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulator consolidation	(36 512)
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	0
4	Adjustments for derivative financial instruments	3 715
5	Adjustments for securities financing transactions (i.e. repos and similar secured lending)	0
6	Adjustments for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	(127 036)
7	Other adjustments	(4 445)
8	**Leverage ratio exposure**	**1 251 249**

Leverage ratio framework

Table 2

	Item	Rm
	On-balance sheet exposures	
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	983 513
2	(Assets amounts deducted in determining Basel III Tier 1 capital)	(4 445)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs (sum of lines 1 and 2)**	979 068
	Derivative exposures	0
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	16 096
5	Add-on amounts for PFE associated with all derivatives transactions	22 262
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	0
7	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	0
8	(Exempted CCP leg of client-cleared trade exposures)	0
9	Adjusted effective notional amount of written credit derivatives	12 254
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0
11	**Total derivative exposures (sum of lines 4 to 10)**	50 612
	Security financing transaction exposures	0
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	34 884
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0
14	CCR exposure for SFT assets	0
15	Agent transaction exposures	0
16	**Total securities financing transaction exposures (sum of lines 12 to 15)**	34 884
	Other off-balance sheet exposures	0
17	Off-balance sheet exposures at gross notional amount	313 721
18	(Adjustments for conversion to credit equivalent amounts)	(127 036)
19	**Off-balance sheet items (sum of lines 17 to 18)**	186 685
	Capital and total exposure	
20	**Tier 1 capital**	**84 008**
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**1 251 249**
	Leverage ratio	
22	**Basel III leverage ratio**	**6.71%**

Explanatory table for the common disclosure template

Explanation of each row of the common disclosure template

Row number	Explanation	Table 3
1	On-balance sheet assets according to paragraph 15	
2	Deductions from Basel III Tier 1 capital determined by paragraphs 9 and 16 and excluded from the leverage ratio exposure measure, reported as negative amounts.	
3	**Sum of lines 1 and 2**	
4	Replacement cost (RC) associated with all derivatives transactions (including exposures resulting from transactions described in paragraph 28), net of cash variation margin received and with, where applicable, bilateral netting according to paragraphs 19–21 and 26.	
5	Add-on amount for all derivative exposures according to paragraphs 19 to 21	
6	Grossed-up amount for collateral provided according to paragraph 24	
7	Deductions of receivables assets from cash variation margin provided in derivatives transactions according to paragraph 26, reported as negative amounts.	
8	Exempted trade exposures associated with the CCP leg of derivatives transactions resulting from client-cleared transactions according to paragraph 27, reported as negative amounts.	
9	Adjusted effective notional amount (ie the effective notional amount reduced by any negative change in fair value) for written credit derivatives according to paragraph 30.	
10	Adjusted effective notional offsets of written credit derivatives according to paragraph 30 and deducted add-on amounts relating to written credit derivatives according to paragraph 31, reported as negative amounts.	
11	**Sum of lines 4 –10**	
12	Gross SFT assets with no recognition of any netting other than novation with QCCPs as set out in footnote 19, removing certain securities received as determined by paragraph 33 (i) and adjusting for any sales accounting transactions as determined by paragraph 34.	
13	Cash payables and cash receivables of gross SFT assets netted according to paragraph 33 (i), reported as negative amounts.	
14	Measure of CCR for SFTs as determined by paragraph 33 (ii)	
15	Agent transaction exposure amount determined according to paragraphs 35 to 37	
16	**Sum of lines 12 –15**	
17	Total off-balance sheet exposure amounts on a gross notional basis, before any adjustment for credit conversion factors according to paragraph 39.	
18	Reduction in gross amount of off-balance sheet exposures due to the application of credit conversion factors in paragraph 39.	
19	**Sum of lines 17 and 18**	
20	Tier 1 capital as determined by paragraph 10	
21	**Sum of lines 3, 11, 16 and 19**	
22	Basel III leverage ratio according to paragraph 54	

Leverage ratio common disclosure template and summary

Absa Bank

Summary comparison of accounting assets vs leverage ratio exposure

Table 1

	Item	Rm
1	Total consolidated assets as per published financial statements	1 203 027
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulator consolidation	0
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	0
4	Adjustments for derivative financial instruments	3 769
5	Adjustments for securities financing transactions (i.e. repos and similar secured lending)	0
6	Adjustments for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	(115 173)
7	Other adjustments	(2 834)
8	**Leverage ratio exposure**	**1 088 789**

Leverage ratio framework

Table 2

	Item	Rm
	On-balance sheet exposures	
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	836 910
2	(Assets amounts deducted in determining Basel III Tier 1 capital)	(2 834)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs (sum of lines 1 and 2)**	834 076
	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	16 004
5	Add-on amounts for PFE associated with all derivatives transactions	22 262
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	0
7	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	0
8	(Exempted CCP leg of client-cleared trade exposures)	0
9	Adjusted effective notional amount of written credit derivatives	12 254
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0
11	**Total derivative exposures (sum of lines 4 to 10)**	50 520
	Security financing transaction exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	34 884
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0
14	CCR exposure for SFT assets	0
15	Agent transaction exposures	0
16	**Total securities financing transaction exposures (sum of lines 12 to 15)**	34 884
	Other off-balance sheet exposures	
17	Off-balance sheet exposures at gross notional amount	284 482
18	(Adjustments for conversion to credit equivalent amounts)	(115 173)
19	**Off-balance sheet items (sum of lines 17 to 18)**	169 309
	Capital and total exposure	
20	**Tier 1 capital**	56 943
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	1 088 789
	Leverage ratio	
22	**Basel III leverage ratio**	5.23%

