Barclays Africa Group Limited

Pillar 3 risk management

For the reporting period ended 30 June 2017

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Positive

Negative

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Increase/decrease

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[1] Annual requirement, not disclosed in interim reporting.
[2] Not applicable to the Group.

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[1] Annual requirement, not disclosed in interim reporting.

1. Summary of capital position and risk profile

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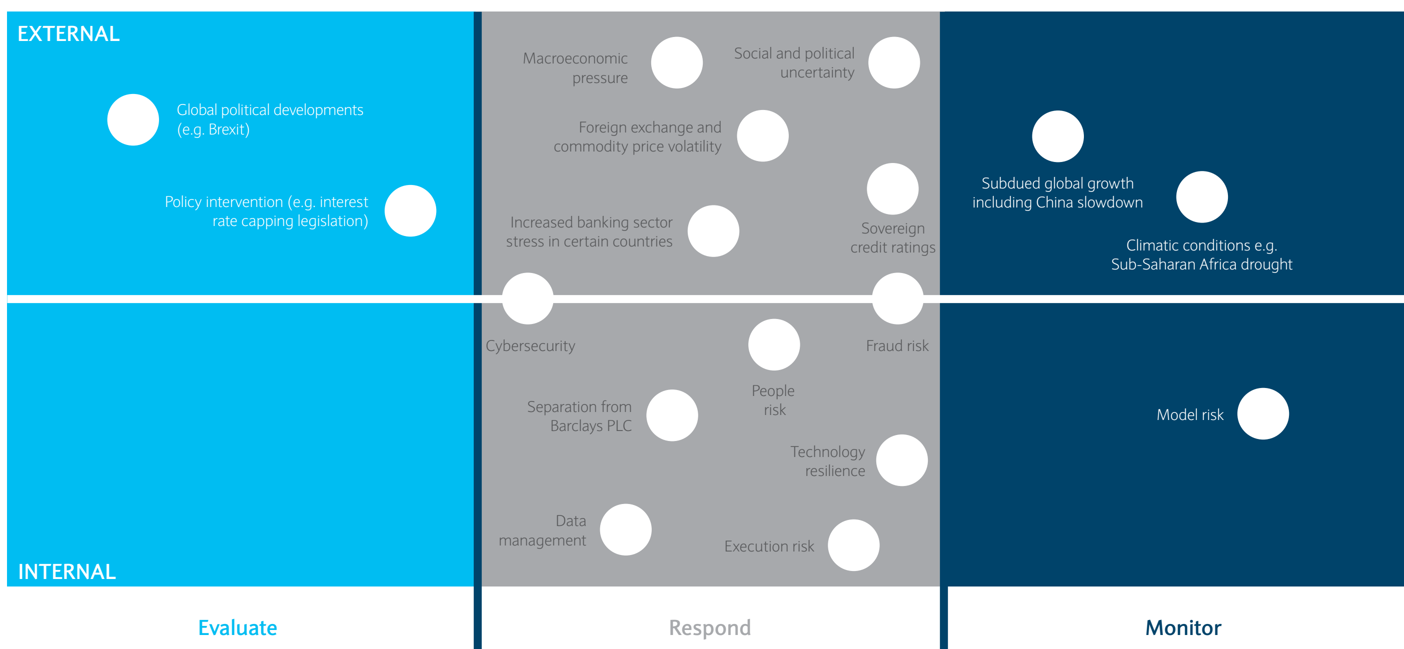
1.1 Current and emerging risks

The Group constantly monitors the external and internal environments in order to identify potential emerging risks and to manage identified risks. The following graphic outlines material risks impacting the Group's strategic ambitions.

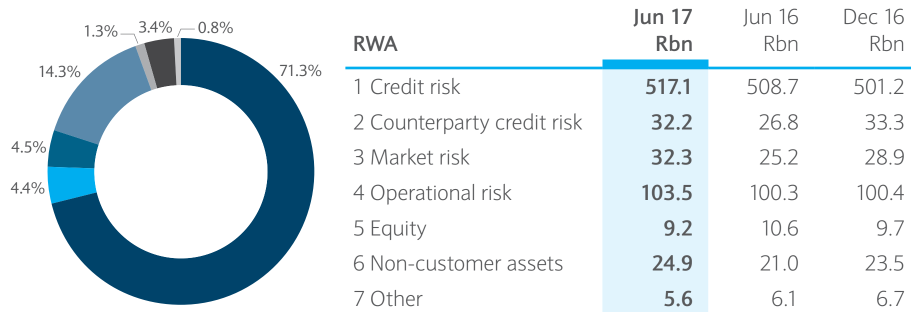


Theme	Key risks	Potential impacts	Mitigating actions
Macro-environmental factors can impact our ability to sustain business and achieve market commitments	› Foreign exchange and commodity price volatility › Increased banking sector stress in certain countries › Macroeconomic pressure › Social and political uncertainty › Global political uncertainty › Sovereign credit downgrades › Subdued global growth including China slowdown › Climatic conditions e.g. Sub-Saharan Africa drought	› Reduced revenue › Increased impairments	› Continue to respond to changes in leading indicators with definitive steps to mitigate risks and unlock opportunities › Constant review of risk appetite
Strategic changes can impact our ability to execute the plans that support the Group's market commitments	› Separation from Barclays PLC › Execution risk › People risk	› Delayed completion of projects › Increased expenditure › Lack of focus	› Operate a dedicated and integrated capability to address business-as-usual, transition and transformation change requirements
Technology can impact competitiveness and operational risk	› Cybersecurity › Fraud risk › Technology resilience › Data management › Model risk	› Security breaches › Operational disruptions › Operational losses › Reputational damage › Incorrect model informed decisions	› Continue to invest in technology platforms, processes and controls › Prioritisation of key issues
New and emerging regulation	› Policy intervention (e.g. interest rate capping legislation) › Regulatory impacts of significant global developments (e.g. Brexit)	› Reduced revenue and/or increased expenses › Non-compliance with regulations, resulting in penalties	› Maintain the coordinated, comprehensive and timely approach to identify, assess and respond to regulatory changes

1.2 Risk and capital performance over the current reporting period

- The Group's capital position remained above the minimum regulatory requirements and Board-approved capital target ranges, with capital buffers sufficient to withstand stressed conditions.
- The liquidity position remained healthy, within risk appetite and above the minimum regulatory requirements, maintaining buffers approved by the Board.
- Barclays PLC disposed of 12.2% and 33.7% of the Group's shares on 5 May 2016 and 1 June 2017, respectively. As part of its divestment, Barclays PLC contributed £765m to the Group in June 2017, mainly in recognition of the investments required for the Group to separate from Barclays PLC. Investments will be made primarily in rebranding, technology and separation-related projects and it is expected that they will neutralise the capital and cash flow impact of separation investments in the Group over time. The separation process will increase the capital base of the Group in the near term and generate endowment revenue thereon, with increased costs over time as the separation investments are concluded. The Group has therefore also included normalised results that better reflect the underlying performance of the Group.
- Operational resilience continues to improve due to investments in process engineering, people and technology.
- Although broadly in line with expectations, the credit loss ratio improved as a result of lower default experience across the Wholesale Portfolios in South Africa and the Rest of Africa, and improved retail collections performance.

The Pillar 3 report provides detailed regulatory risk measures that reflect the Group's risk profile and strategy. June 2017 measures show the progress accomplished in repositioning the Group's risk profile as follows:



RWA	Jun 17 Rbn	Jun 16 Rbn	Dec 16 Rbn
1 Credit risk	**517.1**	508.7	501.2
2 Counterparty credit risk	**32.2**	26.8	33.3
3 Market risk	**32.3**	25.2	28.9
4 Operational risk	**103.5**	100.3	100.4
5 Equity	**9.2**	10.6	9.7
6 Non-customer assets	**24.9**	21.0	23.5
7 Other	**5.6**	6.1	6.7

- Credit risk: Portfolios subject to the advanced internal ratings-based (AIRB) approach have increased as a result of exposure growth in wholesale markets.
- CCR: The movements in CCR are in line with market volatility, specifically exchange rate fluctuations.
- Market risk: The increase was driven by an increase in daily value at risk (DVaR) and stressed value at risk (sVaR), mainly as a result of hedging activity conducted as part of the Barclays PLC separation, and market volatility in the internal models DVaR and sVaR measure for the South African business.
- Operational risk: Higher operating income attributable to advanced measurement approach (AMA) entities drove an increase in the regulatory floor (the standardised approach (TSA) Floor on AMA entities).

(Refer to page 76 for a detailed breakdown of risk-weighted assets (RWAs.))

Key metrics

(Arrows depict the YoY trend)

Capital adequacy ratio (page 73)
16.1%/14.5%
IFRS[1]/Total normalised
Jun 16: 14.6%; Dec 16: 14.8%

Common Equity Tier 1 ratio (page 73)
13.7%/12.1%
IFRS[1]/Total normalised
Jun 16: 12.1%; Dec 16: 12.1%

Leverage ratio[2] (page 78)
8.1%
Jun 2016: 6.6%; Dec 16: 7.1%

Liquidity coverage ratio (page 65)
118.9%
Jun 2016: 83.5%; Dec 16: 95.8%[3]

Growth in gross loans and advances to customers (page 30)
1.8%
Jun 16: 9.0%; Dec 16: 2.7%

Credit loss ratio (page 30)
0.96%
Jun 16: 1.29%; Dec 16: 1.08%

Non-performing loans as a percentage of gross loans and advances (page 30)
3.7%
Jun 16: 3.8%; Dec 16: 3.9%

Performing loans coverage ratio (page 30)
0.76%
Jun 16: 0.72%; Dec 16: 0.79%

Non-performing loans coverage ratio (page 30)
43.5%
Jun 16: 43.8%; Dec 16: 44.2%

Operational risk losses (page 87)
R121m
Jun 16: R380m; Dec 16: R582m

Notes
1 IFRS: International Financial Reporting Standards. Includes Barclays separation.
2 Leverage ratio including unappropriated profits.
3 December 2016 liquidity coverage ratio (LCR) reported post audit.

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1.3 Looking ahead

The Group's operating environment is expected to remain strained, and risk management will remain a priority, including:

- close monitoring of developments in the macroeconomic and sociopolitical environments in which the Group operates, and their effect on the Group risk appetite;
- tight control and management of separation and execution risks by delivering a structured programme of work via an integrated governance structure supported by ongoing monitoring of idiosyncratic risks and independent quality assurance;
- continuing to manage the capital position of the Group allowing for uncertainties caused by the recent ratings downgrades of the South African sovereign and major South African banks;
- management of the funding and liquidity position in line with risk appetite and regulatory requirements by maintaining appropriate buffers while optimising the associated cost;
- continued monitoring of the credit, treasury and market risk infrastructure's resilience to market volatility;
- continuing to improve operational resilience across critical processes including collections, cybersecurity and fraud, data centres and disaster recovery and financial crime;
- strengthening the employee value proposition to ensure the continued availability of the right talent pool;
- continuous monitoring of regulatory compliance readiness relating to reporting (RDARR[1]), impairments (IFRS 9[2]), insurance (SAM[3]) and market risk (FRTB[4]);
- the Twin Peaks model for regulatory supervision is in the process of being implemented in South Africa as the Financial Sector Regulation Bill has been passed. Execution of the existing Conduct Risk Management Framework positions the Group to meet any enhanced requirements that will result from the changes; and
- further embedment of increased conduct regulatory requirements across the continent.

Notes
[1] Risk data aggregation and risk reporting.
[2] International Financial Reporting Standard 9.
[3] Solvency Assessment and Management.
[4] Fundamental Review of the Trading Book.

2. Basis of preparation

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2.1 Pillar 3 risk management report oversight

- The Pillar 3 risk management report provides a comprehensive view of the Group's regulatory capital and risk exposures. The purpose of this report is to comply with:
  - the Basel Committee on Banking Supervision (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.
- The information in this report is unaudited.
- 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.

2.2 Scope of consolidation

Barclays Africa Group Limited (the Group) was formed on 31 July 2013 through the combining of Absa Group Limited and Barclays' African operations. Reflecting the enlarged Group's pan-African focus, the name changed from Absa Group Limited to Barclays Africa Group Limited on 2 August 2013.

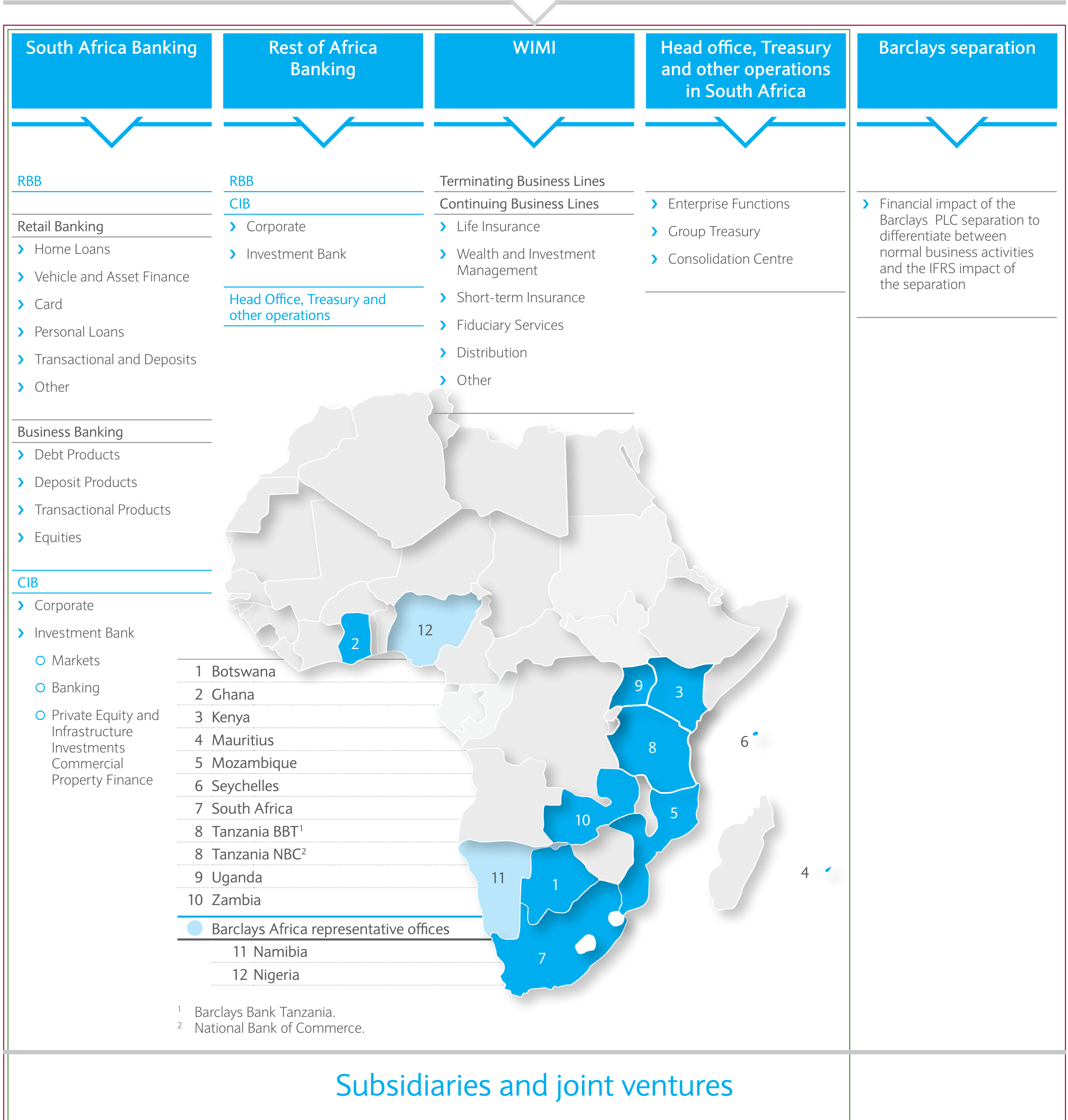
The Group's registered head office is in Johannesburg, South Africa with majority stakes in banks in Botswana, Ghana, Kenya, Mauritius, Mozambique, Seychelles, South Africa, Tanzania (Barclays Bank Tanzania and National Bank of Commerce), Uganda and Zambia. The Group also has representative offices in Namibia and Nigeria as well as insurance operations in Botswana, Kenya, Mozambique, South Africa, Tanzania and Zambia.

Barclays Bank Kenya and Barclays Bank Botswana continue to be listed on their respective stock exchanges.

Disclosure in this report is presented on a consolidated basis for the Group. The consolidation is similar to that used for reporting to the South African Reserve Bank (SARB).

Insurance entities have been deconsolidated for regulatory reporting purposes.

Barclays Africa Group



Normalised

IFRS

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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.

2.3 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 Group's risk governance channels which include principal risk officers, the Barclays Africa Group Executive Risk Committee (ERC), and the Board-level Group Risk and Capital Management Committee (GRCMC).

2.4 Scope of application of Basel measurement

The Economic Capital (EC) Framework forms the basis of the Group's approach to assessing its Pillar 2 capital requirement. Under this approach, the EC Framework is supplemented by a number of other factors, including analysis of stress scenarios.

The table below summarises the regulatory capital demand measurement approaches.

Risk type	Approach used
Credit risk (SA)	
› Retail and Wholesale credit risk	› Advanced internal ratings-based approach (AIRB)
› Counterparty credit risk	› Current exposure method
› Edcon portfolio	› Standardised approach
› Statutory reserve and liquid asset portfolio	› AIRB
› Equity investment risk in the banking book – listed and unlisted	› Market-based simple risk weight approach
› Investments in associates and joint ventures	› Pro rata consolidated methodology or the deduction approach
Traded market risk	
› General position risks for trading book positions	› Internal model approach (IMA)
› Issuer-specific risks for trading book positions	› Standardised approach
Operational risk	
› Operational risk[1] – majority of the Group's divisions	› Advanced measurement approach (AMA)
› Certain joint ventures and associates and cross-border legal entities	› Basic indicator approach or the standardised approach (TSA)
Rest of Africa entities	
› All entities	› Standardised approach for all risk types
Other risks	
› Non-customer assets	› Standardised approach

Notes

[1] On 1 March 2011, the SARB stipulated that a capital floor of 85% of the standardised approach (TSA) be applied. i.e. at all times the operational risk Pillar 1 minimum requirement must remain above or equal to 85% of the TSA minimum required capital.

2.5 Accounting policies

2.5.1 Selected applicable accounting policies

2.5.1.1 Retail and Wholesale portfolios

Under International Financial Reporting Standards (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 expected losses.

2.5.1.2 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.

2.5.1.3 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.

3. Overview of risk management

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3.1 Approach to risk management [OVA I

The Group has maintained its active approach towards managing both current and emerging risks through the continued operating effectiveness of its Enterprise Risk Management Framework (ERMF). This approach is underpinned by:

› a robust and aligned governance structure at a Group, country and business level;

› well defined material risk categories known as principal risks;

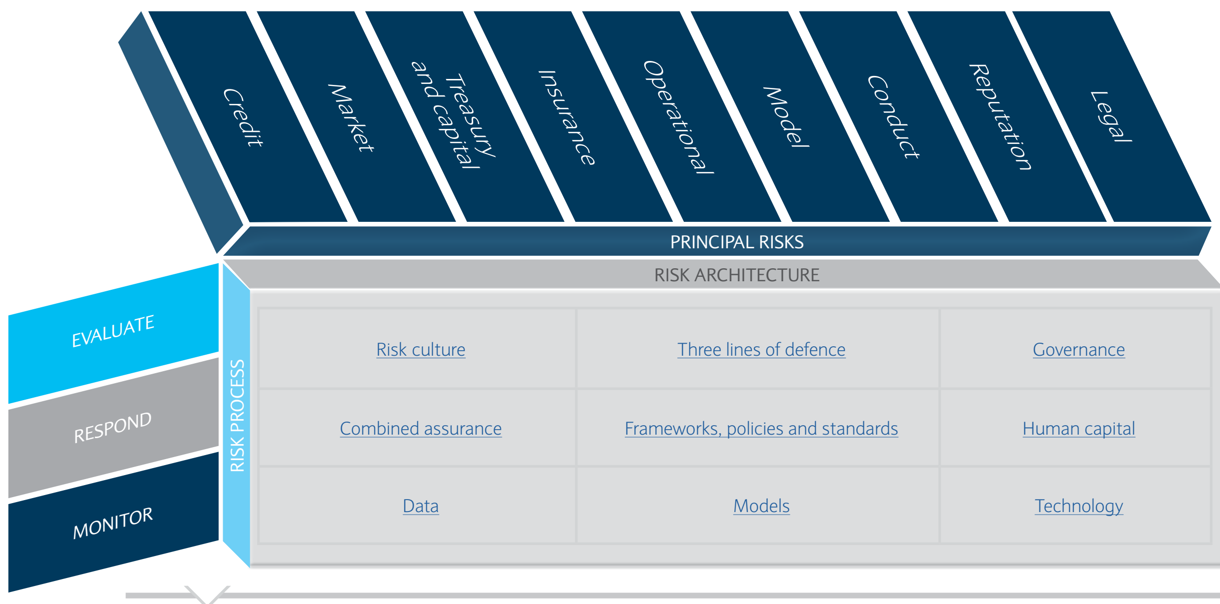
› a three lines of defence model, with clear accountability for managing, overseeing and independently assuring risks;

› comprehensive processes to evaluate, respond to, and monitor risks; and

› a sound architecture that sets out the appropriate risk practices, tools, techniques and organisational arrangements.

In its latest design review, the ERMF was amended to define treasury and capital, insurance, model, reputational and legal risks as principal risks, in recognition of their significance to the Group's strategic ambitions.

3.2 The Enterprise Risk Management Framework



The Board-approved ERMF sets out the scope of the risks facing the Group and assigns clear ownership and accountability for these risks.

The Group Chief Risk Officer (GCRO) is accountable for ensuring that frameworks, policies and associated standards are developed and implemented for each of the financial principal risks, operational risk and model risk, and that they are subject to limits, monitored, reported on and escalated as required. The Chief Compliance Officer is likewise accountable for conduct risk and reputation risk, and the Group General Counsel for legal risk.

The GCRO is the owner of the ERMF. Application of the ERMF in the Group is overseen by the heads of applicable principal risk types, with the Head of Operational Risk operating as the custodian and lead on ERMF matters.

3.3 Risk process

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 Group, whether 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.

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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. › Competitor analysis.
Respond	› Complying with all relevant laws and regulations. › Focusing 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	› Focusing on progress towards objectives, using key performance indicators (KPIs) to identify those objectives which require further attention. › 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.

3.4 Risk appetite and strategy

The risk strategy is developed alongside the Group's business strategy and forms an integral part of the integrated planning process. Within the risk strategy, risk appetite defines the nature and amount of risk that the Group seeks. This is set at the start of the strategic planning process to ensure that the business strategy is achievable within risk appetite, and that risk information is considered in the organisation's decision-making and planning process.

The Group's risk appetite:

- specifies the level of risk the Group is willing to take and why;
- considers all principal risks individually and, where appropriate, in aggregate;
- consistently measures, monitors and communicates the level of risk for different risk types, expressed in financial and non-financial terms;
- describes agreed parameters for the Group's performance under varying levels of financial stress with respect to profitability, loss and return metrics, capital adequacy and liquidity ratios; and
- is considered in key decision-making processes, including business planning, mergers and acquisitions, new product approvals and business change initiatives.

The Group's risk appetite is defined using qualitative statements and quantitative measures which are cascaded to the level of principal risk, legal entity and business unit. The Group's risk appetite is stated qualitatively in terms of risk principles and risk preferences with reference given to the types of risk the Group actively seeks as well as those it accepts and avoids. In addition, the maximum amount of risk that the Group is prepared to accept in pursuit of its business objectives is defined using a range of quantitative metrics relating to liquidity, earnings volatility, capital adequacy and leverage.

Risk metric	Definition
Total regulatory capital coverage	The extent to which the Group is adequately capitalised on a regulatory basis for both its banking and insurance businesses.
CET1 ratio (%)	The extent to which the Group is adequately capitalised from a regulatory perspective.
Economic Capital (EC) coverage	The extent to which the Group is adequately capitalised on an economic basis relative to its target credit rating.
Accounting earnings-at-risk (%)	Percentage of profit before tax potentially lost over a 12-month period.
Loan loss rate (bps)	Level of actual credit losses in the Group's credit portfolios.
Liquidity risk appetite (%)	The Group has sufficient high-quality liquid assets to cover total net cash outflows over a 30-day period.
Leverage ratio (%, Basel III)	Level of leverage in the Group per unit of qualifying Tier 1 regulatory capital (statutory).

3.4.1 Strategy, business model and risk appetite

The Group 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.

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.

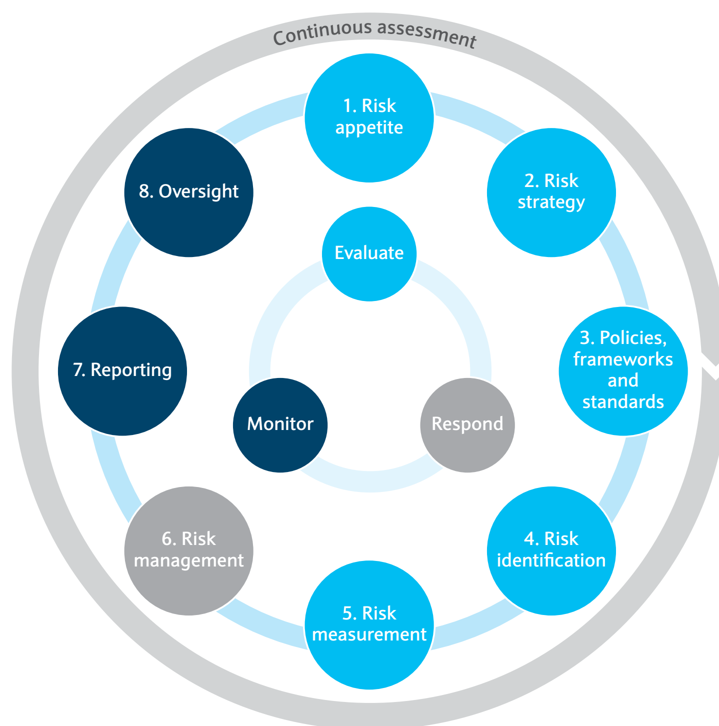
Quantitative risk appetite metrics are set at Group level and comprise earnings volatility statements and statements on the minimum levels of available financial resources (capital and liquidity) that the Group is willing to accept under severe stress scenarios. Qualitative risk appetite consists of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

Risk principles provide a high level perspective on how the Group thinks about risk and reward. The Group's risk principles state that:

- the Group takes on only those risks that it 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;
- the Group prefers risks that are capital efficient. In assessing capital efficiency, the impact of diversification or concentration on the existing risk profile is considered;
- the Group 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; and
- the Group avoids risks where it exposes itself to very volatile or potentially extreme adverse outcomes.

In summary:

- the Group 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;
- the Group 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;
- the Group accepts the risks that may arise from the adoption of a customer-centric business model. These risks include reputation risks, fraud risks, compliance and conduct risks; and
- the Group is willing to accept the risks that arise from the execution of its long-term strategy, in particular those arising from its growth ambitions in respect of new markets and geographies as articulated in the Group's long-term strategy. These risks include sovereign risk, Forex risk, political risks and country risk.



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

Our 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 to manage funds	Managing shareholder funds Accepting customers' and clients' deposits and raising debt Facilitating payments and investments Providing investment management products and advice Providing pension fund administration	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 services	Interest expense Fee 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	Providing solutions to manage various 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
Provide financial and business support	Providing individual and business advice, investment research and advisory services on large corporate deals	Market Operational Conduct		Fee income from advisory services	Fee and commission income
Protect against risks	Providing compensation for retirement and/or a specified loss (damage, illness or death) in return for a premium payment	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

We provide our customers and clients with a range of 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><th rowspan="6">A safe place to save, invest and to manage funds</th><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 services</td><td colspan="3">Access to international trade services</td></tr>
<tr><td rowspan="2"></td><td colspan="4">Cash management, payment systems and international trade services</td></tr>
<tr><td colspan="2">Pension fund administration</td><td colspan="2"></td></tr>
<tr><th rowspan="4">Provide funds for purchases and growth</th><td rowspan="4">Residential home loans, vehicle and asset finance, personal loans and credit cards</td><td colspan="3">Commercial property finance and business loans</td><td rowspan="2"></td></tr>
<tr><td colspan="3">Asset and lease finance, trade and supplier finance and working capital solutions</td></tr>
<tr><td rowspan="2"></td><td colspan="3">International capital markets</td></tr>
<tr><td colspan="2">Large corporate inter-bank lending</td><td></td></tr>
<tr><th rowspan="3">Manage business and financial risks</th><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><th rowspan="2">Provide financial and business support</th><td rowspan="2">Wealth advisory and private banking services, including investment advice, wills and trusts</td><td colspan="4">Relationship managers and support</td></tr>
<tr><td>Business seminars and start-up support</td><td colspan="3">International investment research. Advice on large corporate deals and mergers and acquisitions</td></tr>
<tr><th>Protect against risks</th><td colspan="3">Insurance (life, investments, retirement, credit and short-term)</td><td colspan="2"></td></tr>
</table>

3.4.2 Stress testing

Stress testing and scenario analysis are key elements 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 business in the expected economic environment and also evaluate the potential impact of adverse economic conditions, using and applying the information in the process of setting risk appetite.

Stress testing is conducted across all legal entities, business units, risk types, as well as at Group level. 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.

The above mentioned information also feeds into the Group's internal capital adequacy assessment process (ICAAP), as well as its recovery and resolution plan. 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 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.

Actual market stresses, which have been experienced throughout the financial system in recent years, are used to inform the stress scenarios employed. Depending on the purpose of the stress testing exercise, an appropriate scenario is constructed and agreed. Macroeconomic indicators and other factors, with a specific focus on the indicators/factors that are used on the forecasting models, are forecasted and other assumptions (e.g. growth) agreed. The macroeconomic indicators include real gross domestic product, inflation, interest rates, house price indexes, money supply etc. The indicators/factors and assumptions are used in the Group's forecasting models and approaches to generate forecasted risk measures, as well complete income statements and balance sheets. These are then aggregated from business unit level to legal entity and the Group. The Group runs a detailed bottom-up stress testing exercise based on a plausible downturn scenario at least once a year, mainly for the Group's ICAAP. The reverse stress is run also annually, but centrally, making use of the Group's central forecasting model. The central forecasting capability also provides *ad hoc* stress testing support for both internal purposes and regulatory requests.

3.5 Risk architecture

3.5.1 Risk culture

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

The Code of Conduct sets out the ethical and professional attitudes and behaviours expected of the Group 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 Group's Values of:

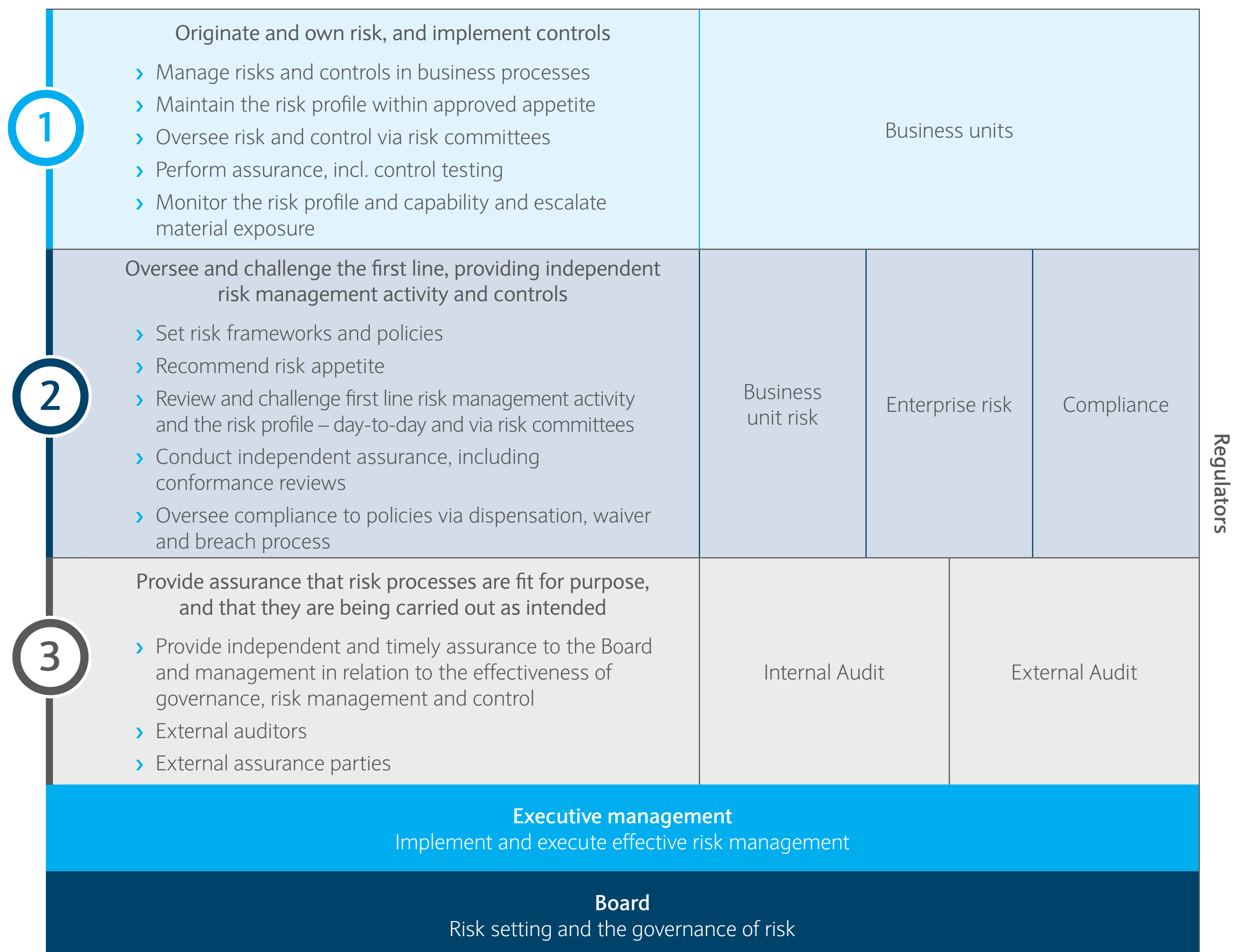
- respecting our customers and their needs;
- respecting the role of Compliance, Risk and Audit colleagues who provide partnership and challenge to businesses;
- speaking up if we believe decisions are not right or could potentially harm our customers;
- disclosing all relevant information and discussing 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;
- exercising a duty of care when providing banking services to our customers;
- promoting a "identify and address" culture in relation to potential customer detriment; and
- underpinning Group's risk and control culture by its management control approach methodology which is reliant on the tone from the top and its translation into action within the organisation.

3.5.2 The three lines of defence

The Group 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 are required to 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.

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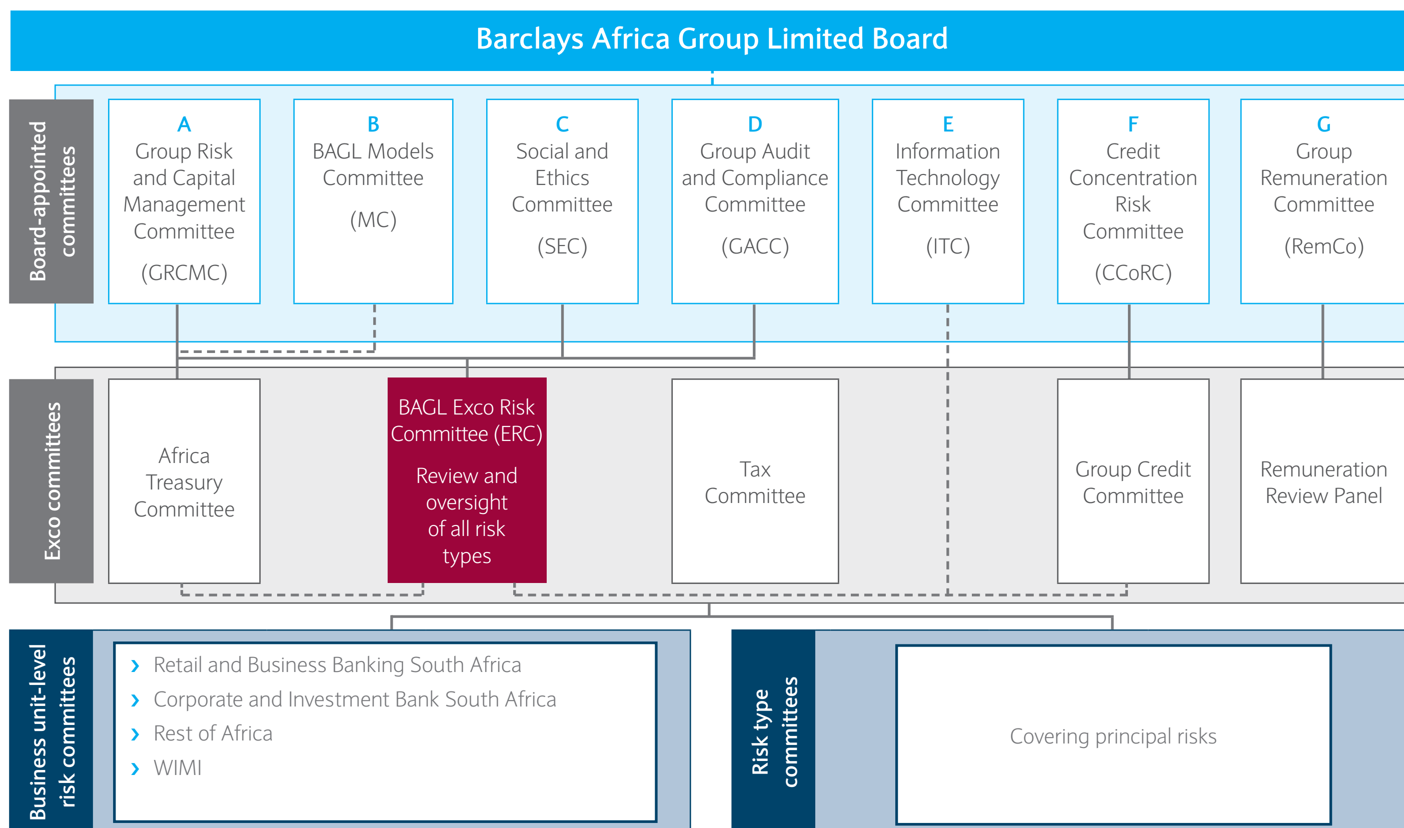
3.5.3 Governance

The Group Board is supported by a number of committees at Board, executive, and business level. The below diagram depicts the risk related committees.

Risk governance structure



The main responsibilities of the Board-appointed committees are:

Committees (meetings per year)	Key focus areas	Members
A Group Risk and Capital Management Committee (GRCMC) (5 x PY)	Risk, risk appetite, capital, funding and liquidity management	› Five independent non-executive directors › Two non-executive directors › Two executive directors
B Models Committee (MC) (4 x PY)	Approval of material models and model governance oversight	› Three executive directors
C Social and Ethics Committee (SEC) (3 x PY)	Conduct risk, sustainability, stakeholder management, corporate citizenship, ethics, labour, diversity and inclusion, and general human resources and talent management matters	› Four independent non-executive directors › One executive director › Two executive directors as attendees
D Group Audit and Compliance Committee (GACC) (includes Disclosure Committee) (7 x PY)	Internal controls, Compliance, Internal and External Audit, accounting and external reporting	› Six independent non-executive directors › One independent non-executive directors as an attendee › Two executive directors as attendees
E Information Technology Committee (ITC) (4 x PY)	IT systems, data, architecture and innovation, resilience and return on investment	› Three independent non-executive directors › Four executive directors
F Credit Concentration Risk Committee (CCoRC) (3 x PY)	Credit exposures above 10% of the Group's qualifying capital and reserves, portfolio exposures, applicable impairment trends and concentration risks	› Four independent non-executive directors › Three executive directors
G Group Remuneration Committee (RemCo) (4 x PY)	Remuneration and incentive arrangements, policy and disclosures, executive appointments and succession	› Five independent non-executive directors › Two executive directors as attendees

3.5.3.1 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 Group'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 are adjusted to suit the needs of each committee.

Risk reports contain the following key information:

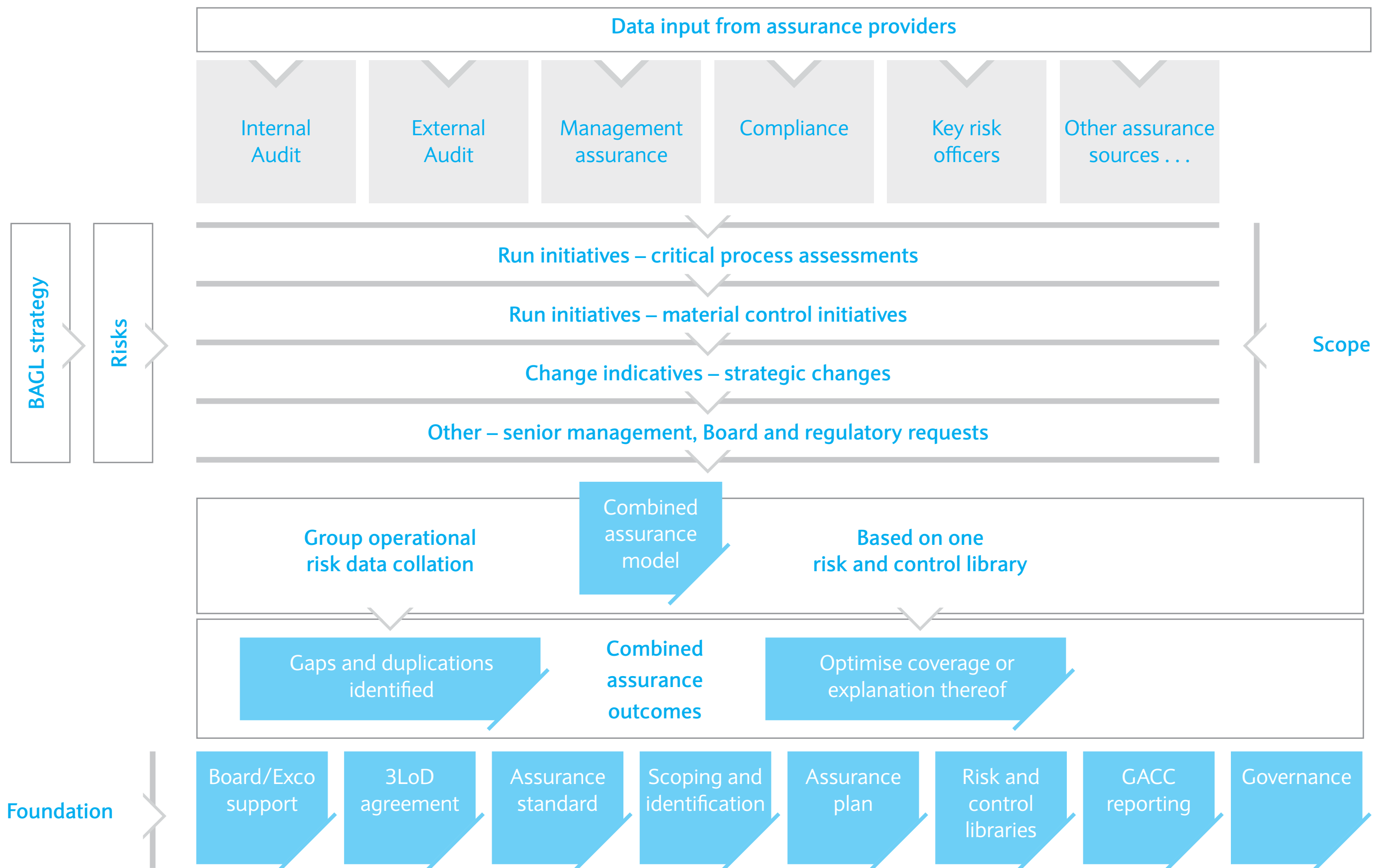
- monitoring of the risk profile against the Group's risk appetite;
- utilisation of financial resources against the risk budget;
- reporting of key risk metrics per risk type;
- monitoring of emerging risks and changes in the environment and an assessment of their potential impact;
- results of stress 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.