Explanatory table for the common disclosure template

Explanation of each row of the common disclosure template

Table 3

Row number	Explanation
1	On-balance sheet assets according to paragraph 15
2	Deductions from Basel III Tier 1 capital determined by paragraphs 9 and 16 and excluded from the leverage ratio exposure measure, reported as negative amounts.
3	**Sum of lines 1 and 2**
4	Replacement cost (RC) associated with all derivatives transactions (including exposures resulting from transactions described in paragraph 28), net of cash variation margin received and with, where applicable, bilateral netting according to paragraphs 19–21 and 26.
5	Add-on amount for all derivative exposures according to paragraphs 19 to 21
6	Grossed-up amount for collateral provided according to paragraph 24
7	Deductions of receivables assets from cash variation margin provided in derivatives transactions according to paragraph 26, reported as negative amounts.
8	Exempted trade exposures associated with the CCP leg of derivatives transactions resulting from client-cleared transactions according to paragraph 27, reported as negative amounts.
9	Adjusted effective notional amount (ie the effective notional amount reduced by any negative change in fair value) for written credit derivatives according to paragraph 30.
10	Adjusted effective notional offsets of written credit derivatives according to paragraph 30 and deducted add-on amounts relating to written credit derivatives according to paragraph 31, reported as negative amounts.
11	**Sum of lines 4 –10**
12	Gross SFT assets with no recognition of any netting other than novation with QCCPs as set out in footnote 19, removing certain securities received as determined by paragraph 33 (i) and adjusting for any sales accounting transactions as determined by paragraph 34.
13	Cash payables and cash receivables of gross SFT assets netted according to paragraph 33 (i), reported as negative amounts.
14	Measure of CCR for SFTs as determined by paragraph 33 (ii)
15	Agent transaction exposure amount determined according to paragraphs 35 to 37
16	**Sum of lines 12 to 15**
17	Total off-balance sheet exposure amounts on a gross notional basis, before any adjustment for credit conversion factors according to paragraph 39.
18	Reduction in gross amount of off-balance sheet exposures due to the application of credit conversion factors in paragraph 39.
19	Sum of lines 17 and 18
20	Tier 1 capital as determined by paragraph 10
21	**Sum of lines 3, 11, 16 and 19**
22	Basel III leverage ratio according to paragraph 54

Main features disclosure (Barclays Africa Group Limited)

	Disclosure template for main features of RC instruments	1	2	3	4	5	6	7	8	9	10
1	Issuer	Barclays Africa Group Limited	Absa Bank Limited	Absa Bank Limited	Absa Bank Limited	Absa Bank Limited	Absa Bank Limited	Absa Bank Limited	Absa Bank Limited	Barclays Africa Group Limited	Barclays Africa Group Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	ZAE000174124	ZAE000079810	ZAG000073669	ZAG000077074	ZAG000077082	ZAG000101221	ZAG000101239	ZAG000101254	ZAG000121476	ZAG000121484
3	Governing law(s) of the instrument	Section 1 of the Banks Act, 1990 (Act No 94 of 1990) (As amended)	Section 1 of the Banks Act, 1990 (Act No 94 of 1990) (As amended)	Section 1 of the Banks Act, 1990 (Act No 94 of 1990) (As amended). The subordinated callable notes are listed on the JSE.	Section 1 of the Banks Act, 1990 (Act No 94. of 1990) (As amended). The subordinated callable notes are listed on the JSE.	Section 1 of the Banks Act, 1990 (Act No 94 of 1990) (As amended). The subordinated callable notes are listed on the JSE.	Section 1 of the Banks Act, 1990 (Act No 94 of 1990) (As amended). The subordinated callable notes are listed on the JSE.	Section 1 of the Banks Act, 1990 (Act No 94 of 1990) (As amended). The subordinated callable notes are listed on the JSE.	Section 1 of the Banks Act, 1990 (Act No 94 of 1990) (As amended). The subordinated callable notes are listed on the JSE.	Section 1 of the Banks Act, 1990 (Act No 94 of 1990) (As amended). The subordinated callable notes are listed on the JSE.	Section 1 of the Banks Act, 1990 (Act No 94 of 1990) (As amended). The subordinated callable notes are listed on the JSE.
	Regulatory treatment										
4	Transitional Basel III rules	CET1	Additional Tier 1	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional Basel III rules	CET1	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Tier 2	Tier 2
6	Eligible at solo/Group/ Group and solo	Group	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Group	Group
7	Instrument type (types to be specified by each jurisdiction)	Ordinary share capital and premium	Preference share capital and premium	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes
8	Amount recognised in RC (Currency in million, as of most recent reporting date)	R6 161	R2 786	R1 500	R400	R600	R1 805	R2 007	R1 188	R370	R130
9	Par value of instrument	R1 693	R2	R845	R400	R600	R1 805	R2 007	R1 188	R370	R130
10	Accounting classification	Shareholders' equity	Shareholders' equity	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option
11	Original date of issuance	1986	2006 and 2007	10 Dec 2009	3 May 2010	3 May 2010	21 Nov 2012	21 Nov 2012	21 Nov 2012	18 Nov 2014	18 Nov 2014
12	Perpetual or dated	Perpetual	Perpetual	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	NA	NA	7 Dec 2028	3 May 2022	3 May 2022	21 Nov 2022	21 Nov 2023	21 Nov 2023	19 Nov 2024	19 Nov 2024
14	Issuer call subject to prior supervisory approval	NA	NA	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	NA	NA	7 Dec 2023, tax and regulatory contingent events call, nominal amount plus CPI adjustment if the amount is not less than R845 283 052 otherwise redemption amount equal to Principal Amount issued.	3 May 2017, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	3 May 2017, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	21 Nov 2017, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	21 Nov 2018, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	21 Nov 2018, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	19 Nov 2019, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	19 Nov 2019, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.
16	Subsequent call dates, if applicable.	NA	NA	NA	NA	NA	Quarterly after the first optional call date until maturity.	Quarterly after the first optional call date until maturity.	Semi-annualy after the first optional call date until maturity.	Quarterly after the first optional call date until maturity.	Semi-annually after the first optional call date until maturity.
	Coupons/dividends										
17	Fixed or floating dividend/coupon	Floating	Fixed	Floating	Floating	Fixed to floating	Floating	Floating	Fixed	Floating	Fixed
18	Coupon rate and any related index	NA	70% of the prime overdraft lending rate	5.5 % indexed to ZAR revised CPI	3M JIBAR +210bps	10.28%	3M JIBAR +195bps	3M JIBAR +205bps	8.2950%	3M JIBAR +330bps	10.835%
19	Existence of a dividend stopper	No	No	No	No	No	No	No	No	No	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	NA	No	Yes	Yes	Yes	No	No	No	No	No
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	NA	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible

11	12	13	14	15	16	17	18	19	20	21	22
Barclays Africa Group Limited	Barclays Africa Group Limited	Barclays Africa Group Limited	Barclays Africa Group Limited	Barclays Africa Group Limited	Barclays Africa Group Limited	Barclays Africa Group Limited	Barclays Africa Group Limited	Barclays Africa Group Limited	Barclays Africa Group Limited	Barclays Africa Group Limited	Barclays Africa Group Limited
ZAG000123100	ZAG000123118	ZAG000129354	ZAG000129362	ZAG000129388	ZAG000129396	ZAG000129966	ZAG000135997	ZAG000136003	ZAG000138801	ZAG000138819	ZAG000140203
Section 1 of the Banks Act, 1990 (Act No 94 of 1990) (As amended). The subordinated callable notes are listed on the JSE.	Section 1 of the Banks Act, 1990 (Act No 94 of 1990) (As amended). The subordinated callable notes are listed on the JSE.	Section 1 of the Banks Act, 1990 (Act No 94 of 1990) (As amended). The subordinated callable notes are listed on the JSE.	Section 1 of the Banks Act, 1990 (Act No 94. of 1990) (As amended). The subordinated callable notes are listed on the JSE.	Section 1 of the Banks Act, 1990 (Act No 94 of 1990) (As amended). The subordinated callable notes are listed on the JSE.	Section 1 of the Banks Act, 1990 (Act No 94 of 1990) (As amended). The subordinated callable notes are listed on the JSE.	Section 1 of the Banks Act, 1990 (Act No 94 of 1990) (As amended). The subordinated callable notes are listed on the JSE.	Section 1 of the Banks Act, 1990 (Act No 94. of 1990) (As amended). The subordinated callable notes are listed on the JSE.	Section 1 of the Banks Act, 1990 (Act No 94 of 1990) (As amended). The subordinated callable notes are listed on the JSE.	Section 1 of the Banks Act, 1990 (Act No 94 of 1990) (As amended). The subordinated callable notes are listed on the JSE.	Section 1 of the Banks Act, 1990 (Act No 94 of 1990) (As amended). The subordinated callable notes are listed on the JSE.	Section 1 of the Banks Act, 1990 (Act No 94 of 1990) (As amended). The subordinated callable notes are listed on the JSE.
Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
Group	Group	Group	Group	Group	Group	Group	Group	Group	Group	Group	Group
Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes
R1 693	R807	R508	R437	R737	R30	R288	R31	R200	R1 510	R140	R500
R1 693	R807	R508	R437	R737	R30	R288	R31	R200	R1 510	R140	R500
Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option
4 Feb 2015	4 Feb 2015	3 Sep 2015	3 Sep 2015	3 Sep 2015	3 Sep 2015	28 Sep 2015	4 May 2016	4 May 2016	19 Aug 2016	19 Aug 2016	2 Nov 2016
Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
5 Feb 2025	5 Feb 2025	4 Sep 2025	4 Sep 2025	3 Sep 2027	3 Sep 2027	29 Sep 2025	5 May 2026	5 May 2026	20 Aug 2026	20 Aug 2026	3 Nov 2026
Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
5 Feb 2020, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	5 Feb 2020, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	4 Sep 2020, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	4 Sep 2020, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	3 Sep 2022, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	3 Sep 2022, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	29 Sep 2020, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	5 May 2021, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	5 May 2021, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	20 Aug 2021, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	20 Aug 2021, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	3 Nov 2021, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.
Quarterly after the first optional call date until maturity.	Semi-annually after the first optional call date until maturity.	Semi-annually after the first optional call date until maturity	Quarterly after the first optional call date until maturity.	Semi-annually after the first optional call date until maturity	Quarterly after the first optional call date until maturity.	Semi-annually after the first optional call date until maturity.	Quarterly after the first optional call date until maturity.	Semi-annually after the first optional call date until maturity.	Quarterly after the first optional call date until maturity.	Semi-annually after the first optional call date until maturity.	Quarterly after the first optional call date until maturity.
Floating	Fixed	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating
3M JIBAR +350bps	10.05%	11.365%	3M JIBAR +350bps	11.810%	3M JIBAR +360bps	11.400%	3M JIBAR +400bps	12.430%	3M JIBAR +400bps	11.740%	3M JIBAR +400bps
No	No	No	No	No	No	No	No	No	No	No	No
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
No	No	No	No	No	No	No	No	No	No	No	No
Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible

	Disclosure template for main features of RC instruments	1	2	3	4	5	6	7	8	9	10
24	If convertible, conversion trigger(s)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
25	If convertible, fully or partially	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
26	If convertible, conversion rate	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
30	Write-down feature	No	No	No	No	No	No	No	No	Yes	Yes
31	If write-down, write-down trigger(s)	NA	NA	NA	NA	NA	NA	NA	NA	At SARB's discretion in accordance with Condition 11.12 of the Terms and Conditions and Regulation 38(12)(a)(i) of the Tier 2 Capital Regulations, upon the receipt by the Issuer of written notice from the Registrar of Banks of the occurrence of a Non-Viability Trigger Event	At SARB's discretion in accordance with Condition 11.12 of the Terms and Conditions and Regulation 38(12)(a)(i) of the Tier 2 Capital Regulations, upon the receipt by the Issuer of written notice from the Registrar of Banks of the occurrence of a Non-Viability Trigger Event
32	If write-down, full or partial	NA	NA	NA	NA	NA	NA	NA	NA	The Principal Amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written off permanently, in full or in part on a *pro rata* basis (in the case of a write off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks	The Principal Amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written off permanently, in full or in part on a *pro rata* basis (in the case of a write off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks
33	If write-down, permanent or temporary	NA	NA	NA	NA	NA	NA	NA	NA	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Columns 3 to 22, then Column 2	Columns 3 to 22	Deposits and other general debits of the bank including non-subordinated notes	Deposits and other general debits of the bank including non-subordinated notes	Deposits and other general debits of the bank including non-subordinated notes	Deposits and other general debits of the bank including non-subordinated notes	Deposits and other general debits of the bank including non-subordinated notes	Deposits and other general debits of the bank including non-subordinated notes	Deposits and other general debits of the bank including non-subordinated notes	Deposits and other general debits of the bank including non-subordinated notes
36	Non-compliant transitioned features	NA	Yes	Yes	Yes	Yes	Yes	Yes	Yes	NA	NA
37	If yes, specify non-compliant features	NA	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability	NA	NA