3.5.4 Combined assurance

The Group implemented a combined assurance model and requires coordinated activity across the three lines of defence for effective combined assurance. The objective of combined assurance is to optimise overall assurance provided to the executive and Board about the risk and control environment.

With respect to controls designed, the Group seeks to have a greater level of process automation and a higher proportion of preventative controls.

The combined assurance strategy has changed from broad assurance across the entire control universe to a more risk-based approach across those areas that are most material to the enterprise.



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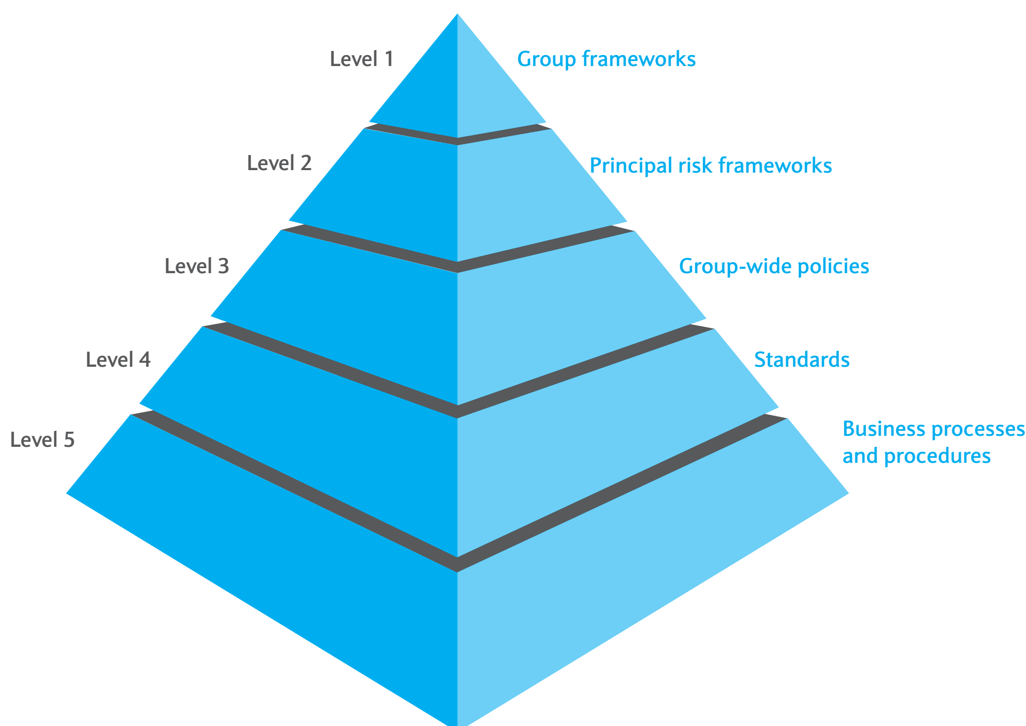
3.5.5 Frameworks, policies and standards

The Group has a policy hierarchy in place, which delivers broad, consistent Group requirements through:

- implementing Group-wide frameworks, policies and standards;
- limiting variation from Group minimum requirements and policy to circumstances where specific jurisdictional legal or regulatory requirements apply; and
- mandating alignment of governance documentation to the requirements and definitions of the hierarchy.

This drives consistency and efficiency and enables enhanced aggregation and risk oversight across the businesses and improved ‘line of sight’ to all levels of management.

The hierarchy has five tiers, with each level cascading from the one above. The degree of granularity and specificity of requirements increases as the levels descend.



- Frameworks cover the management processes for a collection of related activities and define the associated policies used to govern them.
- Policies set out control objectives, principles and other core requirements for the activities of the Group. Policies describe “what” must be done.
- Standards set out the key controls that ensure the objectives set out in the policy are met, and who needs to carry them out. Standards describe “how” controls should be undertaken.

Frameworks, policies and standards are owned by the area responsible for performing the described activity. Frameworks associated with the principal risks are owned and written by the second line and, for legal risk, the Legal function.

The GCRO and Group Chief Compliance Officer have the right to require amendments to any frameworks, policies or standards in the Group, for any reason, including inconsistencies or contradictions between them.

3.5.5.1 Principal risk frameworks

Frameworks are required for each principal risk, to be developed by the accountable officers, and must include a list of all the associated policies for that principal risk. These frameworks should be reviewed annually and approved by the respective accountable officer and the relevant Board committee. These frameworks are required to be uniformly understood and acted upon, and any question of interpretation may be decided only by the accountable officer for the framework.

3.5.5.2 Policies

Policies must satisfy the minimum requirements set out in the "Policy and Standards Requirements" document, must be lodged in the central policies database, and must include:

- control objectives that are specific, measurable, achievable, realistic and can be met in a timely manner; and
- list of all Standards that support implementation of the policy.

3.5.5.3 Standards

Both first and second line policies are implemented in business units and functions using standards.

Standards must be documented in line with the minimum requirements set out in the "Policy and Standards Requirements" document.

3.5.5.4 Approval process

Frameworks, policies and standards are subject as a minimum to an annual review, and challenge by the Risk and/or Compliance functions, unless explicitly waived for appropriate reasons by the relevant heads of those functions. Principal risk frameworks are subject to approval by relevant committees of the Board.

Policy owners are responsible for approving associated standards. Business level standards should be written by business and process managers, but require policy owners' approval.

3.5.5.5 Management of dispensations, waivers and breaches

All instances of non-compliance with Group-wide policy must be reported by businesses and functions to the relevant Group policy owner to enable overall risk profile versus risk appetite to be assessed and recorded.

In circumstances where an entity, business or function is unable to comply with an applicable Group-wide policy (either permanently or temporarily), a waiver or dispensation may be requested from the relevant policy owner. Where non-compliance with an existing policy requirement is identified, and a waiver/dispensation is not appropriate, then this should be notified to the policy owner as a breach and remedial action should be taken to address the non-compliance.

The policy owner must maintain a record of all waivers and dispensations granted and of breaches notified at the policy level.

3.5.5.6 Conformance

Management needs to assure itself, the Board and external stakeholders that a strong Risk Management and Control Framework is in place to help the Group secure both its financial and non-financial objectives. Therefore, an integral part of management's responsibilities is to establish and maintain processes to monitor and review the effectiveness of internal controls.

Framework documents must set out clear requirements and accountability for conformance activities in line with the following principles:

- The management in front line business or functional roles is responsible for monitoring the effectiveness of controls that they operate and own and, hence, are also responsible for ensuring that key controls are subject to a testing programme;
- The second line (Risk and Compliance) is responsible for providing independent oversight and review of management and reporting of controls operation. Separate, independent teams within the second line must also oversee the performance of the second line execution of its review activities and first line risk management; and
- Accountable officers are responsible for the design, recording, communication and ultimately the effectiveness of the principal risk frameworks and associated Group-wide policies. They are also responsible for reviewing the Group's conformance with these frameworks and policies. Where a policy is not aligned to a principal risk, the Group-wide policy owner is responsible for the design, recording, communication and effectiveness of relevant Group-wide policies and for reviewing conformance with such policies.

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3.5.6 Human capital

The Group's priority is strong business performance during the planned separation from Barclays PLC. Sustained focus on employees, as a differentiating asset, has enabled the Group to accelerate progress. Central to this is leadership continuity, critical skills retention, and ability to attract and engage quality employees, independent of Barclays PLC.

The Group is significantly investing in employee development and strengthening the employer brand. This includes building the leadership and managerial depth to underpin future ambitions. As evidenced by many of the Group's Colleague metrics, strong progress is being made in attracting, developing and retaining the employee capabilities required to achieve our strategy. The talent attraction and hiring metrics show that the Group is well resourced with quality employees, particularly in technology and digital, which are key enablers of the Group's strategy. Retention of leadership talent and critical skills is the highest it has been in the past four years.

The Group's leaders are focused on building a more agile and productive culture, founded on ethical values, personal accountability and transparency. This will be value accretive for all stakeholders, including employees. The Group is also upgrading change management capability, to be well-positioned to take advantage of opportunities in the market.

The revised operating model (South Africa Banking, Rest of Africa Banking and WIMI) ensures that the Group has dedicated leadership and commercial and technical capacity across all portfolios.

Material focus areas are:

- Leaders as a source of value;
- Attracting and retaining quality employees;
- Building bench strength through distinctive development opportunities;
- Accelerating diversity; and
- Partnering for success.

3.5.7 Data

3.5.7.1 Internal and external data

The Group utilises external data, where applicable, to verify, support and complement internal data with respect to meeting regulatory requirements and aid in management of risk. In addition, the Group enters into certain data and analytics partnerships with third parties, which are mutually beneficial, to enhance and heighten understanding of customers and clients. Third parties can include public and private sector corporate clients, bureaus and other data providers.

3.5.7.2 Risk data aggregation and risk reporting

The Basel committee published the regulations pertaining to the principles for risk data aggregation and risk reporting (RDARR) in 2013, with globally systemically important banks (G-SIBs) being required to be compliant on 1 January 2016. The regulation introduces principles that should be implemented by banks for their risk data aggregation processes and risk reporting to senior management and the Board. The principles cover governance, data and IT infrastructure requirements and specific aggregation and reproving principles. In February 2015, the SARB published its directive requiring domestic systemically important banks (D-SIBs) to be compliant by 1 January 2017.

In response to this requirement the Group has put in place processes and procedures to ensure its compliance with the principles.

Adherence to the principles will remain an ongoing activity as part of the setting and reporting of the Group's risk appetite to the Board and senior management. The Group will still be engaged in the ongoing improvement of these processes over the next three years.

3.5.8 Models

A model is defined as a method, system, or approach that applies statistical, economic, financial, or mathematical theories, techniques, and assumptions to process inputs into quantitative outputs (estimates). A model comprises inputs, calculations and outputs and is considered as an end-to-end concept, including the input and the usage of the output. A model might have several internal components, all of which are considered as parts of the model.

Model risk has been identified as a principal risk to be managed under the Enterprise Risk Management Framework (ERMF), with specific guidelines set out in the Group Model Risk Policy (GMRP) and relevant standards covering model ownership, model development, model approval, model implementation, model monitoring and model validation. Refer to section 9 for details on model risk.

Model risk is the potential for adverse consequences to arise from decisions based on incorrect or misused model outputs and reports. The most material and complex models are likely to present the greatest model risk and, therefore, increased scrutiny is placed on the independent validation and challenge of those models.

3.5.9 Technology

Technology is a building block for the Group's risk management practices. In the first instance, the Group's big data environments provide the computational environment that enables risk modelling teams to develop, test and implement various financial risk management models. The big data environments enable the detailed analysis of financial transactions, enabling the implementation of more complex risk models, such as advanced internal ratings based approach (AIRB) for credit risk. Technology teams also support various risk tracking and reporting systems, such as those that support internal audit and operational risk.

As part of the separation programme, a number of these technology solutions are under review to enable the best support for the Group's specific requirements. Within technology itself, two such systems have been developed and are undergoing testing before deployment. The first system defines the control requirements for technology solution development, to ensure technology teams build systems with all the correct controls as part of the system development process. The second system is to enable a Group-wide assessment and monitoring of controls for the technology environment, in support of the ERMF.

3.6 Principal risks

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 ERMF. The Group's business culture is closely aligned to a sound and well-understood approach to risk. The Group's Risk function retains independence in analysis and decision-making, underpinned by regular reporting to, and the support of, the GRCMC.

The approach to managing risk is outlined in the ERMF, which provides the basis for setting policies and standards, and establishing appropriate risk practices throughout the Group. It also 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 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 grouped into nine principal risks.

The ERMF is reviewed and approved annually by the Board, on recommendation after detailed scrutiny by the GRCMC. In its latest design review, the ERMF was amended to define treasury and capital, insurance, model, reputational and legal risks as principal risks in recognition of their significance to the Group's strategic ambitions.

The Group Chief Executive 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.

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The following nine risks, referred to as principal risks, account for the vast majority of the total risk faced by the Group:

- Financial principal risks
  - Credit risk;
  - Market risk;
  - Treasury and capital risk; and
  - Insurance risk.
- Non-financial principal risks
  - Operational risk;
  - Model risk;
  - Conduct risk;
  - Reputation risk; and
  - Legal risk.

Individual events may entail more than one principal risk. For example, internal fraud by a trader may expose the Group to operational and market risks as well as many aspects of conduct risk.

Credit risk, market risk and treasury and capital risk are collectively known as financial principal risks. The remaining risks are referred to as non-financial principal risks.

This is not an exhaustive list of risks to which the Group is subject. For example, the Group is also subject to political and regulatory risks in the jurisdictions in which it operates. While these may be very consequential, and are assessed from time to time in the planning and decision-making of the Group, they are not considered principal risks. These other risks are, however, subject to this framework and oversight by risk management.

The GCRO is accountable for ensuring that frameworks, policies and associated standards are developed and implemented for each of the financial principal risks, operational risk and model risk and that they are subject to limits, monitored, reported on and escalated as required. The Chief Compliance Officer is likewise accountable for conduct risk and reputation risk, and the Group General Counsel for legal risk.

4. Credit risk

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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.

4.1 Review of current reporting period CRA I

Key risk metrics	YoY trend	30 June 2017 Group	YoY trend	Wholesale	YoY trend	Retail
Growth in gross loans and advances to customers (%)	▼	1.8	▼	4.9	▼	(0.5)
Credit loss ratio (%)	▼	0.96	▼	0.36	▼	1.44
Non-performing loans (NPL) as a percentage of gross loans and advances (%)	▼	3.7	▼	2.0	▲	5.3
NPL coverage ratio (%)	▼	43.5	▼	37.2	▼	45.7
Performing loans coverage ratio (%)	▲	0.76	▼	0.51	▲	1.00
Growth in exposure at default (EAD)[1,2] (%)	▼	2.73	▼	4.73	▼	0.43
Weighted average probability of default (PD) (%)[2]	▲	2.27	▲	0.94	▲	3.96
Weighted average loss-given-default (LGD) (%)[2]	▼	30.48	▼	33.80	▼	26.23
Risk-weighted assets (RWA) as a percentage of EAD (%)[2]	▲	43.54	▼	46.30	▲	40.23

	30 June 2016 Group	Wholesale	Retail
Growth in gross loans and advances to customers (%)	9.0	19.6	1.9
Credit loss ratio (%)	1.29	0.94	1.60
NPL as a percentage of gross loans and advances (%)	3.8	2.5	5.1
NPL coverage ratio (%)	43.8	40.0	46.0
Performing loans coverage ratio (%)	0.72	0.61	0.84
Growth in EAD[1,2] (%)	10.79	16.37	5.01
Weighted average PD (%)[2]	2.13	0.74	3.68
Weighted average LGD (%)[2]	31.19	47.26	29.35
RWA as a percentage of EAD (%)[2]	42.60	46.91	38.14

	31 December 2016 Group	Wholesale	Retail
Growth in gross loans and advances to customers (%)	2.7	7.8	(0.8)
Credit loss ratio (%)	1.08	0.63	1.54
NPL as a percentage of gross loans and advances (%)	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 EAD[1,2] (%)	6.19	7.03	5.26
Weighted average PD (%)[2]	2.36	1.00	3.98
Weighted average LGD (%)[2]	28.57	30.58	26.18
RWA as a percentage of EAD (%)[2]	43.53	46.12	40.63

Notes
[1] Include trading book and banking book credit exposure.
[2] The percentages include only portfolios subject to the IRB approaches.

- Loans and advances: The **1.8%** (3.1% exclusive of currency movements) growth in loans and advances is largely a function of a general decline in economic conditions, political and policy uncertainty, and subdued confidence levels. Market conditions impacted risk appetite. Muted growth in retail advances was exacerbated by the impact of National Credit Act (NCA) amendments at the end of 2015. Solid growth recorded in wholesale loans and advances was largely due to strategic focus on large names in the real estate sector and investment grade mid-tier corporates, as well as corporate action funding opportunities.
- NPLs: The improvement in NPLs as a percentage of gross loans and advances to **3.7%** (June 2016: 3.8%) is due to the recovery of a large single-name exposure following a capital injection, partially offset by an increase in NPLs in the SA retail portfolio given the strained macroeconomic environment.
- Impairments: Overall impairments have improved to R3 773m (June 2016: R5 197m) and the credit loss ratio to **96bps** (June 2016: 129bps) as a result of a lower default experience across the wholesale portfolios in South Africa and the Rest of Africa, and an improved retail collections performance. Macroeconomic provisions were lower at R90m (June 2016: R226m) with only the wholesale Rest of Africa presenting notable downside risk at half year.
- Performing coverage: The increase in coverage to **76bps** (June 2016: 72bps) relates to the emergence of increased pressure on consumers in a deteriorating macroeconomic environment and additional macroeconomic provisions raised in H2 2016. The coverage extent was offset somewhat by lower coverage in the wholesale portfolio predicated upon an improved portfolio risk profile due to recovery in commodity prices, lower facility utilisation and a large single-name restructure.
- RWA intensity: RWA consumption calculated as a percentage of the exposure at default has increased and is attributable to market movements increasing both counterparty credit risk (CCR) and credit value adjustments (CVA).

4.2 Priorities

- Continue to identify and actively manage credit risk trends and opportunities addressing additional changes in the macroeconomic climate and further optimising capital consumption via the development or recalibration of models using current data;
- Localise technology and policy drafting services previously received from Barclays PLC; and
- Continuously refine the credit risk appetite methodology, models and stress testing scenarios.

4.3 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.

4.4 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 to and monitor risks incurred by the Group. Credit risk is identified within the ERMF as a principal risk. The credit risk framework includes 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 CCoRC is the primary Board sub-committee responsible for credit risk oversight. At a Group Exco level, the Exco Risk Committee (ERC) is responsible for oversight of the Group's credit risk profile. At a business unit level, credit portfolio quality review meetings are responsible for the oversight and management of the credit portfolios of each business unit.

Impairments and disclosure: The CCoRC is the Board sub-committee responsible for impairment oversight, while the Group Audit and Compliance Committee (GACC) has responsibility for disclosure. The Group Credit Impairment Committee (GCIC) is responsible for oversight of impairments and provision adequacy. 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 the most material credit models. Business unit model approval forums are in place for the review of the balance of the models.

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Sanctioning: The CCoRC is the ultimate sanctioning authority, responsible for the approval of single name exposures that exceed 10% of the Group's qualifying capital and reserves, and country risk exposures. Further, the committee delegates authorities for the approval of exposures that fall below the 10% threshold to the Group Credit Committee (GCC) – a Group Exco committee – which in turn delegates authorities to the Group Chief Credit Officer (GCCO).

Credit risk reporting: The GCCO is responsible for the following Board-level reporting:

- To the CCoRC: The Group's credit risk profile (including key credit metrics, utilisation of risk appetite, and impairment position), a credit concentration risk report, and its adherence with the approved concentration risk limits;
- To the GRCMC: A summary of the Group's credit risk profile and its utilisation of risk appetite against limits; and
- To the GACC: A summary of the Group's Impairment results and position.

Credit risk appetite: The Group 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 Regulatory Capital (RC) and Economic Capital (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. The Group 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.
  - 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 are recommended to the GRCMC for approval. Concentration risk limits are reviewed on an annual basis. CCoRC is responsible for credit concentration risk management and limits.

4.4.1 Additional disclosure related to the credit quality of assets

Definition of default (regulatory)

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; or
- 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 suspends interest on the credit obligor;
- the Group consents to a distressed restructuring (SARB Directive 7/2015) of the credit obligation. The Group classifies all cases of distressed restructures as defaulted;
- the customer applies for debt review, business rescue or similar protection;
- declined distressed restructure; and
- bankruptcy or a similar order.