11	12	13	14	15	16	17	18	19	20	21	22
NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
At SARB's discretion in accordance with Condition 11.12 of the Terms and Conditions and Regulation 38(12)(a)(i) of the Tier 2 Capital Regulations, upon the receipt by the Issuer of written notice from the Registrar of Banks of the occurrence of a Non-Viability Trigger Event	At SARB's discretion in accordance with Condition 11.12 of the Terms and Conditions and Regulation 38(12)(a)(i) of the Tier 2 Capital Regulations, upon the receipt by the Issuer of written notice from the Registrar of Banks of the occurrence of a Non-Viability Trigger Event	At SARB's discretion in accordance with Condition 11.12 of the Terms and Conditions and Regulation 38(12)(a)(i) of the Tier 2 Capital Regulations, upon the receipt by the Issuer of written notice from the Registrar of Banks of the occurrence of a Non-Viability Trigger Event	At SARB's discretion in accordance with Condition 11.12 of the Terms and Conditions and Regulation 38(12)(a)(i) of the Tier 2 Capital Regulations, upon the receipt by the Issuer of written notice from the Registrar of Banks of the occurrence of a Non-Viability Trigger Event	At SARB's discretion in accordance with Condition 11.12 of the Terms and Conditions and Regulation 38(12)(a)(i) of the Tier 2 Capital Regulations, upon the receipt by the Issuer of written notice from the Registrar of Banks of the occurrence of a Non-Viability Trigger Event	At SARB's discretion in accordance with Condition 11.12 of the Terms and Conditions and Regulation 38(12)(a)(i) of the Tier 2 Capital Regulations, upon the receipt by the Issuer of written notice from the Registrar of Banks of the occurrence of a Non-Viability Trigger Event	At SARB's discretion in accordance with Condition 11.12 of the Terms and Conditions and Regulation 38(12)(a)(i) of the Tier 2 Capital Regulations, upon the receipt by the Issuer of written notice from the Registrar of Banks of the occurrence of a Non-Viability Trigger Event	At SARB's discretion in accordance with Condition 11.12 of the Terms and Conditions and Regulation 38(12)(a)(i) of the Tier 2 Capital Regulations, upon the receipt by the Issuer of written notice from the Registrar of Banks of the occurrence of a Non-Viability Trigger Event	At SARB's discretion in accordance with Condition 11.12 of the Terms and Conditions and Regulation 38(12)(a)(i) of the Tier 2 Capital Regulations, upon the receipt by the Issuer of written notice from the Registrar of Banks of the occurrence of a Non-Viability Trigger Event	At SARB's discretion in accordance with Condition 11.12 of the Terms and Conditions and Regulation 38(12)(a)(i) of the Tier 2 Capital Regulations, upon the receipt by the Issuer of written notice from the Registrar of Banks of the occurrence of a Non-Viability Trigger Event	At SARB's discretion in accordance with Condition 11.12 of the Terms and Conditions and Regulation 38(12)(a)(i) of the Tier 2 Capital Regulations, upon the receipt by the Issuer of written notice from the Registrar of Banks of the occurrence of a Non-Viability Trigger Event	At SARB's discretion in accordance with Condition 11.12 of the Terms and Conditions and Regulation 38(12)(a)(i) of the Tier 2 Capital Regulations, upon the receipt by the Issuer of written notice from the Registrar of Banks of the occurrence of a Non-Viability Trigger Event
The Principal Amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written off permanently, in full or in part on a *pro rata* basis (in the case of a write off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks	The Principal Amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written off permanently, in full or in part on a *pro rata* basis (in the case of a write off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks	The Principal Amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written off permanently, in full or in part on a *pro rata* basis (in the case of a write off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks	The Principal Amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written off permanently, in full or in part on a *pro rata* basis (in the case of a write off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks	The Principal Amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written off permanently, in full or in part on a *pro rata* basis (in the case of a write off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks	The Principal Amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written off permanently, in full or in part on a *pro rata* basis (in the case of a write off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks	The Principal Amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written off permanently, in full or in part on a *pro rata* basis (in the case of a write off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks	The Principal Amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written off permanently, in full or in part on a *pro rata* basis (in the case of a write off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks	The Principal Amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written off permanently, in full or in part on a *pro rata* basis (in the case of a write off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks	The Principal Amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written off permanently, in full or in part on a *pro rata* basis (in the case of a write off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks	The Principal Amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written off permanently, in full or in part on a *pro rata* basis (in the case of a write off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks	The Principal Amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written off permanently, in full or in part on a *pro rata* basis (in the case of a write off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks
Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent
NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Deposits and other general debits of the bank including non-subordinated notes	Deposits and other general debits of the bank including non-subordinated notes	Deposits and other general debits of the bank including non-subordinated notes	Deposits and other general debits of the bank including non-subordinated notes	Deposits and other general debits of the bank including non-subordinated notes	Deposits and other general debits of the bank including non-subordinated notes	Deposits and other general debits of the bank including non-subordinated notes	Deposits and other general debits of the bank including non-subordinated notes	Deposits and other general debits of the bank including non-subordinated notes	Deposits and other general debits of the bank including non-subordinated notes	Deposits and other general debits of the bank including non-subordinated notes	Deposits and other general debits of the bank including non-subordinated notes
NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

Main features disclosure (Absa Bank Limited)