Definition of impaired

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

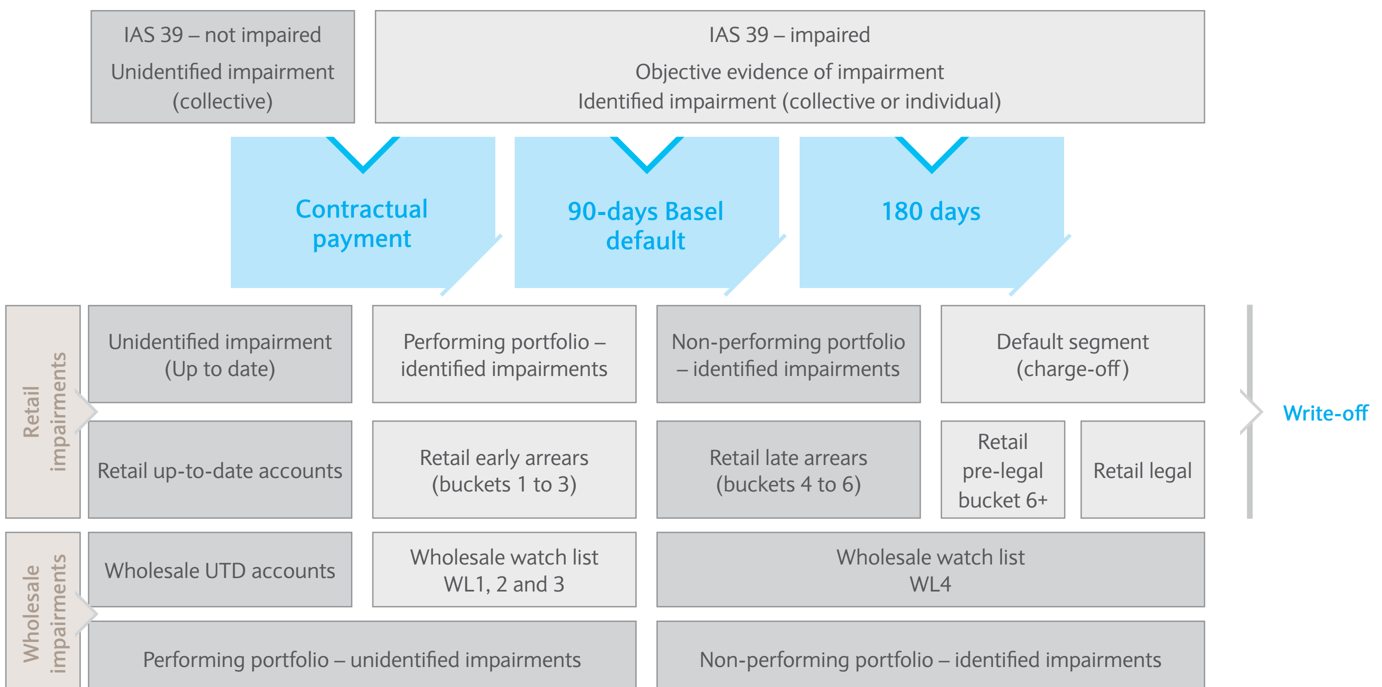
Definition of non-performing loans (NPLs)

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 switches from rehabilitation to recovery of the outstanding capital and accrued interest.

4.4.2 Credit 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 be identifiable at an individual borrower level only at a future date.

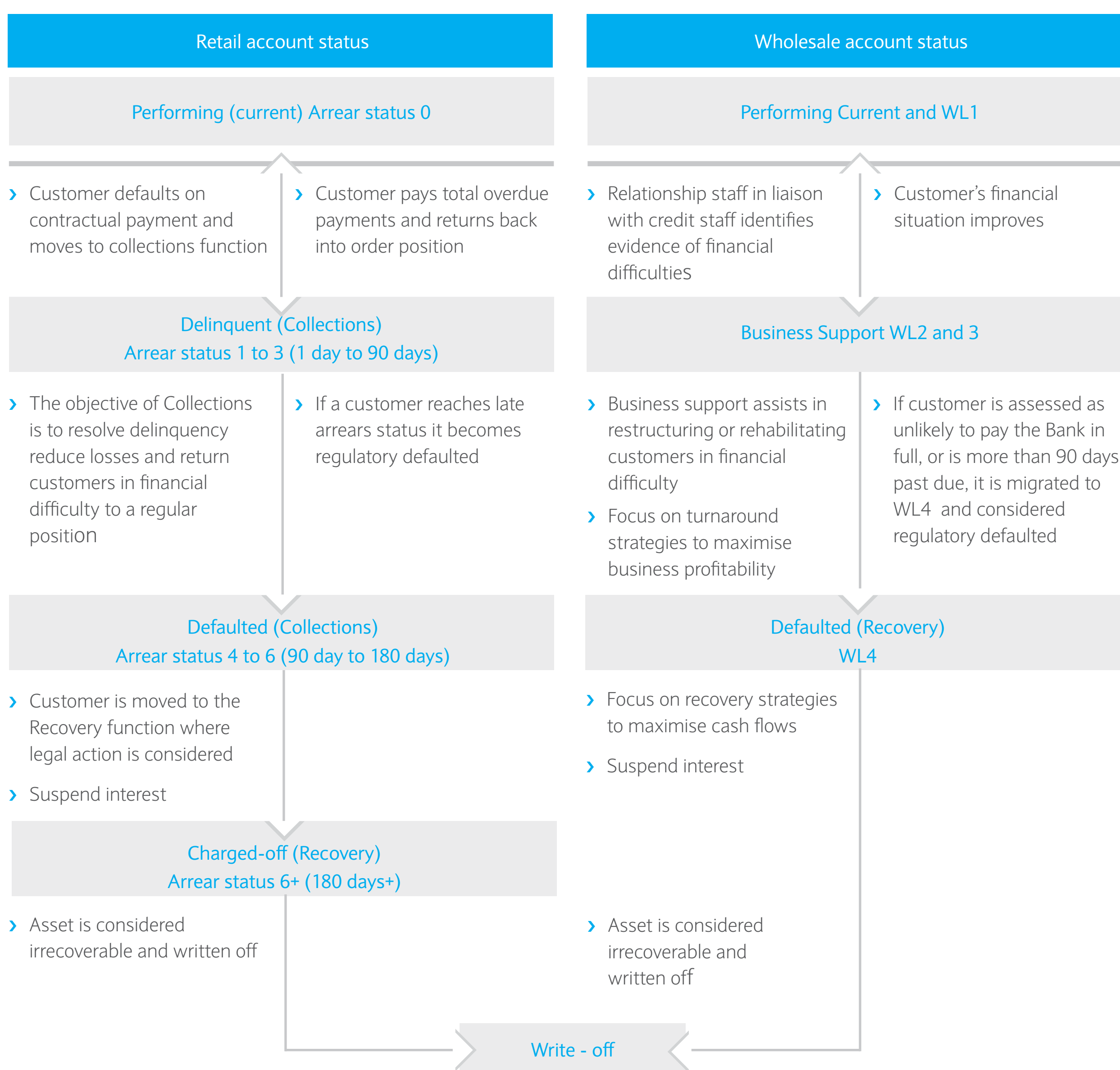
To the extent that the unidentified impairments created by the banking operations of the Group are insufficient to meet the minimum regulatory general provision, such shortfall is accommodated by a transfer of the applicable after-tax amount from distributable to non-distributable reserves.

4.4.3 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 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 is 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 for managing 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.



4.4.4 Measuring and managing 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.

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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 might 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.

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. CCoRC plays this role. Any exposure in excess of 10% of the Group's qualifying capital and reserves is designated as 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 risk limits. Utilisation against a country risk limit is driven by the Group's cross border limits to counterparties in a particular country and equity investments in subsidiaries in a country.

4.4.5 Credit risk mitigation (CRM)

4.4.5.1 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-balance sheet); and
- selective hedging through credit derivatives.

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 Group 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.

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

4.4.5.2 Valuation of collateral

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.

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.

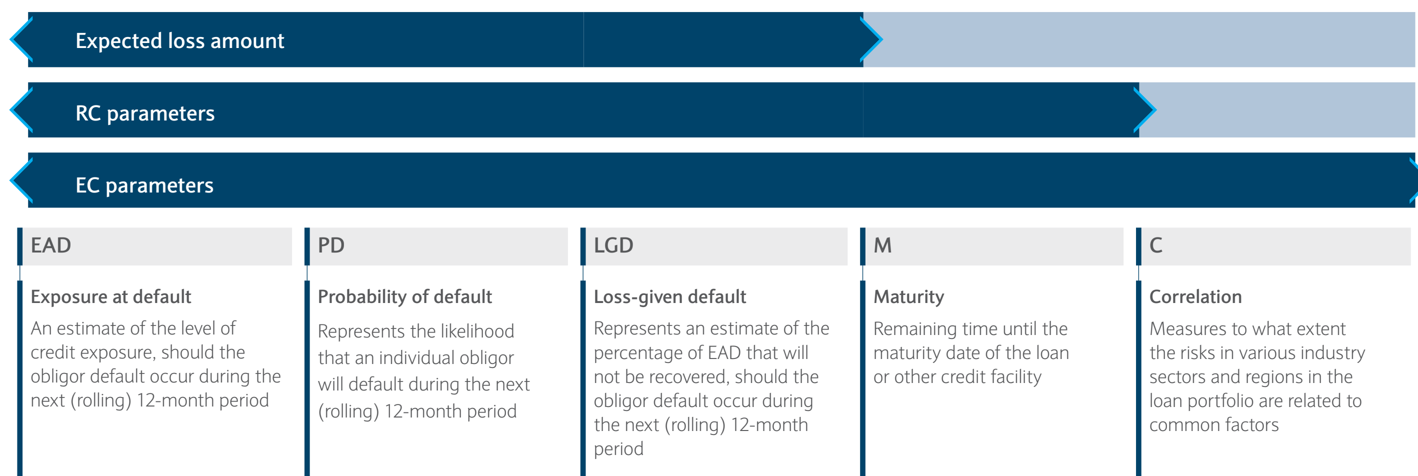
4.4.5.3 Types of guarantor and credit derivative counterparties

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.

4.4.6 Credit Risk under the internal ratings-based (IRB) approach

4.4.6.1 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 (C).



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.

Internal credit parameters are used for credit approval; risk-reward and pricing; risk appetite setting and monitoring; impairment calculation; EC calculations; and credit risk profile reporting.

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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 upper bound	S&P	Moody's	Rating bucket		Reporting buckets
DG	1	0.00%	0.02%	AAA	Aaa	AAA	Investment grade	0.00 to < 0.15
DG	2	0.02%	0.03%	AA+/AA	Aa1/Aa2	AA		
DG	3	0.03%	0.05%	AA-	Aa3/A1			
DG	4	0.05%	0.10%	A+ to A-	A2/A3	A		
DG	5	0.10%	0.15%	BBB+	Baa1	BBB		
DG	6	0.15%	0.20%	BBB	Baa2			0.15 to < 0.25
DG	7	0.20%	0.25%	BBB/BBB-	Baa3			
DG	8	0.25%	0.30%	BBB-	Baa3			0.25 to <0.50
DG	9	0.30%	0.40%	BBB-/BB+	Baa3			
DG	10	0.40%	0.50%	BB+	Baa3/Ba1	BB	Non-investment grade	
DG	11	0.50%	0.60%	BB+/BB	Ba1			0.50 to <0.75
DG	12	0.60%	1.20%	BB/BB-	Ba1/Ba2			0.75 to <2.50
DG	13	1.20%	1.55%	BB-/B+	Ba3			
DG	14	1.55%	2.15%	B+	Ba3	B		
DG	15	2.15%	3.05%	B+	B1			2.50 to <10.00
DG	16	3.05%	4.45%	B	B2			
DG	17	4.45%	6.35%	B/B-	B3			
DG	18	6.35%	8.65%	B-	Caa1			
DG	19	8.65%	11.35%	B-	Caa1/Caa2			
DG	20	11.35%	18.65%	B-/CCC/C	Caa2	CCC/C		10.00 to <100.00
DG	21	18.65%	100%	CCC/C	Caa3 to C			
DG	22	100%	100%	D	D	D	Def	100.00 (Default)
DG	23	100%	100%	D	D	D		

4.4.7 Credit risk under standardised approach 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 IRB migration plan. The Edcon portfolio is on the IRB migration plan.

Standard & Poor's and Moody's ratings are used by the Group 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 Group applies the standardised approach. Where more than one rating is available, the more conservative rating is applied.

4.4.8 Counterparty credit risk (CCR) 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 Group 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 Group employs both Monte Carlo and MTM plus add-on techniques to estimate a counterparty's potential future exposure (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 time.

Wrong way risk (WWR) arises when there is adverse (positive) correlation between the obligor's PD and the Group'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 might lead to under-recording the replacement cost in the event of a counterparty default. SWWR transactions are transaction specific and are executed only 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 current exposure method (CEM) for over-the-counter (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 hair-cuts;
- 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 employs primarily (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). These 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 Group. Only a small number of the agreements would require the Group to post additional collateral in the event of a downgrade, and the amount that would need to be posted is not material.

4.5 Analysis of the credit risk profile

4.5.1 Credit quality of assets CR1

The table below provides a comprehensive view of the credit quality of the Group's on- and off-balance sheet assets.

		a	b	c	d
		30 June 2017			
		Gross carrying values of			
		Defaulted exposures Rm	Non-defaulted exposures Rm	Allowances/ impairments Rm	Net values (a+b-c) Rm
1	Loans	30 252	717 800	19 067	728 985
2	Debt securities	–	138 119	–	138 119
3	Off-balance sheet exposures	–	192 897	–	192 897
4	**Total**	30 252	1 048 816	19 067	1 060 001

4.5.2 Changes in stock of defaulted loans and debt securities CR2

The table below shows the change in the Group's stock of defaulted exposure and the main drivers of the change.

		a
		30 June 2017
		Defaulted exposures Rm
1	Defaulted loans and debt securities at end of the previous reporting period	31 096
2	Loans and debt securities that have defaulted since the last reporting period	9 483
3	Returned to non-defaulted status	(4 856)
4	Amounts written off	(4 369)
5	Other changes	(1 103)
6	**Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)**	**30 251**

- 'Other changes' include security realised and/or closed.
- Loans and debt securities that have defaulted include deterioration across all portfolios in retail as a result of macroeconomic strain. Amounts that returned to non-defaulted status include corporate exposures in Ghana and Mauritius. Amounts written off include a large single-name corporate exposure and older legal cases in Business Bank South Africa and CPF portfolios.

4.5.3 Overview of credit risk mitigation techniques employed by the Group CR3

The table below shows the extent to which collateral and financial guarantees are used by the Group to secure exposures and reduce capital requirements.

		a	b	c	d	e
		30 June 2017				
		Exposures unsecured: carrying amount Rm	Exposures secured by collateral Rm	Exposures secured by collateral of which secured amount Rm	Exposures secured by financial guarantees Rm	Exposures secured by financial guarantee, of which secured amount Rm
1	Loans	314 257	416 613	416 613	17 182	15 464
2	Debt securities	138 119	–	–	–	–
3	Total	452 376	416 613	416 613	17 182	15 464
4	Of which defaulted	10 034	20 218	20 218	–	–

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

4.5.4 Quantitative disclosures on IRB credit risk exposure

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

Credit risk exposures by portfolio and PD range CR6

	a	b	c	d	e	f	g	h	i	j	k	l
						30 June 2017						
PD scale	Original on-balance sheet gross exposure Rm	Off-balance sheet ex-posures pre-CCF[1] Rm	Average CCF %	EAD post-CRM and post-CCF[1] Rm	Average PD %	Number of obligors	Average LGD %	Average maturity	RWA Rm	RWA density %	EL[2] Rm	Pro-visions Rm
Corporate												
0.00 to <0.15	73 163	24 399	43	83 482	0.11	232	39	1.86	19 193	23	34	47
0.15 to <0.25	27 192	13 374	28	34 038	0.23	208	33	2.16	11 509	34	26	38
0.25 to <0.50	31 098	20 956	45	40 836	0.37	371	35	2.02	18 367	45	53	60
0.50 to <0.75	5 274	2 231	46	6 443	0.63	162	39	2.15	4 163	65	16	12
0.75 to <2.50	35 734	33 637	24	45 619	1.68	883	38	2.20	41 073	90	292	236
2.50 to <10.00	6 215	3 054	36	7 606	5.10	161	40	2.09	10 407	137	155	139
10.00 to <100.00	403	1 945	39	1 174	21.83	23	44	1.49	2 722	232	112	59
100.00 (default)	1 368	169	3	1 410	100.00	9	37	–	601	43	569	569
Sub-total	180 447	99 765	35	220 608	0.81	2 049	37	2.03	108 035	49	1 257	1 160
Specialised lending[3]												
0.00 to <0.15	501	287	9	543	0.15	57	17	4.05	86	16	–	–
0.15 to <0.25	326	212	11	361	0.22	50	11	4.26	48	13	–	–
0.25 to <0.50	4 584	547	5	4 748	0.34	130	20	4.07	1 563	33	3	3
0.50 to <0.75	1 906	144	4	1 970	0.57	56	20	4.61	774	39	2	–
0.75 to <2.50	9 067	4 325	10	9 793	2.06	804	19	3.61	4 830	49	37	11
2.50 to <10.00	1 463	281	–	1 508	5.86	54	25	4.43	1 489	99	23	10
10.00 to <100.00	106	44	–	109	24.26	18	33	4.86	178	163	8	–
100.00 (default)	1 124	474	6	1 125	100.00	67	42	–	186	17	474	474
Sub-total	19 077	6 314	9	20 157	1.82	1 236	21	3.93	9 154	45	547	498

Notes

[1] CCF: Credit conversion factor

[2] EL: expected loss

[3] Implementation of new model hierarchy with associated asset classification refinements resulted in the reported increase in specialised lending. These refinements resulted in the reported movements in the following asset classes; corporate, small- and medium enterprises (SME) corporate and SME retail.

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	a	b	c	d	e	f	g	h	i	j	k	l
						30 June 2017						
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
SME corporate												
0.00 to <0.15	254	119	91	380	0.12	226	41	2.07	88	23	–	–
0.15 to <0.25	1 967	426	57	2 281	0.22	324	28	3.29	724	32	1	1
0.25 to <0.50	6 959	2 933	83	9 703	0.40	2 175	35	2.74	4 171	43	14	11
0.50 to <0.75	4 601	1 443	72	5 901	0.65	1 184	36	3.05	3 308	56	14	16
0.75 to <2.50	37 207	15 022	39	44 358	1.88	34 080	35	3.07	33 431	75	286	241
2.50 to <10.00	10 753	2 430	69	12 875	5.29	1 303	39	2.64	13 935	108	265	232
10.00 to <100.00	1 544	291	60	1 762	24.41	263	38	2.45	3 004	170	160	158
100.00 (default)	2 918	541	30	2 954	100.00	546	27	–	2 386	81	846	846
Sub-total	66 203	23 205	50	80 214	2.63	40 101	35	2.94	61 047	76	1 586	1 505
Public sector entities												
0.00 to <0.15	5 629	4 376	112	11 248	0.11	20	28	1.89	2 083	19	3	3
0.15 to <0.25	5 698	256	92	6 060	0.22	14	25	3.66	2 050	34	3	4
0.25 to <0.50	10	12	64	18	0.46	12	34	3.57	12	64	–	–
0.50 to <0.75	–	–	85	–	0.62	5	36	4.33	–	74	–	–
0.75 to <2.50	989	1 339	49	1 680	1.46	67	26	1.58	908	54	7	5
2.50 to <10.00	–	1	81	1	5.69	5	13	4.29	–	50	–	–
10.00 to <100.00	–	–	–	–	–	–	–	–	–	–	–	–
100.00 (default)	–	–	–	–	–	–	–	–	–	–	–	–
Sub-total	12 326	5 984	97	19 007	0.27	123	27	2.43	5 053	27	13	12
Local government and municipalities												
0.00 to <0.15	2 512	2 772	115	4 890	0.16	66	15	2.38	561	11	1	1
0.15 to <0.25	123	122	12	141	0.22	30	36	2.88	60	43	–	–
0.25 to <0.50	39	19	82	55	0.39	21	42	2.38	31	56	–	–
0.50 to <0.75	10	12	102	22	0.64	9	45	3.56	17	80	–	–
0.75 to <2.50	542	1 981	50	1 576	2.69	99	8	1.05	301	19	3	–
2.50 to <10.00	–	1	67	1	4.20	4	49	5.0	1	152	–	–
10.00 to <100.00	–	–	–	–	–	–	–	–	–	–	–	–
100.00 (default)	–	–	–	–	–	–	–	–	–	–	–	–
Sub-total	3 226	4 907	86	6 685	0.76	229	14	2.08	971	15	4	1
Sovereign (including central government and central bank)												
0.00 to <0.15	77 229	3 587	7	79 995	0.01	61	24	3.47	4 844	6	2	–
0.15 to <0.25	–	–	–	–	0.23	–	5	5.0	–	–	–	–
0.25 to <0.50	–	–	–	–	–	–	–	–	–	–	–	–
0.50 to <0.75	–	–	–	–	–	–	–	–	–	–	–	–
0.75 to <2.50	492	492	–	507	1.38	3	45	1.62	491	97	3	4
2.50 to <10.00	339	–	200	404	5.40	1	45	4.99	786	194	10	13
10.00 to <100.00	–	–	–	–	–	–	–	–	–	–	–	–
100.00 (default)	–	–	–	–	–	–	–	–	–	–	–	–
Sub-total	78 060	4 079	6	80 906	0.05	65	24	3.47	6 121	8	15	17