	Disclosure template for main features of RC instruments	1	2	3	4	5	6	7	8	9	10
1	Issuer	Absa Bank Limited	Absa Bank Limited	Absa Bank Limited	Absa Bank Limited	Absa Bank Limited	Absa Bank Limited	Absa Bank Limited	Absa Bank Limited	Absa Bank Limited	Absa Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	ZAE000079810	ZAE000079810	ZAG000073669	ZAG000077074	ZAG000077082	ZAG000101221	ZAG000101239	ZAG000101254	ZAG000121492	ZAG000121500
3	Governing law(s) of the instrument	Section 1 of the Banks Act, 1990 (Act No 94 of 1990) (As amended)	Section 1 of the Banks Act, 1990 (Act No 94 of 1990) (As amended)	Section 1 of the Banks Act, 1990 (Act No 94 of 1990) (As amended). The subordinated callable notes are listed on the JSE.	Section 1 of the Banks Act, 1990 (Act No 94 of 1990) (As amended). The subordinated callable notes are listed on the JSE.	Section 1 of the Banks Act, 1990 (Act No 94 of 1990) (As amended). The subordinated callable notes are listed on the JSE.	Section 1 of the Banks Act, 1990 (Act No 94 of 1990) (As amended). The subordinated callable notes are listed on the JSE.	Section 1 of the Banks Act, 1990 (Act No 94 of 1990) (As amended). The subordinated callable notes are listed on the JSE.	Section 1 of the Banks Act, 1990 (Act No 94 of 1990) (As amended). The subordinated callable notes are listed on the JSE.	Section 1 of the Banks Act, 1990 (Act No 94 of 1990) (As amended).	Section 1 of the Banks Act, 1990 (Act No 94 of 1990) (As amended).
	Regulatory treatment										
4	Transitional Basel III rules	CET1	Additional Tier 1	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional Basel III rules	CET1	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Tier 2	Tier 2
6	Eligible at solo/Group/Group and solo	Solo	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary share capital and premium	Preference share capital and premium	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes
8	Amount recognised in RC (Currency in million, as of most recent reporting date)	R25 268	R2 786	R1 500	R400	R600	R1 805	R2 007	R1 188	R370	R130
9	Par value of instrument	R304	R2	R845	R400	R600	R1 805	R2 007	R1 188	R370	R130
10	Accounting classification	Shareholders' equity	Shareholders' equity	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option
11	Original date of issuance	1986	2006 and 2007	10 Dec 2009	3 May 2010	3 May 2010	21 Nov 2012	21 Nov 2012	21 Nov 2012	18 Nov 2014	18 Nov 2014
12	Perpetual or dated	Perpetual	Perpetual	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	NA	NA	7 Dec 2028	3 May 2022	3 May 2022	21 Nov 2022	21 Nov 2023	21 Nov 2023	19 Nov 2024	19 Nov 2024
14	Issuer call subject to prior supervisory approval	NA	NA	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	NA	NA	7 Dec 2023, tax and regulatory contingent events call, nominal amount plus CPI adjustment if the amount is not less than R845 283 052 otherwise redemption amount equal to Principal Amount issued.	3 May 2017, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	3 May 2017, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	21 Nov 2017, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	21 Nov 2018, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	21 Nov 2018, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	19 Nov 2019, tax and regulatory contingent events call, however not applicable before five years as per regulations redemption amount equal to Principal Amount issued.	19 Nov 2019, tax and regulatory contingent events call, however not applicable before five years as per regulations redemption amount equal to Principal Amount issued.
16	Subsequent call dates, if applicable	NA	NA	NA	NA	NA	Quarterly after the first optional call date until maturity	Quarterly after the first optional call date until maturity	Semi-annually after the first optional call date until maturity	Quarterly after the first optional call date until maturity	Semi-annually after the first optional call date until maturity
	Coupons/dividends										
17	Fixed or floating dividend/coupon	Floating	Fixed	Floating	Floating	Fixed to floating	Floating	Floating	Fixed	Floating	Fixed
18	Coupon rate and any related index	NA	70% of the prime overdraft lending rate	5.5 % indexed to ZAR revised CPI	3M JIBAR +210bps	10.28%	3M JIBAR +195bps	3M JIBAR +205bps	8.295%	3M JIBAR +330bps	10.835%
19	Existence of a dividend stopper	No	No	No	No	No	No	No	No	No	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	NA	No	Yes	Yes	Yes	No	No	No	No	No
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	NA	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible

11	12	13	14	15	16	17	18	19	20	21	22
Absa Bank Limited	Absa Bank Limited	Absa Bank Limited	Absa Bank Limited	Absa Bank Limited	Absa Bank Limited	Absa Bank Limited	Absa Bank Limited	Absa Bank Limited	Absa Bank Limited	Absa Bank Limited	Absa Bank Limited
ZAG000123126	ZAG000123134	ZAG000129412	ZAG000129420	ZAG000129438	ZAG000129446	ZAG000129958	ZAG000136045	ZAG000136052	ZAG000138835	ZAG000138827	ZAG000140211
Section 1 of the Banks Act, 1990 (Act No 94 of 1990) (As amended).	Section 1 of the Banks Act, 1990 (Act No 94 of 1990) (As amended).	Section 1 of the Banks Act, 1990 (Act No 94 of 1990) (As amended).	Section 1 of the Banks Act, 1990 (Act No 94 of 1990) (As amended).	Section 1 of the Banks Act, 1990 (Act No 94 of 1990) (As amended).	Section 1 of the Banks Act, 1990 (Act No 94 of 1990) (As amended).	Section 1 of the Banks Act, 1990 (Act No 94 of 1990) (As amended).	Section 1 of the Banks Act, 1990 (Act No 94 of 1990) (As amended).	Section 1 of the Banks Act, 1990 (Act No 94. of 1990) (As amended).	Section 1 of the Banks Act, 1990 (Act No 94 of 1990) (As amended).	Section 1 of the Banks Act, 1990 (Act No 94 of 1990) (As amended).	Section 1 of the Banks Act, 1990 (Act No 94 of 1990) (As amended).
Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
Solo	Solo	Solo	Solo	Solo	Solo	Solo	Solo	Solo	Solo	Solo	Solo
Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes
R1 693	R807	R508	R437	R737	R30	R288	R31	R200	R1 510	R140	R500
R1 693	R807	R508	R437	R737	R30	R288	R31	R200	R1 510	R140	R500
Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option
4 Feb 2015	4 Feb 2015	3 Sep 2015	3 Sep 2015	3 Sep 2015	3 Sep 2015	28 Sep 2015	4 May 2016	4 May 2016	19 Aug 2016	19 Aug 2016	2 Nov 2016
Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
5 Feb 2025	5 Feb 2025	04 Sep 2025	4 Sep 2025	3 Sep 2027	3 Sep 2027	29 Sep 2025	5 May 2026	5 May 2026	20 Aug 2026	20 Aug 2026	3 Nov 2026
Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
5 Feb 2020, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	5 Feb 2020, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	4 Sep 2020, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	4 Sep 2020, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	3 Sep 2022, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	3 Sep 2022, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	29 Sep 2020, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	5 May 2021, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	5 May 2021, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	20 Aug 2021, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	20 Aug 2021, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	3 Nov 2021, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.
Quarterly after the first optional call date until maturity.	Semi-annually after the first optional call date until maturity.	Semi-annually after the first optional call date until maturity	Quarterly after the first optional call date until maturity.	Semi-annually after the first optional call date until maturity	Quarterly after the first optional call date until maturity.	Semi-annually after the first optional call date until maturity.	Quarterly after the first optional call date until maturity.	Semi-annually after the first optional call date until maturity.	Quarterly after the first optional call date until maturity.	Semi-annually after the first optional call date until maturity.	Quarterly after the first optional call date until maturity.
Floating	Fixed	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating
3M JIBAR +350bps	10.05%	11.365%	3M JIBAR +350bps	11.810%	3M JIBAR +360bps	11.400%	3M JIBAR +400bps	12.430%	3M JIBAR +400bps	11.740%	3M JIBAR +400bps
No	No	No	No	No	No	No	No	No	No	No	No
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
No	No	No	No	No	No	No	No	No	No	No	No
Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible

	Disclosure template for main features of RC instruments	1	2	3	4	5	6	7	8	9	10
24	If convertible, conversion trigger(s)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
25	If convertible, fully or partially	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
26	If convertible, conversion rate	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
30	Write-down feature	No	No	No	No	No	No	No	No	Yes	Yes
31	If write-down, write-down trigger(s)	NA	NA	NA	NA	NA	NA	NA	NA	At SARB's discretion in accordance with Condition 11.12 of the Terms and Conditions and Regulation 38(12)(a)(i) of the Tier 2 Capital Regulations, upon the receipt by the Issuer of written notice from the Registrar of Banks of the occurrence of a Non-Viability Trigger Event	At SARB's discretion in accordance with Condition 11.12 of the Terms and Conditions and Regulation 38(12)(a)(i) of the Tier 2 Capital Regulations, upon the receipt by the Issuer of written notice from the Registrar of Banks of the occurrence of a Non-Viability Trigger Event
32	If write-down, full or partial	NA	NA	NA	NA	NA	NA	NA	NA	The Principal Amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written off permanently, in full or in part on a *pro rata* basis (in the case of a write off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks	The Principal Amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written off permanently, in full or in part on a *pro rata* basis (in the case of a write off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks
33	If write-down, permanent or temporary	NA	NA	NA	NA	NA	NA	NA	NA	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Columns 3 to 22, then Column 2.	Columns 3 to 22.	Deposits and other general debits of the bank including non-subordinated notes	Deposits and other general debits of the bank including non-subordinated notes	Deposits and other general debits of the bank including non-subordinated notes	Deposits and other general debits of the bank including non-subordinated notes	Deposits and other general debits of the bank including non-subordinated notes	Deposits and other general debits of the bank including non-subordinated notes	Deposits and other general debits of the bank including non-subordinated notes	Deposits and other general debits of the bank including non-subordinated notes
36	Non-compliant transitioned features	NA	Yes	Yes	Yes	Yes	Yes	Yes	Yes	NA	NA
37	If yes, specify non-compliant features	NA	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability	NA	NA

	11	12	13	14	15	16	17	18	19	20	21	22
	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	At SARB's discretion in accordance with Condition 11.12 of the Terms and Conditions and Regulation 38(12)(a)(i) of the Tier 2 Capital Regulations, upon the receipt by the Issuer of written notice from the Registrar of Banks of the occurrence of a Non-Viability Trigger Event	At SARB's discretion in accordance with Condition 11.12 of the Terms and Conditions and Regulation 38(12)(a)(i) of the Tier 2 Capital Regulations, upon the receipt by the Issuer of written notice from the Registrar of Banks of the occurrence of a Non-Viability Trigger Event	At SARB's discretion in accordance with Condition 11.12 of the Terms and Conditions and Regulation 38(12)(a)(i) of the Tier 2 Capital Regulations, upon the receipt by the Issuer of written notice from the Registrar of Banks of the occurrence of a Non-Viability Trigger Event	At SARB's discretion in accordance with Condition 11.12 of the Terms and Conditions and Regulation 38(12)(a)(i) of the Tier 2 Capital Regulations, upon the receipt by the Issuer of written notice from the Registrar of Banks of the occurrence of a Non-Viability Trigger Event	At SARB's discretion in accordance with Condition 11.12 of the Terms and Conditions and Regulation 38(12)(a)(i) of the Tier 2 Capital Regulations, upon the receipt by the Issuer of written notice from the Registrar of Banks of the occurrence of a Non-Viability Trigger Event	At SARB's discretion in accordance with Condition 11.12 of the Terms and Conditions and Regulation 38(12)(a)(i) of the Tier 2 Capital Regulations, upon the receipt by the Issuer of written notice from the Registrar of Banks of the occurrence of a Non-Viability Trigger Event	At SARB's discretion in accordance with Condition 11.12 of the Terms and Conditions and Regulation 38(12)(a)(i) of the Tier 2 Capital Regulations, upon the receipt by the Issuer of written notice from the Registrar of Banks of the occurrence of a Non-Viability Trigger Event	At SARB's discretion in accordance with Condition 11.12 of the Terms and Conditions and Regulation 38(12)(a)(i) of the Tier 2 Capital Regulations, upon the receipt by the Issuer of written notice from the Registrar of Banks of the occurrence of a Non-Viability Trigger Event	At SARB's discretion in accordance with Condition 11.12 of the Terms and Conditions and Regulation 38(12)(a)(i) of the Tier 2 Capital Regulations, upon the receipt by the Issuer of written notice from the Registrar of Banks of the occurrence of a Non-Viability Trigger Event	At SARB's discretion in accordance with Condition 11.12 of the Terms and Conditions and Regulation 38(12)(a)(i) of the Tier 2 Capital Regulations, upon the receipt by the Issuer of written notice from the Registrar of Banks of the occurrence of a Non-Viability Trigger Event	At SARB's discretion in accordance with Condition 11.12 of the Terms and Conditions and Regulation 38(12)(a)(i) of the Tier 2 Capital Regulations, upon the receipt by the Issuer of written notice from the Registrar of Banks of the occurrence of a Non-Viability Trigger Event	At SARB's discretion in accordance with Condition 11.12 of the Terms and Conditions and Regulation 38(12)(a)(i) of the Tier 2 Capital Regulations, upon the receipt by the Issuer of written notice from the Registrar of Banks of the occurrence of a Non-Viability Trigger Event
	The Principal Amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written off permanently, in full or in part on a *pro rata* basis (in the case of a write off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks	The Principal Amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written off permanently, in full or in part on a *pro rata* basis (in the case of a write off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks	The Principal Amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written off permanently, in full or in part on a *pro rata* basis (in the case of a write off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks	The Principal Amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written off permanently, in full or in part on a *pro rata* basis (in the case of a write off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks	The Principal Amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written off permanently, in full or in part on a *pro rata* basis (in the case of a write off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks	The Principal Amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written off permanently, in full or in part on a *pro rata* basis (in the case of a write off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks	The Principal Amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written off permanently, in full or in part on a *pro rata* basis (in the case of a write off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks	The Principal Amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written off permanently, in full or in part on a *pro rata* basis (in the case of a write off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks	The Principal Amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written off permanently, in full or in part on a *pro rata* basis (in the case of a write off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks	The Principal Amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written off permanently, in full or in part on a *pro rata* basis (in the case of a write off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks	The Principal Amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written off permanently, in full or in part on a *pro rata* basis (in the case of a write off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks	The Principal Amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written off permanently, in full or in part on a *pro rata* basis (in the case of a write off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks
	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent
	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
	Deposits and other general debits of the bank including non-subordinated notes	Deposits and other general debits of the bank including non-subordinated notes	Deposits and other general debits of the bank including non-subordinated notes	Deposits and other general debits of the bank including non-subordinated notes	Deposits and other general debits of the bank including non-subordinated notes	Deposits and other general debits of the bank including non-subordinated notes	Deposits and other general debits of the bank including non-subordinated notes	Deposits and other general debits of the bank including non-subordinated notes	Deposits and other general debits of the bank including non-subordinated notes	Deposits and other general debits of the bank including non-subordinated notes	Deposits and other general debits of the bank including non-subordinated notes	Deposits and other general debits of the bank including non-subordinated notes
	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