	a	b	c	d	e	f	g	h	i	j	k	l
	30 June 2017											
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	23 756	8 128	32	27 230	0.07	69	42	1.05	4 391	16	8	2
0.15 to <0.25	2 514	2 888	40	1 978	0.22	12	44	1.0	740	37	2	–
0.25 to <0.50	–	65	53	35	0.34	9	44	1.0	15	43	–	–
0.50 to <0.75	4	16	50	12	0.55	2	44	1.0	7	57	–	–
0.75 to <2.50	2 505	384	30	2 404	1.45	31	44	1.26	2 152	89	15	4
2.50 to <10.00	1 657	1 990	50	2 694	6.70	21	44	1.0	3 656	136	80	4
10.00 to <100.00	35	221	51	148	13.76	7	44	1.0	306	207	9	–
100.00 (default)	–	–	–	–	–	–	–	–	–	–	–	–
Sub-total	30 471	13 692	37	34 501	0.75	151	43	1.05	11 267	33	114	10
Securities firms												
0.00 to <0.15	442	–	250	–	0.07	4	30	1.05	–	100	–	–
0.15 to <0.25	163	–	–	–	0.23	3	27	1.18	–	100	–	–
0.25 to <0.50	251	–	–	259	0.40	2	44	1.0	124	48	–	1
0.50 to <0.75	–	–	–	–	–	–	–	–	–	–	–	–
0.75 to <2.50	–	–	–	–	1.38	2	44	1.0	–	87	–	–
2.50 to <10.00	–	–	–	–	–	–	–	–	–	–	–	–
10.00 to <100.00	–	–	–	–	–	–	–	–	–	–	–	–
100.00 (default)	–	–	–	–	–	–	–	–	–	–	–	–
Sub-total	856	–	–	259	0.40	11	44	1.0	124	48	–	1
Retail mortgages (including any home equity line of credit)												
0.00 to <0.15	1 453	2 198	52	2 696	0.14	5 134	13	–	111	4	–	1
0.15 to <0.25	1 824	2 839	49	3 235	0.23	8 359	11	–	174	5	1	1
0.25 to <0.50	12 055	11 437	57	19 023	0.39	34 220	14	–	1 847	10	10	9
0.50 to <0.75	19 078	16 642	52	28 287	0.64	58 816	13	–	3 474	12	23	13
0.75 to <2.50	116 554	11 934	54	127 139	1.84	248 288	12	–	29 055	23	276	343
2.50 to <10.00	42 467	5 014	84	45 135	4.20	70 113	12	–	17 080	38	233	267
10.00 to <100.00	10 220	79	62	10 533	28.32	25 186	12	–	6 977	66	344	415
100.00 (default)	19 339	102	–	18 485	100.00	37 559	16	–	5 121	28	2 062	2 062
Sub-total	222 990	50 245	57	254 533	3.17	487 675	12	–	63 839	25	2 949	3 111
Retail revolving credit												
0.00 to <0.15	458	5 949	51	5 022	0.11	378 411	57	–	192	4	3	2
0.15 to <0.25	548	2 242	51	1 987	0.23	131 514	57	–	145	7	3	1
0.25 to <0.50	2 096	4 190	52	4 885	0.39	312 269	57	–	545	11	11	6
0.50 to <0.75	1 582	1 851	53	2 883	0.65	184 770	56	–	469	16	10	2
0.75 to <2.50	8 408	4 980	56	12 318	1.63	731 299	56	–	3 950	32	112	71
2.50 to <10.00	16 139	15 908	95	22 549	4.98	673 435	57	–	16 113	71	632	349
10.00 to <100.00	2 334	350	58	2 780	26.95	225 110	55	–	4 099	147	413	254
100.00 (default)	5 281	90	–	5 276	100.00	212 264	73	–	5 848	111	3 403	3 403
Sub-total	36 846	35 560	72	57 700	4.04	2 849 072	58	–	31 361	54	4 587	4 088

	a	b	c	d	e	f	g	h	i	j	k	l
	30 June 2017											
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
SME retail												
0.00 to <0.15	122	1 025	72	1 394	0.04	97 650	79	2.37	38	3	–	–
0.15 to <0.25	16	22	99	43	0.20	107	52	1.76	10	23	–	–
0.25 to <0.50	316	699	83	1 170	0.38	27 598	78	2.37	236	20	3	1
0.50 to <0.75	195	297	86	555	0.61	4 548	77	2.51	152	27	3	1
0.75 to <2.50	8 648	3 744	81	12 758	1.85	71 982	46	2.58	5 718	45	110	31
2.50 to <10.00	4 682	747	92	5 592	5.12	26 348	57	2.59	4 656	83	168	23
10.00 to <100.00	852	135	91	1 029	26.91	4 900	59	2.63	1 652	161	156	25
100.00 (default)	851	104	38	824	100.00	3 737	40	–	888	108	238	238
Sub-total	15 682	6 773	81	23 365	3.58	236 870	53	2.55	13 350	57	678	319
Retail – other												
0.00 to <0.15	504	107	99	634	0.08	15 482	62	–	84	13	–	–
0.15 to <0.25	838	965	73	3 559	0.22	6 337	20	–	325	9	2	1
0.25 to <0.50	1 458	130	92	1 674	0.45	18 580	41	–	475	28	3	1
0.50 to <0.75	2 362	18	99	2 385	0.65	24 605	38	–	809	34	6	1
0.75 to <2.50	18 839	170	96	19 096	1.89	161 722	41	–	10 382	54	150	75
2.50 to <10.00	36 349	612	57	37 052	5.47	350 385	40	–	23 863	64	857	464
10.00 to <100.00	12 366	–	56	12 367	20.49	162 660	47	–	13 262	107	1 205	690
100.00 (default)	6 762	2	–	6 504	100.00	95 726	50	–	10 752	165	2 105	2 105
Sub-total	79 478	2 004	73	83 271	6.45	835 497	41	–	59 952	72	4 328	3 337
Total (all portfolios)	745 662	252 528	49	881 206	2.36	4 453 079	30	–	370 274	42	16 078	14 059

RWA flow statements of credit risk exposures under IRB CR8

		a
		30 June 2017
		RWA amounts Rm
1	RWA as at end of previous reporting period (31 March 2017)	364 923
2	Asset size	3 104
3	Asset quality	–
4	Model updates	1 511
5	Methodology and policy	–
6	Acquisitions and disposals	–
7	Foreign exchange movements	–
8	Other	–
9	RWA as at end of reporting period	369 538

There were no significant changes in the bank's IRB RWA amounts over the reporting period.

4.5.5 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
		30 June 2017					
		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	20 870	13 363	20 870	6 442	28 485	104
2	SME corporate	25 046	8 593	25 046	5 212	30 159	100
3	Public sector entities	2 787	331	2 787	330	3 137	101
4	Local governments and municipalities	–	–	–	–	–	–
5	Sovereign (including central government and central bank)	40 292	1 231	40 292	1 029	37 900	92
6	Banks	30 174	446	30 174	206	8 213	27
7	Securities firms	–	–	–	–	–	–
8	Residential mortgages (including any home equity line of credit)	7 068	39	7 068	20	3 642	51
9	Retail – revolving credit	9 448	14 721	9 448	1 761	8 023	72
10	Retail – other	23 702	11	23 702	5	16 913	71
11	SME retail	810	16	810	16	622	75
12	**Total**	160 197	38 751	160 197	15 021	137 094	78

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
	30 June 2017 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	–	–	–	–	123	2	24 011	3 176	–	–	27 312
2 SME corporate	–	–	–	–	332	32	29 156	738	–	–	30 258
3 Public sector entities	–	–	–	–	–	–	3 011	107	–	–	3 118
4 Local governments and municipalities	–	–	–	–	–	–	–	–	–	–	–
5 Sovereign (including central government and central bank)	–	–	2 604	–	5 601	–	30 189	2 927	–	–	41 321
6 Banks	19 678	–	7	–	4 968	–	5 725	2	–	–	30 380
7 Securities firms	–	–	–	–	–	–	–	–	–	–	–
8 Residential mortgages (including any home equity line of credit)	–	–	–	2 139	2 244	2 673	31	–	–	–	7 087
9 Retail – revolving credit	–	–	–	–	913	10 215	35	46	–	–	11 209
10 Retail – other	–	–	–	–	1 126	22 525	15	41	–	–	23 707
11 SME retail	–	–	–	–	47	688	31	60	–	–	826
12 Total	19 678	–	2 611	2 139	15 354	36 135	92 204	7 097	–	–	175 218

4.5.6 Analysis of CCR exposure CCR1

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

	a	b	c	d	e	f
	30 June 2017					
	Replacement cost Rm	PFE Rm	EEPE[1] Rm	Alpha used for computing regulatory EAD Rm	EAD post-CRM Rm	RWA Rm
1 CEM (for derivatives)	16 819	20 909		1.4	32 513	11 888
2 IMM (for derivatives and securities financing transactions (SFTs))						
3 Simple approach for CRM (for SFTs)						
4 Comprehensive approach for CRM (for SFTs)					7 405	2 032
5 VaR for SFTs						
6 **Total**						13 920

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 Group uses the standardised approach for the calculation of CVA capital.

Note
[1] EEPE: effective expected positive exposure.

CVA capital charge CCR2

		30 June 2017	
		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. sVaR component (including the 3× multiplier)		–
3	All portfolios subject to the standardised CVA capital charge	32 513	16 741
4	**Total subject to the CVA capital charge**	32 513	16 741

The table that follows provides a view of all relevant parameters used for the calculation of CCR capital requirements under the Group'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
	30 June 2017						
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	2 421	0.08	64	39	2.48	597	25
0.15 to <0.25	8 174	0.22	40	28	4.42	3 477	43
0.25 to <0.50	1 353	0.42	107	38	3.45	904	67
0.50 to <0.75	155	0.59	37	40	2.64	107	69
0.75 to <2.50	1 747	1.87	318	41	2.05	1 731	99
2.50 to <10.00	235	3.72	72	44	0.51	272	116
10.00 to <100.00	7	19.0	11	44	1.46	16	226
100.00 (default)	–	–	–	–	–	–	–
Sub-total	14 092	0.49	649	33	3.62	7 104	50
Banks/securities firms							
0.00 to <0.15	22 145	0.06	32	42	1.83	3 599	16
0.15 to <0.25	371	0.22	3	44	1.76	165	44
0.25 to <0.50	1 050	0.35	9	44	4.53	871	83
0.50 to <0.75	–	0.63	1	44	2.98	–	86
0.75 to <2.50	1 812	2.04	19	44	0.73	1 726	95
2.50 to <10.00	107	5.21	17	44	1.45	115	107
10.00 to <100.00	–	20.80	1	44	1.00	1	121
100.00 (default)	–	–	–	–	–	–	–
Sub-total	25 485	0.23	82	42	1.86	6 477	25
Total (all portfolios)	39 577	0.33	717	39	2.49	13 581	34

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 securities financing transactions (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
	30 June 2017					
	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	–	3 362	–	549	19 496	18 421
Cash – other currencies	–	1 177	–	5 214	–	15 400
Domestic sovereign debt	–	–	–	–	17 424	19 225
Other sovereign debt	–	–	–	–	–	–
Government agency debt	–	–	–	–	–	113
Corporate bonds	–	1 887	–	721	9 697	–
Equity securities	–	–	–	–	–	–
Other collateral	–	–	–	–	–	–
Total	–	6 426	–	6 484	46 617	53 159

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

Credit derivatives exposures CCR6

	a	b
	30 June 2017	
	Protection bought Rm	Protection sold Rm
Notionals		
Single-name credit default swaps	619	10 686
Index credit default swaps	–	–
Total return swaps	148 092	–
Credit options	–	–
Other credit derivatives	–	–
Total notionals	148 711	10 686
Fair values		
Positive fair value (asset)	215	131
Negative fair value (liability)	(8)	–

The table that follows provides a comprehensive picture of the Group's exposure to qualifying CCPs. The Group 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
		30 June 2017	
		EAD post-CRM Rm	RWA Rm
1	**Exposures to qualifying central counterparties (QCCPs) (total)**		1 494
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	–	–
3	i. OTC derivatives	–	–
4	ii. Exchange-traded derivatives	651	288
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	6 024	1 205
9	Pre-funded default fund contributions	59	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	–	–

4.6 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 committed liquidity facility (CLF) which is a non-market securitisation transaction. Home loans are sold into a special purpose vehicle (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)**	2 565	–	2 565	662	–	662
2	residential mortgage	2 565	–	2 565	662	–	662
6	**Wholesale (total)**	–	–	–	–	–	–

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Quantitative disclosure – calculation of capital requirements

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

	30 June 2017								
	Exposure values (by risk-weight (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[1] (incl. IAA)[2] Rm	IRB SFA[3] Rm	SA[4]/SSFA[5] Rm	1 250% Rm
1 **Total exposures**	3 227	–	–	–	–	–	3 227	–	–
2 Traditional securitisation	3 227	–	–	–	–	–	3 227	–	–
3 Of which securitisation	3 227	–	–	–	–	–	3 227	–	–
4 Of which retail underlying	3 227	–	–	–	–	–	3 227	–	–
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	–	–	–	–	–	–	–	–	–

4.7 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 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 Group uses the simple risk-weight regulatory approach for the calculation of RC on its Equity Investment portfolio.

Notes
[1] RBA: ratings-based approach.
[2] IAA: internal assessment approach.
[3] SFA: supervisory formula approach.
[4] SA: standardised approach.
[5] SSFA: simplified supervisory formula approach.

	30 June 2017							
	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
	–	564	–	–	–	45	–	–
	–	564	–	–	–	45	–	–
	–	564	–	–	–	45	–	–
	–	564	–	–	–	45	–	–
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	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–

Equities under the simple risk-weight method) CR10

	30 June 2017				
	On-balance sheet amount Rm	Off-balance sheet amount Rm	Risk weight %	Exposure amount Rm	RWA Rm
Exchange-traded equity exposures	116		300	116	348
Private equity exposures	2 219		400	2 219	8 875
Total	2 335			2 335	4 223

5. Market risk

53 5.1 Review of current reporting period

53 5.2 Priorities

53 5.3 General information about market risk

54 5.4 Traded market risk

61 5.5 Non-traded market risk

63 5.6 Pension 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 variables.

- Traded market risk: The risk of the Group being impacted by changes in the level or volatility of positions in trading books.
- 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.
- Pension risk: The risk that an adverse movement between pension assets and liabilities results in a pension deficit.

5.1 Review of current reporting period

Key risk metrics	YoY trend	30 June 2017	30 June 2016	31 December 2016
Average traded market risk – 95% DVaR (Rm)	▲	**28**	25	26.8
Traded market risk RC (Rm)	▲	**3 228**	2 516	2 889
Banking book annual earnings at risk (AEaR) for a 2% interest rate shock (% of Group net interest income (NII))	▲	**<7%**	<6%	<6%

- Traded market risk: Trading exposures were managed within overall risk appetite. 95% VaR increased marginally over the period. RWA growth was driven by an increase in VaR as a result of hedging activity conducted as part of the Barclays PLC separation, an increase in standardised specific risk exposure across the African and South African businesses and increased market volatility at a 99% confidence level.
- Non-traded market risk: Banking book earnings at risk increased slightly but remained within risk appetite. The Group remained positively exposed to increases in interest rates after the impact of hedging.
- Pension risk: Pension plans and benefits are provided in all countries where the Group has a footprint. The Absa Pension Fund remains the largest fund. The overall funding level of the schemes improved in the current year, and is considered acceptable.

5.2 Priorities

- Continue to ensure market risk is managed within appetite in potentially volatile conditions;
- 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 manage margin volatility through the structural hedge programme in South Africa; and
- Continue to enhance the implementation and standardisation of the pension risk control framework across the Group.

5.3 General information about market risk MRA

5.3.1 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; and
- ensure pension risk is managed within outlined principles, objectives, governance and country-specific regulations.

5.3.2 Governance

5.3.2.1 Management

The first line of defence for market risk management resides with business unit heads. Independent market risk teams, who report to the Chief Risk Officer, are responsible for the oversight of the business units ensuring that they remain within the set limits, including VaR position and sensitivity, stress trigger and stop loss limits. Limits are reviewed and set at the Group level and allocated to business units at least annually. The Market Risk function ensures limit and trigger excesses are condoned or brought back into line when they occur. Excesses and actions are reported to the various market risk committees (MRCs).

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5.3.2.2 Committees

A number of business unit-, Exco- and Group-level market risk committees exist. These committees set secondary limits and review actual exposure from positions, risks, stresses, RWA and capital across all asset classes against these limits. A risk summary is then presented at the Group Market Risk Committee (GMRC) including the Risk Profile Report which is tabled at the GRCMC.

5.4 Traded market risk

5.4.1 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.

The business model for traded market risk 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.

5.4.2 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 projections under various stress scenarios.

Total traded market risk minimum capital requirement increased by 11.7% (R339m) in 2017. Trading exposures were managed within overall risk appetite, and the trading business remained resilient despite challenging macroeconomic conditions. The traded market risk capital requirement grew due to an increase in VaR as a result of hedging activity conducted as part of the Barclays Plc separation, increased Standardised Specific Risk exposure across the African and South African businesses and increased market volatility at a 99% confidence level.

	YoY trend	30 June 2017 Rm	30 June 2016 Rm	31 December 2016
Internal model based approach	▲	**2 016**	1 704	2 044
VaR	▲	**1 080**	558	841
SVaR	▼	**1 083**	1 146	1 204
Standardised approach	▲	**1 065**	812	845
Interest rate risk	▲	**968**	684	771
Equity risk	▼	**41**	68	47
Foreign exchange risk	▼	**55**	60	26
Total traded market risk capital requirement	▲	**3 228**	2 516	2 889

5.4.3 Market risk under standardised approach MR1

		a RWA Rm
	Outright products	
1	Interest rate risk (general and specific[1])	968
2	Equity risk (general and specific)	41
3	Foreign exchange risk	55
4	Commodity risk	–
	Options	
5	Simplified approach	–
6	Delta-plus method	–
7	Scenario approach	–
8	Securitisation	–
9	**Total**	1 065

5.4.4 RWA flow statements of market risk exposures under an IMA MR2

		a VaR Rm	b SVaR Rm	c IRC[2] Rm	d CRM Rm	e Other Rm	f Total RWA Rm	Total capital requirement[3] Rm
1	RWA at previous quarter end (31 March 2017)	7 050	10 993	–	–	–	18 044	1 443
2	Movements in risk levels	3 754	(159)				3 595	288
3	Model updates/ changes							
4	Methodology and policy							
5	Acquisitions and disposals)							
11	Other							
12	**RWA at end of reporting period (30 June 2017)**	10 805	10 835				21 639	1 731

- VaR: Market risk capital requirements for VaR noted an increase over the quarter, largely driven by increased exposure as a result of the hedging activity conducted as part of the Barclays PLC separation and increased market volatility at a 99% confidence level.
- SVaR: Market risk capital requirements for sVaR noted a slight decrease over the quarter, driven by reduced average position risk on the books over the quarter.
- There were no backtesting exceptions in the period under review.

Notes
1 General and specific risk are calculated separately as standalone charges without diversification .
2 IRC: incremental risk charge.
3 Calculated at 8% of RWA.

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5.4.5 IMA values for trading portfolios MR3

		a Rm
	VaR (10 day 99%)	
1	Maximum value	**301.26**
2	Average value	**164.73**
3	Minimum value	**95.28**
4	Period end	**198.59**
	Stressed VaR (10 day 99%)[1]	
5	Maximum value	**367.30**
6	Average value	**203.60**
7	Minimum value	**122.04**
8	Period end	**133.82**
	Incremental risk charge (99.9%)	
9	Maximum value	–
10	Average value	–
11	Minimum value	–
12	Period end	–
	Comprehensive risk capital charge (99.9%)	
13	Maximum value	–
14	Average value	–
15	Minimum value	–
16	Period end	–
17	Floor (standardised measurement method)	–

5.4.6 Traded market risk under the IMA

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

5.4.6.1 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 R27.6m for the reporting period, up 10% compared to December 2016. This increase was primarily as a result of reduced diversification.

Trading book DVaR summary

	30 June 2017				30 June 2016				31 December 2016			
	Average Rm	**High[2] Rm**	**Low[2] Rm**	**At the reporting date Rm**	Average Rm	High[2] Rm	Low[2] Rm	At the reporting date Rm	Average Rm	High[2] Rm	Low[2] Rm	At the reporting date Rm
Interest rate risk	**23.95**	**33.48**	**18.80**	**22.70**	21.73	37.46	15.83	17.99	23.26	37.46	15.83	23.80
Foreign exchange risk	**7.63**	**28.51**	**2.45**	**3.50**	7.82	19.69	2.85	6.83	7.97	23.30	1.70	6.51
Equity risk	**7.91**	**2.84**	**2.84**	**10.27**	6.00	20.25	2.82	4.89	5.79	20.25	1.91	3.21
Commodity risk	**0.46**	**1.47**	**0.05**	**0.41**	0.37	1.24	0.02	0.08	0.45	1.75	0.02	0.66
Inflation risk	**6.08**	**9.91**	**3.21**	**5.21**	14.78	32.59	5.44	8.77	10.97	32.59	4.06	8.12
Credit spread risk	**5.03**	**6.08**	**3.85**	**4.03**	9.55	16.47	6.43	6.43	7.89	16.47	5.85	6.02
Diversification effect	**(23.44)**	**n/a**	**n/a**	**(21.80)**	(38.45)	n/a	n/a	(24.44)	(31.22)	n/a	n/a	(25.53)
Total DVaR[3]	**27.61**	**43.24**	**19.92**	**24.33**	21.81	37.02	15.03	20.55	25.12	48.51	14.10	22.80
Expected shortfall	**44.87**	**79.50**	**29.72**	**45.89**	33.33	55.29	21.02	32.87	39.34	83.52	21.23	33.70
Regulatory VaR[4]	**52.09**	**95.27**	**30.13**	**62.80**	38.19	60.66	23.91	36.50	45.55	98.46	23.91	44.56
Regulatory sVaR[4]	**64.39**	**116.15**	**38.59**	**42.32**	81.59	144.51	60.34	79.46	84.54	144.51	50.49	50.49

Notes

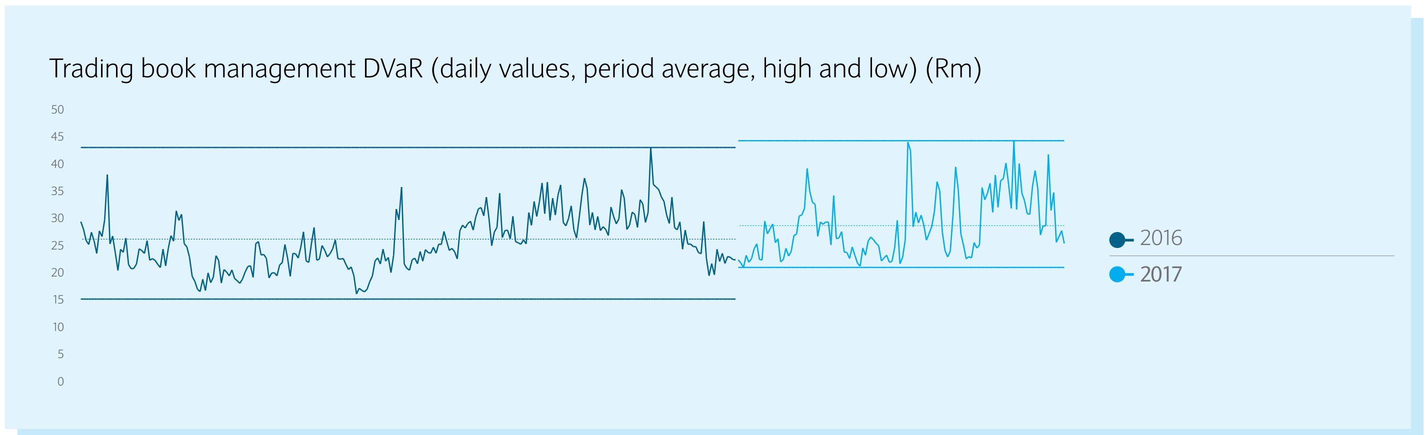
[1] One day SVaR scaled to 10 days by multiplying the one day VaR by square root of 10.