Annexure B: Liquidity Risk

LCR Common disclosure template[1]

		Barclays Africa Group Limited		Absa Bank Limited[2]	
		Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)
High-quality liquid assets					
1	Total high-quality liquid assets (HQLA)		142 097		134 142
Cash outflows					
2	Retail deposits and deposits from small business customers, of which:	303 292	24 196	236 255	18 305
3	Stable deposits		–	–	–
4	*Less:* Stable deposits	303 292	24 196	236 255	18 305
5	Unsecured wholesale funding, of which:	319 012	173 140	267 878	149 886
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	88 069	22 017	88 069	22 017
7	Non-operational deposits (all counterparties)	223 825	144 005	174 052	122 112
8	Unsecured debt	7 118	7 118	5 757	5 757
9	Secured wholesale funding		1 211		1 211
10	Additional requirements, of which:	209 452	24 044	157 486	21 368
11	Outflows related to derivative exposures and other collateral requirements	15 358	10 183	15 399	10 224
12	Outflows related to loss of funding on debt products	–	–	–	–
13	Credit and liquidity facilities	194 094	13 861	142 087	11 144
14	Other contractual funding obligations	189	189	63	63
15	Other contingent funding obligations	167 855	8 149	162 702	7 759
16	**Total cash outflows**		230 929		198 592
Cash inflows					
17	Secured lending (e.g. reverse repos)	23 267	7 995	23 267	7 995
18	Inflows from fully performing exposures	95 800	64 889	67 067	48 830
19	Other cash inflows	8 779	8 779	5 114	5 114
20	**Total cash inflows**	127 846	81 663	95 448	61 939
			Total adjusted value		Total adjusted value
21	**Total HQLA**		142 097		134 142
22	**Total net cash outflows**		149 266		136 653
23	**LCR (%)**		95.2		98.2

[1] The values disclosed represent the simple average of the relevant three month-end data points
[2] Absa Bank Limited includes the South African banking operations.

Annexure C: Remuneration disclosures

Basel Pillar 3 remuneration disclosures

In the following two tables, senior managers are defined as members of our Executive Committee and other individuals with management responsibility for a material portion of our business. Other material risk takers are defined in accordance with the PRA Remuneration Code classification which is in line with the European Banking Authority's Regulatory Technical Standard.

In 2016, a total of 28 individuals were classified as senior managers and 67 individuals as other material risk takers (2015: 28 senior managers and 43 material risk takers).

Given the changes to the classification of material risk takers in 2016, the composition of the material risk taker population has changed year-on-year.

Aggregate remuneration for senior managers and material risk takers	Senior managers Rm	Other material risk takers Rm
Total fixed remuneration	155	222
Non-deferred cash awards	51	58
Non-deferred share awards	19	55
Deferred cash awards	35	52
Deferred share awards	110	94
Total variable remuneration	215	259
Total remuneration	370	481
Number of employees	28	67

Outstanding deferred remuneration for senior managers and material risk takers 2016[1]	Senior managers Rm	Other material risk takers Rm
Unvested deferred remuneration outstanding at the beginning of 2016	383	308
Deferred remuneration awarded in 2016	80	116
Deferred remuneration forfeited in 2016	83	13
Deferred remuneration vested in year	111	110
Deferred unvested remuneration outstanding at the end of 2016	**269**	**301**

Guaranteed variable remuneration and severance awards for all employees 2016	Rm
Total guaranteed bonuses (none)	–
Total sign-on awards (none)	–
Total severance awards (24 individuals)	13

[1] Values are based on a share price of R168.69 (the daily volume-weighted average price of an ordinary Barclays Africa Group share trading on the JSE as at 31 December 2016).