[2] 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.

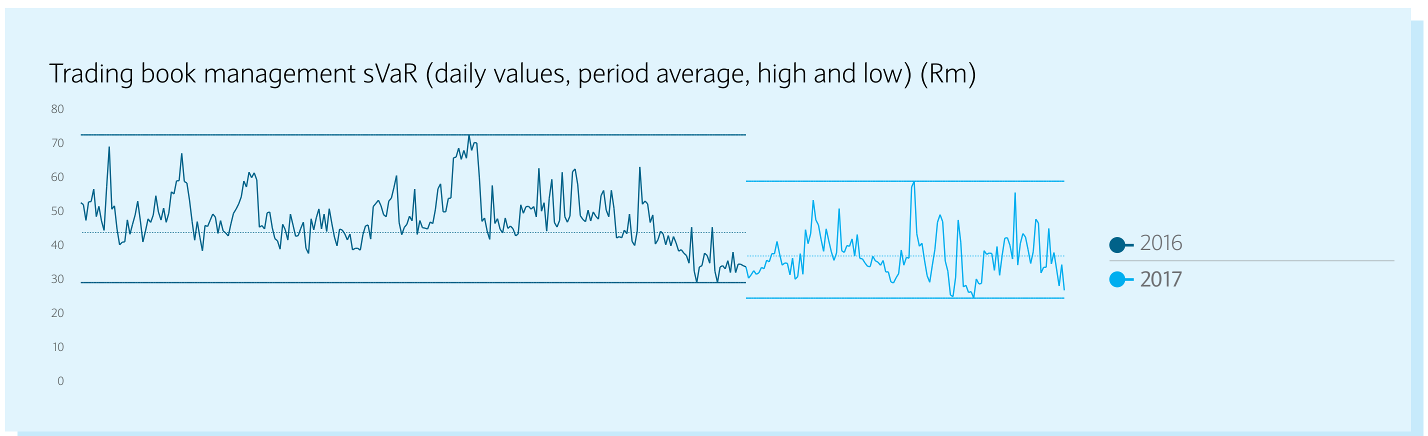
[3] The analysis includes trading books for which internal models approval has been obtained.

[4] 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 on-going review for appropriateness.

The following graph indicates the daily history of the trading book DVaR, along with the period averages, highs and lows.

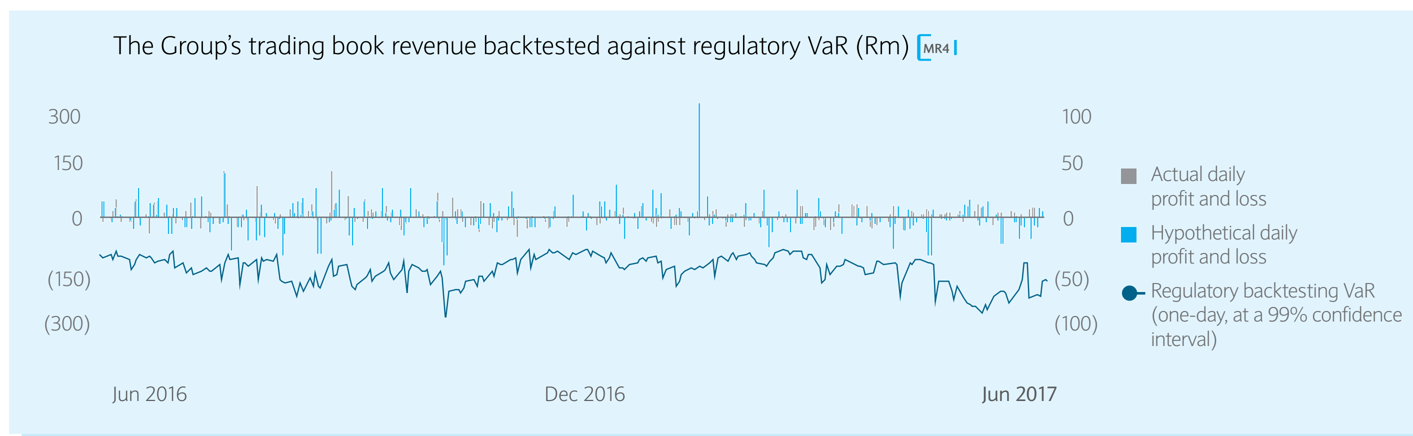


The following graph shows the daily history of the trading book sVaR. sVaR noted a decrease over the quarter, driven by reduced average exposure on the books over the quarter.



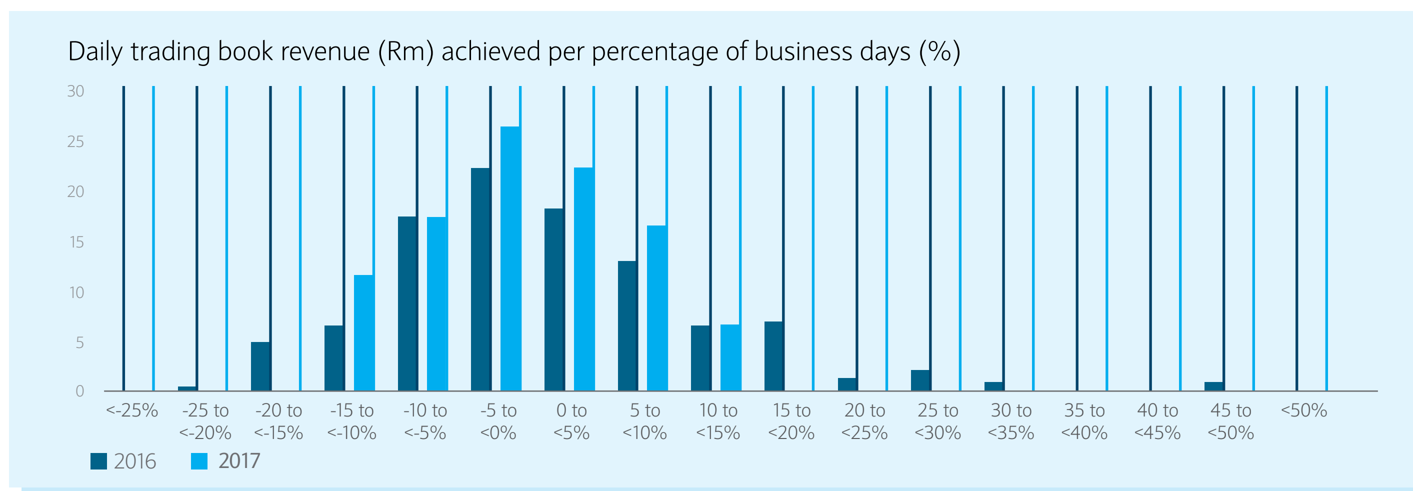
5.4.6.2 Comparison of VaR estimates with trading revenues

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. Revenue reported is actual 'clean' trading book profit and loss (excluding fees, commissions, bid-ask spreads and NII, as required for regulatory backtesting purposes) as well as hypothetical profit and loss (which is computed in the risk system and is based on the assumption that the portfolio holdings remain constant). There were no actual or hypothetical losses that exceeded the VaR estimate during the current reporting period.



5.4.6.3 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.



5.4.7 Risk measurement

A number of techniques are used to measure and control traded market risk on a daily basis. These 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.

5.4.7.1 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 market moves 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, using observed daily market moves (absolute rate/price/volatility changes) between consecutive business days via a full revaluation approach;
- Sum all hypothetical profits or losses for each position, giving a total profit or loss. Repeat this for all the other days in the two-year history;
- Calculate DVaR as the 95th percentile loss selected from the resultant two-year historically simulated strip of daily hypothetical net profit or loss amounts; and
- 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 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. The regulatory standardised approach is used to calculate RC for any new products which are awaiting regulatory approval.

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 known 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 intraday 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.

5.4.7.2 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.

Notes

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

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5.4.7.3 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 unweighted historical market moves, 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.

5.4.7.4 Non-VaR

The non-VaR reporting covers non-statistical measures of calculating and monitoring risk sensitivities and exposures as well as gross or notional limits, 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.

5.4.7.5 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 the chosen 12-month stress period. A regular process is applied to assess the stress period in accordance with the approved methodology.

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

5.4.7.6 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 by applying historical stress moves 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.

A full revaluation approach is applied to undertake stress testing for South Africa's trading books and a sensitivity based approach is used for the Rest of Africa. The results are monitored against approved limits and triggers.

5.4.7.7 Standardised risk

Idiosyncratic risks are capitalised through the Basel/regulatory framework using standardised rules. The standardised rules are also 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 quantified using standardised rules. In particular, the maturity method is used to quantify general interest rate risk for the Rest of Africa.

5.4.8 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
- Valuation control, independent price and bid-offer testing conducted by the Product Control and the Independent Price Verification teams. The results are reviewed monthly by the Traded Risk Committee.

5.4.9 Risk reporting

The Group's Market Risk team produces a number of detailed and summary, daily and monthly, market risk reports. The 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.

5.5 Non-traded market risk

5.5.1 Interest rate risk in the banking book (IRRBB)

5.5.1.1 Approach

Interest rate risk in the banking book is the risk that the Group's financial position might 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 and certain structural exposures within the balance sheet from 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 is mandated with hedging material net exposures with the external market. Interest rate risk may arise when some of the net position remains with Treasury as a result of timing considerations. A limit framework is in place to ensure that the retained risk remains within approved risk appetite.

5.5.1.2 Risk Mitigation

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 balance sheet and facilitating customer activity. The risk is managed by the local treasury functions, subject to 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 predetermined 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.

5.5.1.3 Risk measurement

The techniques that are 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.

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.

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.

DVaR

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.

EVE sensitivity

EVE sensitivity measures the sensitivity of the present value of the banking book at a specific point-in-time (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.

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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.

5.5.1.4 Risk control

Market risk is controlled through the use of AEaR, DVaR and stress limits as appropriate and supported by non-VaR metrics (position an sensitivity limits), 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.

5.5.1.5 Risk reporting

DVaR, supporting metrics and stresses are reported daily for Group Treasury and the Rest of Africa businesses, 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.

5.5.1.6 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 R2.7bn[1] (2016: R2.4bn). A similar sustained parallel increase in interest rates would result in an increase in projected 12-month NII of R2.5bn[1] (2016: R2.2bn). AEaR increased by 1.1% to 6.8% of the NII (2016: 5.7%). A sensitivity analysis by major currency market interest rates indicates that earnings sensitivity to South African rand (ZAR) market interest rates constitutes 78% of the total earnings at risk at the reporting date (2016: 77.2%), 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

	30 June 2017			
	200 bps decrease	**100 bps decrease**	**100 bps increase**	**200 bps increase**
Domestic bank book[2] (Rm)	**(2 117)**	**(863)**	**961**	**1 928**
Foreign subsidiaries banks books[3] (Rm)	**(586)**	**(293)**	**293**	**586**
Total (Rm)[2]	**(2 703)**	**(1 156)**	**1 254**	**2 514**
Percentage of the Group's NII (%)	**(6.8)**	**(2.9)**	**3.2**	**6.4**
Percentage of the Group's equity (%)	**(3.3)**	**(1.4)**	**1.6**	**3.1**

	30 June 2016			
	200 bps decrease	100 bps decrease	100 bps increase	200 bps increase
Domestic bank book[2] (Rm)	(1 324)	(569)	705	1 408
Foreign subsidiaries banks books[3] (Rm)	(669)	(334)	334	669
Total (Rm)	(1 993)	(904)	1 040	2 077
Percentage of the Group's NII (%)	(4.8)	(2.2)	2.5	5.0
Percentage of the Group's equity (%)	(2.0)	(0.9)	1.0	2.1

	31 December 2016			
	200 bps decrease	100 bps decrease	100 bps increase	200 bps increase
Domestic bank book[2] (Rm)	(1 835)	(766)	840	1 681
Foreign subsidiaries banks books[3] (Rm)	(541)	(270)	270	541
Total (Rm)[3]	(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

Notes

[1] Includes the Barclays PLC sell down impact. On a normalised basis the NII sensitivity for a 200 bps parallel decrease and increase for the Group would be R2.5bn and R2.3bn respectively (ABSA Bank would be R1.9bn and R1.7bn respectively).

[2] Includes exposures held in the CIB banking book.

[3] African subsidiaries' interest rate sensitivities are shown on a 100% (rather than actual) shareholding basis.

5.5.2 Foreign exchange risk

The Group is exposed to two sources of foreign exchange risk, namely, transactional and translational 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.

5.5.2.1 Risk mitigation

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.

5.6 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.

5.6.1 Approach

The Group pension funds are typically established as trusts in order to keep the pension fund assets separate from the sponsor (Group). As per regulatory requirements, each pension fund scheme has elected Trustees who are responsible for ensuring that the funds are run properly, contributions paid and member benefits are secure.

In respect of the employer the pension fund risk is managed in compliance with the Group's Pension Risk Control Framework. It is governed by the ERMF and sets out the activities, tools, techniques and organisational arrangements to ensure that all material risks facing the Group are identified and understood, and that appropriate responses are in place to protect the Group's funds and prevent detriment to the Group and its clients.

Below are the broad guidelines of the framework:

- Investment of contributions: investment strategy, asset allocation and performance.
- Assessing the level of liabilities and agreeing the underlying assumptions as per the requirements of accounting employee benefit standard ('IAS19').
- Longevity, legal/regulatory risk and risks associated to member choices are assessed through interaction with each pension fund's actuaries and trustees, and the Pension team within Group HR.
- Setting the minimum funding objectives and ensuring that objectives are met for the pension schemes in Barclays Africa.

5.6.2 Risk measurement

Pension risks arising from market risks are measured by applying statistical simulation and/or hypothetical scenarios to the primary risk types and their components (risk factors). Measurement is carried out using:

- Value at Risk is an estimate of the potential changes in assets and liabilities arising from unfavourable market movements if the current positions were to be held unchanged for one year. The confidence level is set at 95% and the risk factors' volatilities are calibrated to at least five years' historical time series.
- Scenario stresses analyse extreme, but plausible events that impact the present value of the assets and liabilities via shocks to the risks factors.
- Sensitivity measurements, such as changes in the present value of the assets or liabilities due to changes in risk factors.

6. Treasury and capital risk

65 6.1 Review of current reporting period

66 6.2 Priorities

67 6.3 Liquidity risk

71 6.4 Capital risk

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

- Liquidity risk: The risk that the Group is unable to meet its contractual or contingent obligations or that it does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets.
- Capital risk: The risk that the Group has an insufficient level or inappropriate composition of capital to support its normal business activities and to meet its regulatory capital requirements under normal operating environments or stressed conditions (both actual and as defined for internal planning or regulatory testing purposes).

6.1 Review of current reporting period

6.1.1 Liquidity risk

Key risk metrics	YoY trend	30 June 2017	30 June 2016	31 December 2016
Sources of liquidity (Rm)	▲	**230 517**	216 095[1]	222 608[1]
Long-term funding ratio (%)	▼	**21.8**	22.1	21.4
Loan-to-deposit ratio (%)	=	**87.1**	87.1	88.4
Liquidity coverage ratio (LCR) (%)[2]	▲	**118.9**	83.5	95.8[3]

- Liquidity risk position: Remained healthy, within risk appetite and key metrics, and above the minimum regulatory requirements. As at 30 June 2017, the Group's sources of liquidity increased to R230.5bn (June 2016: R216.1bn), amounting to 33.1% of deposits due to customers.
- Structure:
  - The net stable funding ratio (NSFR) will become effective on 1 January 2018, and the Group is expected to meet the minimum requirement of 100%.
  - The long-term funding ratio decreased marginally to **21.8%** (June 2016: 22.1%) to optimise funding costs while continuing 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.
  - The loan-to-deposit ratio of **87.1%** remains healthy and in line with internal targets.
- Diversification: The Group has a well-diversified deposit base, and concentration risk is managed within appropriate guidelines. Sources of funding, both rand and foreign currency, are managed in order to maintain a wide diversity of depositor, product and tenor.
- Short-term liquidity stress:
  - The Group targets an LCR above the minimum regulatory requirement, and consistently maintained a buffer in excess of the regulatory minimum requirement of 80% during 2017. Absa Bank successfully applied for a committed liquidity facility (CLF) from the South African Reserve Bank (SARB), which was included in high-quality liquid assets (HQLA) for LCR purposes from January 2016.
  - The Group has an internal Liquidity Risk Appetite (LRA) Framework, which is used to determine the amount of HQLA the bank is required to hold in order to survive internally defined stress scenarios.

Notes

[1] June 2016 and December 2016 restated to incorporate a revised assumption relating to available interbank funding.
[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 80% have been excluded from the aggregated high quality liquid asset number in the case of all Rest of Africa banking entities.
[3] December 2016 LCR reported post audit.

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6.1.2 Capital risk

Key risk metrics	YoY trend	30 June 2017	30 June 2016	31 December 2016
Total RWA (Rm)	▲	**724 780**	698 685	703 785
CET1 capital adequacy ratio (%)[1]	▲	**13.7**	12.1	12.1
Return on average risk-weighted assets (RoRWA) (%)	▲	**2.18**	2.08	2.14
Return on average EC (%)	▲	**16.5**	16.4	16.9
Return on equity (RoE) (%)	=	**16.1**	16.1	16.6
Cost of Equity (CoE) (%)[2]	=	**13.75**	13.75	14.75

- The Group maintained a strong capital adequacy position above the minimum regulatory requirements and above the Board-approved capital target ranges, with capital buffers sufficient to withstand stressed conditions.
- The Board-approved capital target ranges were further strengthened in light of increased regulatory requirements, economic uncertainties and pending regulatory and accounting headwinds.
- A strong internal capital generation led to an interim dividend of 475 cents per share, representing a 3.3% increase on the 2016 interim dividend of 460 cents per share.
- The capital position of the Group has strengthened as a result of contribution amounts received from Barclays PLC as part of the separation. This resulted in an uplift in the CET1 ratio of c.160 bps for the Group and c.220 bps for Absa Bank Limited.
- The Group issued R1.1bn bonds qualifying as Tier 2 capital at a holding company and Absa Bank level, used to replace R1bn of bonds which were called on 3 May 2017.
- RWAs increased by 3.7% to R724.8bn as at 30 June 2017 from R698.7bn as at 30 June 2016, mainly due to exposure growth in wholesale markets in line with asset growth.
- The enhancements that were made to the Economic Capital (EC) framework towards the end of 2016 were further embedded during the reporting period.

6.2 Priorities

6.2.1 Liquidity risk

- Manage the funding and high-quality liquid asset position in line with the Board-approved LRA framework and regulatory requirements;
- Build and maintain adequate liquidity buffers to ensure the Group continues to remain compliant with the LCR and NSFR;
- Continue to grow and diversify the funding base to support asset growth and other strategic initiatives, while optimising the funding cost; and
- Continue to work with regulatory authorities and other stakeholders on resolution planning, and Deposit Insurance Scheme.

6.2.2 Capital risk

- Maintain an optimal mix of high-quality capital, while continuing to generate sufficient capital to support profitable growth and a sustainable dividend;
- Continue to focus on RWA precision and strong internal generation of equity;
- Ensure all entities remain adequately capitalised relative to minimum regulatory requirements and Board-approved capital target ranges;
- Continue to manage the capital position of the Group allowing for uncertainties caused by the recent ratings downgrades of the South African sovereign and major South African banks;
- Manage the capital position of the Group to remain at adequate levels throughout the period of separation from Barclays PLC, and ensuring that the Group is well positioned and well capitalised upon completion of the separation;
- Ensure optimal deployment of the contributions received from Barclays PLC as part of the separation process to ensure maximum benefit is achieved for the Group and its subsidiaries;
- Continue to focus on the management of capital supply, raising Additional Tier 1 and Tier 2 capital in local and overseas markets as appropriate;

Notes
[1] Board target range 10.0 – 11.5%. Includes unappropriated profits.
[2] The COE is based on the capital asset pricing model.

- Further embed the EC framework across the Group;
- Maintain an optimal capital supply mix at holding company level and also in respect of the subsidiaries of the Group;
- 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 Insurance 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 final rules arising from the FRTB and revisions to the standardised approach for operational risk as well as regulatory treatment of accounting provisions (IFRS 9).

6.3 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its contractual or contingent obligations or that it does not have the appropriate amount, tenor and composition of funding to support its assets. Cash 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.

6.3.1 Strategy

The Group's liquidity risk management objectives are to:

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

6.3.2 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:

- 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;
- Maintain market confidence;
- Set limits to control liquidity risk within and across lines of business and legal entities;
- Price liquidity costs accurately and incorporate these into product pricing and performance measurement;
- Set early warning indicators (EWIs) to identify immediately the emergence of increased liquidity risk or vulnerabilities including events that would impair access to liquidity resources;
- Project fully over an appropriate set of time horizons cash flows arising from assets, liabilities and off-balance sheet items; and
- Maintain a contingent funding plan (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.

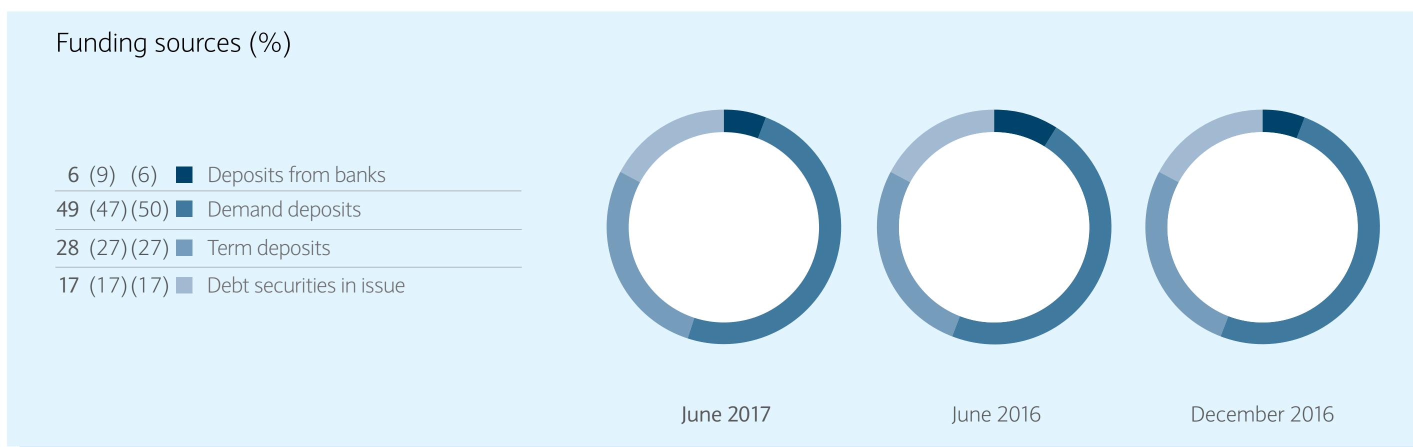
The liquidity risk management processes are summarised in the table below:

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

6.3.3 Funding structure

6.3.3.1 Funding sources

Funding is sourced from a variety of depositors representing a diversity of economic sectors, with a wide range of products and maturities.



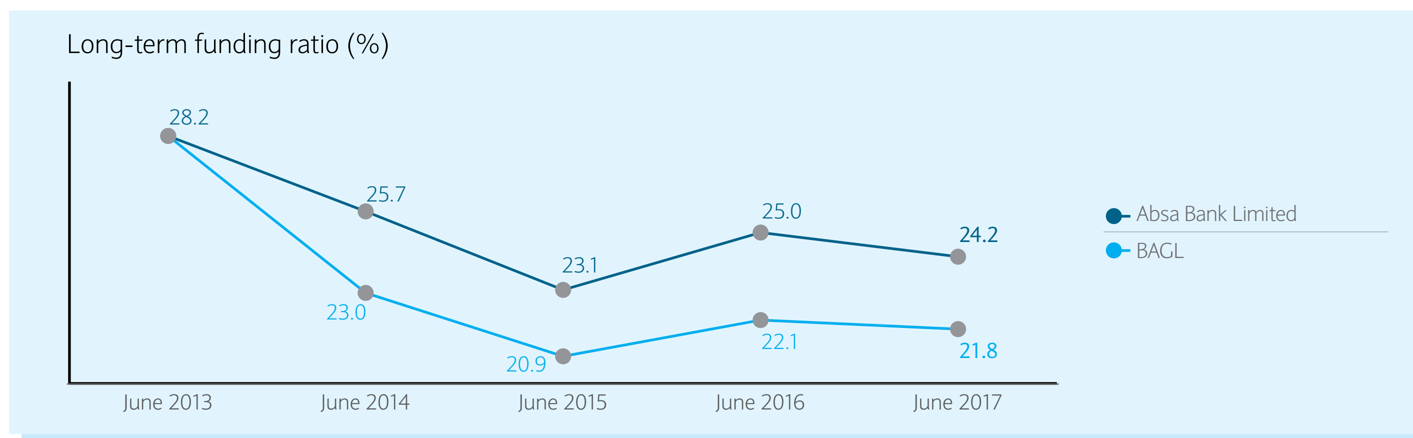
6.3.3.2 Net stable funding ratio (NSFR)

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 NSFR will become effective on 1 January 2018, and the Group is expected to meet the minimum requirement of 100%.

6.3.3.3 Long-term funding ratio

The long-term funding ratio reflects the proportion of total funding with an outstanding term in excess of six months. The history of the Group's average long-term funding ratio is shown below. The long-term funding ratios decreased marginally in June 2017 to optimise funding costs while continuing to match the growth in longer-term assets. Long-term funding was achieved through a combination of funding instruments, capital markets issuances and private placements.



6.3.3.4 Loan-to-deposit ratio

	30 June 2017	30 June 2016	31 December 2016
Advances			
Loans and advances to customers	**728 985**	715 209	720 309
South Africa	**650 047**	633 336	642 432
Rest of Africa	**78 938**	81 873	77 877
Deposits	**836 554**	821 490	814 579
Deposits due to customers	**696 362**	676 968	674 865
South Africa	**576 366**	553 806	562 872
Rest of Africa	**119 996**	123 162	111 993
Debt securities in issue	**140 192**	144 522	139 714
Loan-to-deposit ratio (%)	**87.1**	87.1	88.4

Due to the structural nature of the South African market, partly attributable to low discretionary savings, the funding gap between core deposits and advances is supported by longer-term wholesale deposits (mainly debt securities in issue). Debt securities with a tenor of greater than one month have a weighted average life of approximately 24 months. Wholesale deposits with tenors of less than one month are invested in the liquid asset portfolio and are available to support short-term outflows. The Group's loan-to-deposit ratio of 87.1% is in line with June 2016 and in line with internal targets.

The Rest of Africa banking entities are primarily deposit-led, comprising mainly retail and corporate deposits, with limited reliance on wholesale funding. Given the high degree of stability exhibited by retail and corporate depositors, these deposits are behaviourally long-term. The Rest of Africa surplus deposits over advances of R41 bn are invested in liquid assets. The loan to deposit ratio for the Rest of Africa is 65.5%. Each Rest of Africa banking entity is required to be self-sufficient from a liquidity perspective with limited working capital support required from the Group.

The Group's foreign balance sheet is surplus funded and comprises less than 5% of deposits due to customers.

6.3.4 Diversification

The Group has a well-diversified deposit base, and concentration risk is managed within appropriate guidelines. Sources of funding, both rand and foreign currency, are managed in order to maintain a wide diversity of depositor, product and tenor.

The foreign currency loans and advances as well as deposits comprise an insignificant portion of the Group's balance sheet. The Group is in the process of further diversifying and lengthening its foreign currency book profile.

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

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6.3.5 Short term liquidity stress

6.3.5.1 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. The LCR minimum requirement in 2017 (80%) increases by 10% per annum until 1 January 2019 (100%). The Group targets an LCR above the minimum regulatory requirement and consistently maintained a buffer above the 80% requirement in the first half of 2017. The table below represents the average LCR[1]:

	Barclays Africa Group Limited			Absa Bank Limited[2]		
	30 June		31 December	**30 June**		31 December
	2017	2016	2016	**2017**	2016	2016
High-quality liquid assets[3] (Rm)	**155 075**	129 086	142 758	**144 168**	118 301	134 142
Net cash outflows (Rm)	**130 416**	154 656	149 017	**115 876**	140 871	135 354
LCR (%)	**118.9**	83.5	95.8	**124.4**	84.0	99.1
Required LCR (%)	**80.0**	70.0	70.0	**80.0**	70.0	70.0

6.3.5.2 High-quality liquid assets (HQLA)

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.

6.3.5.3 The Group's sources of liquidity

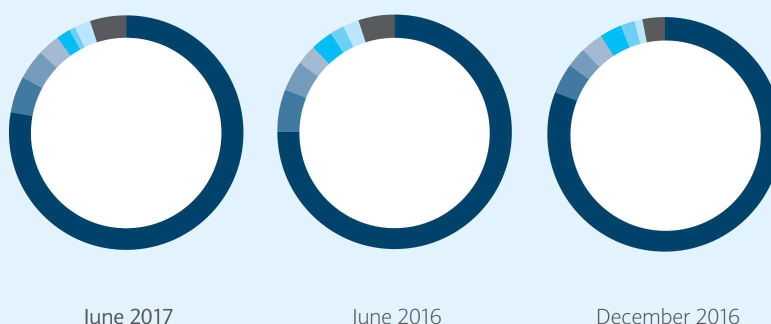
	30 June		31 December
	2017 Rm	2016 Rm	2016 Rm[4]
The Group's sources of liquidity	**230 517**	216 095	222 608
High-quality liquid assets	**142 960**	120 812	144 695
Other liquid assets (outside South Africa)	**39 698**	39 552	33 201
Other sources of liquidity	**47 859**	55 731	44 712

The Group's sources of liquidity amount to 33.1% of deposits due to customers.

6.3.5.4 Composition of liquid assets by country (%)

Composition of liquid assets by country (%)

June 2017	June 2016	December 2016	
78	(75)	(81)	South Africa
5	(6)	(4)	Kenya
4	(4)	(3)	Ghana
3	(3)	(3)	NBC
2	(3)	(3)	Botswana
1	(2)	(2)	Uganda
2	(2)	(1)	Mauritius
5	(5)	(3)	Other



Notes

[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 80% have been excluded from the aggregated high quality liquid asset number in the case of all Rest of Africa banking entities.
[4] June 2016 and December 2016 restated to incorporate a revised assumption relating to available interbank funding.

6.3.5.5 Stress and scenario testing

Under the Liquidity Risk 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 Group undertakes a range of stress tests appropriate to its business. Stress tests consider both name-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.

6.3.5.6 Contingency funding planning

Each bank within the Group 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, which assist in informing management when deciding whether the CFP should be invoked.

Each banking entity within the Group 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.

6.4 Capital risk

6.4.1 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 boundaries imposed by the Group's risk appetite.

The Group's capital management objectives are to:

- optimise the level and mix of capital resources and the utilisation of those resources;
- meet RC requirements and the Board-approved capital 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.

6.4.2 Internal capital adequacy assessment process (ICAAP)

The ICAAP document is produced in accordance with the South African Reserve Bank's (SARB's) Guidance Note 4 of 2015.

The ICAAP forms an integral part of the management and decision-making of the Group. The ICAAP framework is a tool that requires 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 the risk appetite of the Group on an ongoing basis.

The Group uses the ICAAP in support of meeting its capital management objectives across the Group. The ICAAP is a documented risk-based assessment of the capital adequacy position of the Group and its subsidiaries on a RC and EC basis, reflecting not only the point-in-time position, but also the forward-looking and stressed position over the medium-term plan (MTP) period. Capital adequacy is not considered in isolation, but in the context of the broader set of financial plans of the Group. This is made possible by the integrated planning process. The ICAAP includes entities within the Group that are subject to consolidated supervision by the SARB. Insurance entities are excluded from SARB consolidated supervision, as these are regulated by the Financial Services Board (FSB).

The ICAAP reflects the expected level of capital required to be held against identified risks the Group may become exposed to as a result of executing its strategy. Board and senior management track changes in the economic environment, which may result in an adjustment to the business strategy.

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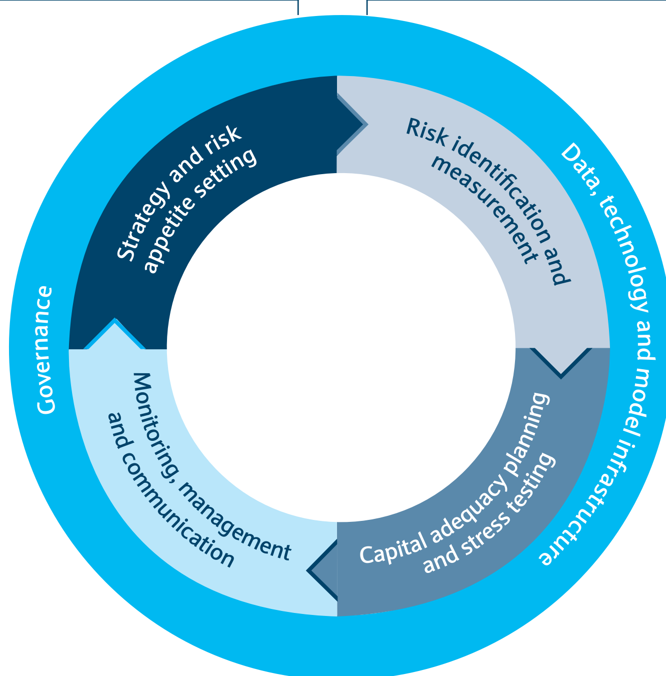
The key components of the Group's ICAAP approach are as follows:

- Establish overall strategic direction for the Group acting on recommendation from management. Formulate a risk appetite consistent with Group-wide strategy incorporating requirements of all stakeholders such as regulators, debt holders and shareholders
- Translate risk appetite framework into limits and guidelines for clusters and strategic business units (SBUs)
- Financial planning and forecasting
- Review of RoE and other performance metrics

- Monitor and report: Appropriate information presented to the right people at the right time
- Monitoring of capital plan levers
- Regularly updated capital plans
- Communication: Proactive communication of capital plan and rationale for management actions
- Monitoring of EWIs



- Identification of key capital risks including current and emerging risks
- Quantification risks: All key risks quantified appropriately.
- Level of sophistication tailored to size and complexity of risk
- Understanding of differences between internal EC and RC
- Management of non-quantified capital risks,

- Forecasting, protection and stress testing of capital and key metrics
- Development of capital plans. Comprehensive suite of stress scenarios, appropriately parameterised and all forms of capital requirements availability reflected
- Management of capital based on appropriate target ranges. Tracking and analysis of capital adequacy level
- Identification and development of management actions

6.4.3 Management of excess capital

The Group's capital policy stipulates that capital held in the Group's entities in excess of Board-approved capital 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. Capital is not transferred to other subsidiaries unless there is a robust business, regulatory or tax reason to support it.

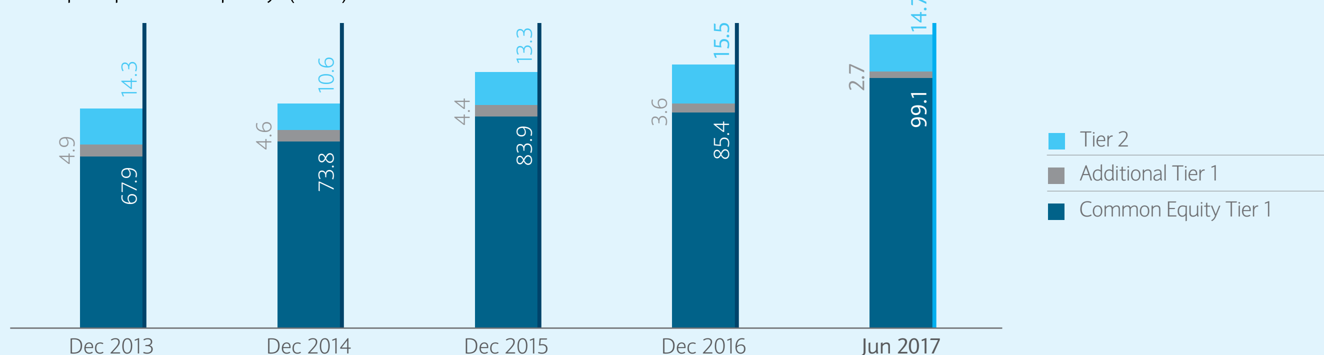
6.4.4 Capital adequacy

The capital management process in the Group encompasses all regulated entities within it (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 capital adequacy requirements (CARs). The Group's capital target 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 (D-SIB) buffer; and
- Peer analysis.

Group capital adequacy

Group	Board target ranges %	Minimum regulatory capital requirements[1] %	Y-o-y Trend	IFRS Group performance 30 June 2017	Total Group normalised performance 30 June 2017	IFRS Group performance 30 June 2016	IFRS Group performance 31 December 2016
Statutory capital ratios (includes unappropriated profits) (%)							
CET1	10.0 – 11.5		▲	**13.7**	**12.1**	12.1	12.1
Tier 1	11.5 – 13.0		▲	**14.0**	**12.4**	12.6	12.6
Total	14.0 – 15.5		▲	**16.1**	**14.5**	14.6	14.8
Regulatory capital ratios (excludes unappropriated profits) (%)							
CET1		7.3	▲	**12.9**		11.3	11.4
Tier 1		8.5	▲	**13.3**		11.9	11.9
Total		10.8	▲	**15.3**		13.8	14.1



2013	2014	2015	2016	June 2017	
12.1	11.9	11.9	12.1	**13.7**	CET1 ratio (%)
15.5	14.4	14.5	14.8	**16.1**	Total capital adequacy ratio (%)

Absa Bank Limited[2] capital adequacy	Board target ranges %	Minimum regulatory capital requirements[1] %	Y-o-y Trend	IFRS Group performance 30 June 2017	Total Group normalised performance 30 June 2017	IFRS Group performance 30 June 2016	IFRS Group performance 31 December 2016
Statutory capital ratios (includes unappropriated profits) (%)							
CET1	10.0 – 11.5		▲	**14.1**	**11.9**	10.8	11.6
Tier 1	11.0 – 12.5		▲	**14.5**	**12.3**	11.4	12.2
Total	13.5 – 15.0		▲	**17.4**	**15.2**	14.0	15.1
Regulatory capital ratios (excludes unappropriated profits) (%)							
CET1		7.3	▲	**13.2**		10.1	10.5
Tier 1		8.5	▲	**13.6**		10.7	11.0
Total		10.8	▲	**16.5**		13.3	14.0

Notes

[1] The 2017 minimum regulatory capital requirements of 10.75% 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 domestic systematically important bank (D-SIB) add on.

[2] Absa Bank Limited includes subsidiary undertakings, special-purpose entities, joint ventures, associates and offshore holdings.

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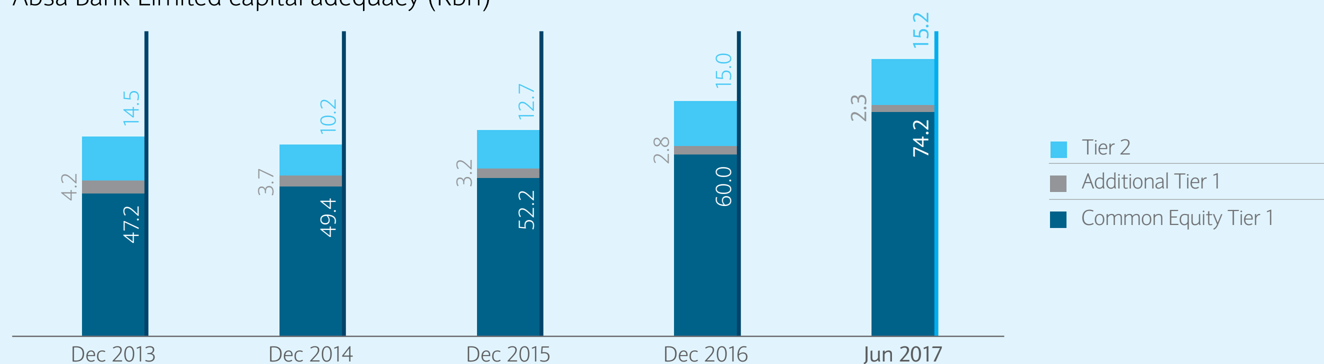

2013	2014	2015	2016	June 2017	
11.3	10.8	10.5	11.6	**14.1**	CET1 ratio (%)
15.8	13.9	13.8	15.1	**17.4**	Total capital adequacy ratio (%)

Operations	Regulator	Total qualifying capital Rm	30 June 2017 Tier 1 ratio %	Total capital adequacy %
Local entities (South Africa)				
Group	SARB			
Including unappropriated profits		116 461	14.0	16.1
Excluding unappropriated profits		110 884	13.3	15.3
Absa Bank Limited[2]	SARB			
Including unappropriated profits		91 695	14.5	17.4
Excluding unappropriated profits		86 767	13.6	16.5
Foreign banking entities[3]				
Barclays Bank of Mozambique	Banco de Mozambique	994	15.3	22.8
Barclays Bank of Botswana	Bank of Botswana	2 698	15.5	20.2
Barclays Bank of Ghana	Bank of Ghana	2 448	17.6	23.5
Barclays Bank of Kenya	Central Bank of Kenya	5 644	15.9	18.0
Barclays Bank of Mauritius	Bank of Mauritius	4 916	16.3	17.1
National Bank of Commerce	Bank of Tanzania	1 381	20.2	22.2
Barclays Bank of Tanzania	Bank of Tanzania	489	20.3	22.3
Barclays Bank of Uganda	Bank of Uganda	1 334	21.2	25.3
Barclays Bank of Seychelles	Bank of Seychelles	575	20.7	23.8
Barclays Bank of Zambia	Bank of Zambia	1 857	24.4	30.9
Insurance entities				
Absa Life Limited	FSB[4]	1 121		3.4xCAR[5]
Absa Insurance Company Limited	FSB[4]	1 069		44.05%xNWP[6]

Notes

1 The SARB 2017 minimum regulatory requirement of 10.75% include the RSA minimum of 8%, Pillar 2a of 1.5% and capital conservation buffer of 1.25% 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 2017 foreign banking entity disclosures are unaudited.
4 Financial Services Board of South Africa.
5 CAR: Actuarial calculation of VaR on insurance liabilities. 2.0 times (2016: 2.0 times) being the required capital level.
6 NWP: Net Written Premiums, 34% (2016: 36%) of NWP being the required capital level determined by Absa Insurance Company Limited.