12. Abbreviations and acronyms

A	
AEaR	annual earnings at risk
AFS	Annual financial statements
AIRB	advanced internal ratings-based approach
AMA	advanced measurement approach
ATC	Africa Treasury Committee

B	
Basel	Basel Capital Accord
BBBEE	broad-based black economic empowerment
BCBS	Basel Committee on Banking Supervision
BIA	basic indicator approach
bps	basis points
BU	business unit

C	
CAR	capital adequacy requirement
CCF	credit conversion factor
CCP	central counterparty
CCR	counterparty credit risk
CEM	current exposure method
CET1	Common Equity Tier 1
CFP	contingency funding plan
CIB	Corporate and Investment Bank
CLF	committed liquidity facility
CLGD	country loss given default
CMRA	conduct material risk assessments
CoRC	Concentration Risk Committee
CPF	Commercial Property Finance
CPRF	Conduct Principal Risk Framework
CR	credit risk
CRC	Control Review Committee
CRCC	Country Risk and Control Review Committee
CRM	credit risk mitigation
CRRC	Conduct and Reputational Risk Committee
CSA(s)	collateral support annexure(s)
CVA	credit valuation adjustment

D	
DGS	Deposit Guarantee Scheme
D-SIBs	domestic systemically important banks
DVaR	daily value at risk

E	
EAD	Exposure at default
EC	economic capital
ECA	economic capital adequacy
Edcon	Edcon Store Card Portfolio
EL	expected loss
ERMF	Enterprise Risk Management Framework
EVE	economic value of equity
EWIs	early warning indicators

F	
FRC	Financial Risk Committee
FRTB	Fundamental Review of the Trading Book
FX	Forex

G	
GAC	Group Actuarial Committee
GACC	Group Audit and Compliance Committee
GCC	Group Credit Committee
GCE	Group Chief Executive
GCCO	Group Chief Credit Officer
GCRO	Group Chief Risk Officer
GMRA	Global Master Repurchase Agreement
GMRC	Group Market Risk Committee
GMRP	Group Model Risk Policy
GMSLA	Global Master Securities Lending
GRCMC	Group Risk and Capital Management Committee
Group	Barclays Africa Group Limited
GWWR	general wrong way risk

H	
HQLA	high-quality liquid assets
HR	high risk

I	
IAA	internal assessment approach
IAS	International Accounting Standard(s)
IAS 28	IAS 28 Investments in Associates
IAS 39	IAS 39 Financial Instruments: Recognition and Measurement
ICAAP	internal capital adequacy assessment process
ICMA	International Capital Market Association
IFRS	International Financial Reporting Standard(s)
IFRS 9	Financial Instruments
IFRS 11	Joint Arrangements
IMA	internal models approach
IMM	internal model method
IRB	internal ratings-based
IRBA	internal ratings-based approach
IRC	incremental risk charge
IRRBB	interest rate risk in the banking book
ISDA	International Swaps and Derivatives Association
ISLA	International Securities Lending Association
IT	information technology
IVC	Independent Valuation Committee

J	
JIBAR	Johannesburg Interbank Agreed Rate
JSE	Johannesburg Stock Exchange

K	
KCI	key control indicator
KI	key indicator
KPI	key performance indicators
KRI	key risk indicator
KRO	Key Risk Officer
KRS	Key Risk Scenarios

L	
LCR	liquidity coverage ratio
LGD	loss-given default
LRA	liquidity risk appetite
LTV	loan-to-value

M	
MC	Barclays Africa Models Committee
MR	market risk

N	
NCWO	no-creditor-worse-off
NII	net interest income
NPL(s)	non-performing loan(s)
NSFR	net stable funding ratio

O	
OR&CC	Operational Risk and Control Committee
ORMF	Operational Risk Management Framework
ORSA	Own Risk and Solvency Assessment
ORX	operational risk data exchange
OTC	over-the-counter

P	
PD	probability of default
PF	project finance
PFE	potential future exposure
PKIs	predictive key indicators
PIT	point-in-time
PRO	Principal Risk Officer
PSE	public sector entity

Q	
QCCP	qualifying central counterparty

R

RBA ratings-based approach
RBB Retail and Business Banking
RC regulatory capital
RoE return on average equity
RoRWA return on average risk-weighted assets
RRP recovery and resolution plan
RSU Risk Sanctioning Unit
RW risk-weight
RWA risk-weighted assets
RWR right way risk

S

SA standardised approach
SA-CCR standardised approach for counterparty credit risk
SAM Solvency Assessment and Management
SARB South African Reserve Bank
SEC securitisations
SFA supervisory formula approach
SL specialised lending
SME small- and medium-sized enterprises
SSFA simplified supervisory formula approach
sVaR stressed value at risk
SWWR specific wrong-way risk

T

TLAC total loss-absorbing capacity
TRC Trading Risk Committee
TSA the standard approach
TTC through-the-cycle

V

VAF Vehicle and Asset Finance
VaR value at risk

W

WIMI Wealth, Investment Management and Insurance
WL watch list

Notes

Notes

Contact details

Barclays Africa Group Limited

Incorporated in the Republic of South Africa

Registration number: 1986/003934/06

Authorised financial services and registered credit provider (NCRCP7)

JSE share code: BGA

ISIN: ZAE000174124

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Please direct media queries to groupmedia@barclaysafrica.com

For all customer and client queries, please go to the relevant country website (see details below) for the local customer contact information

Please direct queries relating to your Barclays Africa Group shares to questions@computershare.co.za

Please direct other queries regarding the Group to groupsec@barclaysafrica.com

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ADR depositary

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PricewaterhouseCoopers Inc.[1]

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KPMG Inc.[1]

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kpmg.com/za/en/home

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

Sponsors

Lead independent sponsor

J.P. Morgan Equities South Africa Proprietary Limited

Telephone: +27 (0)11 507 0300

jpmorgan.com/pages/jpmorgan/emea/local/za

Joint sponsor

Absa Bank Limited (Corporate and Investment Bank)

Telephone: +27 (0)11 895 6843

equitysponsor@absacapital.com

Significant banking subsidiaries

Information on the entity and the products and services provided (including banking, insurance and investments) can be found at:

Absa Bank Limited	www.absa.co.za
Barclays Bank of Botswana Limited	www.barclays.co.bw
Barclays Bank of Ghana Limited	gh.barclays.com/
Barclays Bank of Kenya Limited	www.barclays.co.ke
Barclays Bank Mauritius Limited	www.barclays.mu
Barclays Bank Mozambique SA	www.barclays.co.mz/eng
Barclays Bank (Seychelles) Limited	www.barclays.sc
Barclays Bank Tanzania Limited	www.barclays.co.tz
Barclays Bank of Uganda Limited	www.barclays.co.ug
Barclays Bank Zambia plc	zm.barclays.com/
National Bank of Commerce Limited	www.nbctz.com

Representative offices

Absa Namibia Proprietary Limited

Absa Capital Representative Office Nigeria Limited