30 June 2016 Total qualifying capital Rm	30 June 2016 Tier 1 ratio%	30 June 2016 Total capital adequacy %	31 December 2016 Total qualifying capital Rm	31 December 2016 Tier 1 ratio %	31 December 2016 Total capital adequacy %	2017 Total target capital adequacy ratio Regulatory minimum %	2017 Total target capital adequacy ratio Board Target %
101 735	12.6	14.6	104 486	12.6	14.8		**14.0 – 15.5**
96 607	11.9	13.8	99 503	11.9	14.1	**10.8[1]**	
70 091	11.4	14.0	77 769	12.2	15.1		**13.5 – 15.0**
66 589	10.7	13.3	71 968	11.0	14.0	**10.8[1]**	
844	14.0	21.0	895	15.2	22.5	**8.0**	**13.0**
2 665	15.2	20.4	2 566	15.3	20.8	**15.0**	**17.5**
1 776	13.4	17.7	2 051	9.87	19.0	**10.0**	**13.5**
6 256	16.2	18.3	5 703	15.7	17.9	**14.5**	**16.5**
5 322	16.6	17.3	5 692	19.1	20.0	**11.4**	**13.1**
1 299	14.6	16.6	1 297	16.5	18.5	**12.0**	**13.5**
327	13.6	15.6	492	20.5	22.5	**12.0**	**16.0**
1 432	21.3	25.6	1 345	21.5	25.7	**16.5**	**19.5**
673	23.0	26.2	674	22.8	29.5	**12.0**	**13.5**
1 838	19.7	26.0	1 552	17.2	23.4	**10.0**	**13.0**
1 064		3.1xCAR[5]	1 135		3.1xCAR[5]	**1.0xCAR[5]**	**2.0xCAR[5]**
1 039		42.03%xNWP[6]	1 087		44.31%xNWP[6]	**28%xNWP[6]**	**34%xNWP[6]**

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6.4.5 Capital demand: Overview of RWA OV1

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

	Group	a 30 June 2017 RWA Rm	b 31 March 2017 RWA Rm	c 2017 Minimum capital requirements[1] Rm
1	Credit risk (excluding counterparty credit risk)	515 946	505 936	41 276
2	Of which standardised approach (SA)	146 408	141 013	11 713
3	Of which internal rating-based (IRB) approach	369 538	364 923	29 563
4	Counterparty credit risk (CCR)	32 156	30 439	2 572
5	Of which standardised approach for CCR (SA-CCR)[2]	32 156	30 439	2 572
6	Of which internal model method (IMM)	–	–	–
7	Equity positions in banking book under market-based approach	9 223	9 395	738
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	583	981	47
12	Securitisation exposures in banking book	564	553	45
13	Of which IRB ratings-based approach (RBA)	564	553	45
14	Of which IRB supervisory formula approach (SFA)	–	–	–
15	Of which SA/simplified supervisory formula approach (SSFA)	–	–	–
16	Market risk	32 284	27 480	2 583
17	Of which standardised approach (SA)	10 645	9 436	852
18	Of which internal model approaches (IMA)	21 639	18 044	1 731
19	Operational risk	103 487	100 433	8 279
20	Of which basic indicator approach (BIA)	3 528	3 849	282
21	Of which standardised approach	25 533	25 156	2 043
22	Of which advanced measurement approach (AMA)	74 426	71 428	5 954
	Non-customer assets	24 904	22 748	1 992
23	Amounts below the thresholds for deduction (subject to 250% risk weight)	5 633	7 043	450
24	Floor adjustment	–	–	–
25	**Total (1+4+7+8+9+10+11+12+16+19+23+24+non customer assets)**	724 780	705 008	57 982
	Pillar 2a requirement (1.5%)			10 872
	Capital conservation buffer (1.25%)[3]			9 060
	S.A. minimum capital requirements including buffers[4]			77 914

Key drivers of change in RWA consumption were as follows:

- Credit risk: Exposures subject to the AIRB approach have increased as a result of exposure growth in wholesale markets.
- CCR: The movements in CCR are in line with market volatility, specifically exchange rate fluctuations.
- 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 risk, mainly as a result of hedging activity conducted as part of the Barclays PLC separation, and market volatility in the internal models DVaR and sVaR measure for the South African business.
- Operational risk: Higher operating income attributable by AMA entities drove an increase in the regulatory floor (TSA floor on AMA entities).

Notes

[1] The 2017 minimum regulatory capital requirements are calculated at the Bank for International Settlements (BIS) minimum regulatory capital requirement of 8%.
[2] SA-CCR amount is calculated using the 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 2017 S.A. minimum regulatory capital requirements of 10.75% include the capital conservation buffer but excludes the bank-specific individual capital requirement (Pillar 2b add-on) and the D-SIB add-on.

	Absa Bank Limited[1]	a 30 June 2017 RWA Rm	b 31 March 2017 RWA Rm	c 2017 Minimum capital requirements[2] Rm
1	Credit risk (excluding CCR)	373 604	369 475	29 889
2	Of which standardised approach (SA)	13 545	13 580	1 084
3	Of which IRB approach	360 059	355 895	28 805
4	CCR	31 815	29 837	2 545
5	Of which standardised approach for CCR (SA-CCR)[3]	31 815	29 837	2 545
6	Of which IMM	–	–	–
7	Equity positions in banking book under market-based approach	2 493	2 606	199
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	583	908	47
12	Securitisation exposures in banking book	564	554	45
13	Of which IRB RBA	564	554	45
14	Of which IRB SFA	–	–	–
15	Of which SA/SSFA	–	–	–
16	Market risk	24 741	20 948	1 979
17	Of which standardised approach (SA)	3 102	2 904	248
18	Of which internal model approaches (IMM)	21 639	18 044	1 731
19	Operational risk	73 612	70 895	5 889
20	Of which BIA	3 439	3 772	275
21	Of which standardised approach	–	–	–
22	Of which AMA	70 173	67 123	5 614
	Non-customer assets	17 971	16 681	1 438
23	Amounts below the thresholds for deduction (subject to 250% risk weight)	762	785	61
24	Floor adjustment	–	–	–
25	**Total (1+4+7+8+9+10+11+12+16+19+23+24+non-customer assets)**	**526 145**	512 689	**42 092**
	Pillar 2a requirement (1.5%)			7 892
	Capital conservation buffer (1.25%)[4]			6 577
	S.A. minimum capital requirements including buffers[5]			56 561

Key drivers of change in RWA consumption were as follows:

- Credit risk: Exposures subject to the AIRB approach have increased as a result of loan growth in Corporate and Investment Bank.
- CCR: The movements in CCR are in line with market volatility, specifically exchange rate fluctuations.
- Equity positions in the banking book: 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 risk, mainly as a result of hedging activity conducted as part of the Barclays PLC separation and market volatility in the internal models DVaR and sVaR measure for the South African business.
- Operational risk: Higher operating income attributable by AMA entities drove an increase in the regulatory floor (TSA floor on AMA entities).

Notes

1 Absa Bank Limited includes subsidiary undertakings, special-purpose entities, joint ventures, associates and offshore holdings.
2 The 2017 minimum regulatory capital requirements are calculated at the BIS minimum regulatory capital requirement of 8%.
3 SA-CCR amount is calculated using the 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 2017 S.A. minimum regulatory capital requirements of 10.75% include the capital conservation buffer but excludes the bank-specific individual capital requirement (Pillar 2b add-on) and the D-SIB add-on.

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6.4.6 Capital supply

Breakdown of qualifying capital

	30 June				31 December	
	2017		2016		2016	
Group	Rm	%[1]	Rm	%[1]	Rm	%[1]
Common Equity Tier 1	**93 560**	**12.9**	79 249	11.3	80 451	11.4
Ordinary share capital	**1 694**	**0.2**	1 694	0.2	1 693	0.2
Ordinary share premium	**12 868**	**1.8**	4 412	0.6	4 468	0.6
Reserves[2]	**83 681**	**11.5**	75 621	10.8	78 546	11.2
Non-controlling interest	**1 831**	**0.3**	2 219	0.3	2 084	0.3
Deductions	**(6 514)**	**(0.9)**	(4 697)	(0.6)	(6 340)	(0.9)
Goodwill	**(690)**	**(0.1)**	(771)	(0.1)	(715)	(0.1)
Amount by which expected loss exceeds eligible provisions	**(2 073)**	**(0.3)**	(1 082)	(0.1)	(2 128)	(0.3)
Other deductions	**(3 751)**	**(0.5)**	(2 844)	(0.4)	(3 497)	(0.5)
Additional Tier 1 capital	**2 665**	**0.4**	3 713	0.6	3 557	0.5
Tier 1 capital	**96 225**	**13.3**	82 962	11.9	84 008	11.9
Tier 2 capital	**14 659**	**2.0**	13 645	1.9	15 495	2.2
Instruments recognised as Tier 2 capital	**14 163**	**2.0**	13 039	1.9	14 911	2.1
General allowance for impairment losses on loans and advances – standardised approach	**496**	**0.0**	606	0.0	584	0.1
Total qualifying capital (excluding unappropriated profits)	**110 884**	**15.3**	96 607	13.8	99 503	14.1
Qualifying capital (including unappropriated profits)						
Tier 1 capital	**101 802**	**14.0**	88 090	12.6	88 991	12.6
CET 1 (excluding unappropriated profits)	**93 560**	**12.9**	79 249	11.3	80 451	11.4
Unappropriated profits	**5 577**	**0.8**	5 128	0.8	4 983	0.7
Additional Tier 1	**2 665**	**0.3**	3 713	0.5	3 557	0.5
Tier 2 capital	**14 659**	**2.1**	13 645	2.0	15 495	2.2
Total qualifying capital (including unappropriated profits)	**116 461**	**16.1**	101 735	14.6	104 486	14.8

Leverage

	2017		2016	
Group	30 June	31 March	31 December	30 September
Leverage ratio exposure (Rm)	**1 259 572**	1 254 437	1 251 249	1 255 335
Tier 1 Capital (excluding unappropriated profits) (Rm)	**96 225**	82 249	84 008	82 210
Tier 1 Capital (including unappropriated profits) (Rm)	**101 802**	86 348	88 991	86 529
Leverage ratio (excluding unappropriated profits) (%)	**7.6**	6.6	6.7	6.5
Leverage ratio (including unappropriated profits) (%)	**8.1**	6.9	7.1	6.9
Board target leverage ratio (%)	**≥4.5**	≥4.5	≥4.5	≥4.5
Minimum required leverage ratio (%)	**4.0**	4.0	4.0	4.0

Notes

[1] Percentage of capital to RWAs.

[2] Reserves exclude unappropriated profits.

Absa Bank Limited[1]	30 June 2017 Rm	30 June 2017 %[2]	30 June 2016 Rm	30 June 2016 %[2]	31 December 2016 Rm	31 December 2016 %[2]
Common Equity Tier 1	**69 320**	**13.2**	50 908	10.1	54 185	10.5
Ordinary share capital	**304**	**0.1**	304	0.1	304	0.1
Ordinary share premium	**36 880**	**7.0**	22 964	4.6	24 964	4.8
Reserves[3]	**37 068**	**7.0**	31 791	6.2	33 560	6.5
Deductions	**(4 932)**	**(0.9)**	(4 151)	(0.8)	(4 643)	(0.9)
Amount by which expected loss exceeds eligible provisions	**(1 924)**	**(0.4)**	(2 162)	(0.4)	(1 983)	(0.4)
Other deductions	**(3 008)**	**(0.5)**	(1 989)	(0.4)	(2 660)	(0.5)
Additional Tier 1 capital	**2 293**	**0.4**	2 768	0.6	2 758	0.5
Tier 1 capital	**71 613**	**13.6**	53 676	10.7	56 943	11.0
Tier 2 capital	**15 154**	**2.9**	12 913	2.6	15 025	3.0
Instruments recognised as Tier 2 capital	**15 023**	**2.9**	12 731	2.5	14 881	2.9
General allowance for impairment losses on loans and advances – standardised approach	**131**	**0.0**	182	0.1	144	0.1
Total qualifying capital (excluding unappropriated profits)	**86 767**	**16.5**	66 589	13.3	71 968	14.0
Qualifying capital (including unappropriated profits)						
Tier 1 capital	**76 541**	**14.5**	57 178	11.4	62 744	12.2
CET 1 (excluding unappropriated profits)	**69 320**	**13.2**	50 908	10.1	54 185	10.5
Unappropriated profits	**4 928**	**0.9**	3 502	0.7	5 801	1.1
Additional Tier 1	**2 293**	**0.4**	2 768	0.6	2 758	0.6
Tier 2 capital	**15 154**	**2.9**	12 913	2.6	15 025	2.9
Total qualifying capital (including unappropriated profits)	**91 695**	**17.4**	70 091	14.0	77 769	15.1

Leverage

Absa Bank Limited[1]	2017 30 June	2017 31 March	2016 31 December	2016 30 September
Leverage ratio exposure (Rm)	**1 095 984**	1 092 562	1 088 789	1 083 526
Tier 1 Capital (excluding unappropriated profits) (Rm)	**71 613**	55 656	56 943	54 197
Tier 1 Capital (including unappropriated profits) (Rm)	**76 541**	62 228	62 744	59 274
Leverage ratio (excluding unappropriated profits) (%)	**6.5**	5.1	5.2	5.0
Leverage ratio (including unappropriated profits) (%)	**7.0**	5.7	5.8	5.5
Board target leverage ratio (%)	**≥4.5**	≥4.5	≥4.5	≥4.5
Minimum required leverage ratio (%)	**4.0**	4.0	4.0	4.0

Notes
[1] Absa Bank Limited includes subsidiary undertakings, special-purpose entities, joint ventures, associates and offshore holdings.
[2] Percentage of capital to RWAs.
[3] Reserves exclude unappropriated profits.

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Movements in qualifying capital

	Group			Absa Bank Limited[1]		
	30 June		31 December	30 June		31 December
	2017 Rm	2016 Rm	2016 Rm	**2017 Rm**	2016 Rm	2016 Rm
Balance at the beginning of the reporting period (excluding unappropriated profits)	**99 503**	95 355	95 355	**71 968**	65 717	65 717
Share capital, premium and reserves	**13 536**[2]	3 218	6 343	**15 424**[2]	2 535	6 447
Non-controlling interest	**(253)**	(337)	(472)	**–**	–	–
Regulatory deductions – CET1	**(174)**	(1 272)	(3 060)	**(289)**	(1 433)	(2 070)
Regulatory changes in Additional Tier 1	**(892)**	(700)	(857)	**(465)**	(466)	(475)
Tier 2 subordinated debt issued	**1 142**	231	2 381	**1 142**	231	2 381
Tier 2 subordinated debt matured	**(1 000)**	–	–	**(1 000)**	–	–
Regulatory changes in Tier 2	**(890)**	48	(229)	**–**	–	–
General allowances for impairment losses on loans and advances: standardised approached – SA	**(88)**	64	42	**(13)**	5	(32)
Balance at the end of the reporting period (excluding unappropriated profits)	**110 884**	96 607	99 503	**86 767**	66 589	71 968
Add: unappropriated profits	**5 577**	5 128	4 983	**4 928**	3 502	5 801
Qualifying capital including unappropriated profits	**116 461**	101 735	104 486	**91 695**	70 091	77 769

6.4.7 Economic capital adequacy

EC is an estimate of the maximum downward deviation from expectation in shareholder value, measured on an economic basis over a one-year time horizon and at a 99.95% confidence level. In practice, EC provides a common basis on which to aggregate and compare different risk types using a single measure. EC measures all Basel III Pillar 1 risks as well as additional risks such as IRRBB and business risk.

EC demand is compared to the available financial resources (AFR), which is also referred to as EC supply, to evaluate the total EC excess. The Group ensures that there is sufficient capital in order to meet this demand as a minimum.

	30 June		31 December
EC demand	**2017[3] Rm**	2016[4] Rm	2016 Rm
Retail credit risk	**15 998**	21 553	20 370
Securitisation	**39**	58	10
Wholesale credit risk	**40 882**	40 098	39 463
Residual value risk	**389**	396	395
Operational risk	**7 022**	6 200	6 189
Traded market risk	**2 394**	1 896	2 076
Non-traded market risk	**6 417**	7 351	8 886
Equity investment risk	**1 834**	1 729	1 765
Property and equipment risk	**8 828**	6 500	6 628
Insurance risk	**2 799**	2 681	2 787
Business risk[5]	**5 638**	–	5 198
Total EC requirement	**92 240**	88 462	93 767
Total EC AFR[6]	**131 684**	97 343	115 571
Total EC excess	**39 444**	8 881	21 804

Notes
1 Absa Bank Limited includes subsidiary undertakings, special purpose entities, joint ventures, associates and offshore holdings.
2 The increase in share capital, premium and reserves is mainly due to the impact of the separation from Barclays PLC of R11.7bn.
3 EC demand and AFR reflected on a spot basis.
4 Reflects average EC demand.
5 Business Risk is now included in risk appetite monitoring and in EC demand measurement.
6 A revised methodology has been used for calculating AFR, due to a revision in the EC framework, which was implemented in December 2016. The June 2016 EC excess has been calculated on the old methodology.

6.4.8 Credit ratings

Credit ratings	2017 Standard and Poor's[1]		2017 Moody's
	Barclays Africa Group	Absa Bank Limited[2]	Absa Bank Limited[2]
National			
Short-term	zaB	zaA-1	Prime-1.za
Long-term	zaBB+	zaA	Aa1.za
Local currency			
Short-term	–	–	Prime-3
Long-term	–	–	Baa3
Outlook	–	–	Negative
Foreign currency			
Short-term	–	–	Prime-3
Long-term	–	–	Baa3
Outlook	–	–	Negative
Baseline credit assessment	–	–	Baa3
Group credit profile	bbb-	bbb-	–
Counterparty risk	–	–	Baa2 (cr)/P-2 (cr)

6.4.9 Recovery and resolution planning

The SARB has called on 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 Recovery Plan assumes no reliance on Barclays PLC for funding, capital and liquidity. In addition, the Recovery Plan is aligned to the ERMF.

The key objectives of the Recovery Plan are to:

- provide the Group with management actions when contingency funding plan (CFP) actions may be inadequate for severe stressed conditions;
- provide the Group with a range of plausible options to ensure its viability during severely stressed conditions;
- set consistent and objective EWIs that allow the Group to monitor its capital and liquidity position and identify when the Group is under severe stress that could lead to the Group Recovery Plan being invoked;
- enable the Group 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 the Group 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, whilst RC ratios are monitored against regulatory minimum capital requirements. The capital EWIs form the basis of the Group's Recovery Plan escalation and invocation process and are set at levels which provide sufficient notice to allow the Group 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 entitled 'Strengthening South Africa's Resolution Framework for Financial Institutions'. A further consultation paper regarding deposit insurance was published in May 2017, entitled 'Designing a deposit insurance scheme for South Africa – a discussion paper'.

The Group 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.

Notes

[1] On 9 June 2017, Standard & Poor's issued a consultative document providing guidance on the recalibration of the South Africa National Scale Mapping Table which shows proposed changes to the relationship between global and national scale credit rating. Following the recent lowering of the sovereign ratings on the Republic of South Africa, it is expected that this recalibration will improve Barclays Africa Group and Absa Bank's current national scale ratings.

[2] Absa Bank Limited includes subsidiary undertakings, special purpose entities, joint ventures, associates and offshore holdings.

7. Insurance risk

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Insurance risk is 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.

7.1 Review of current reporting period

Key performance indicators and key risk indicators are established during the annual risk appetite setting process. For each insurance entity, these metrics include (at a minimum) the target regulatory and economic capital adequacy levels and the business performance targets (profit before tax) with associated levels of variability. Key metrics have associated thresholds defined.

	YoY trend	30 June 2017	30 June 2016	31 December 2016
South African Life Insurance				
Present value of in-force book (PVIF) (Rm)	▲	**3 932**	3 551	3 763
New business margin (%)	▲	**8.8%**	5.9%	7.5%
Annualised return on shareholder fund (%)	▲	**9.2%**	7.6%	6.4%
Year-to-date (YTD) profit and loss impact of mismatch position (Rm)	▼	**(6.3)**	(16.1)	(16.3)
South African Short-term Insurance				
Net premium income (Rm)	▼	**1 338**	1 504	2 924
Net underwriting margin (%)	▼	**2.2%**	4.0%	3.5%
Annualised return on shareholder fund (%)	▼	**8.4%**	8.8%	8.7%
WIMI Insurance				
Profit before tax (Rm)	▼	**555**	718	1 189
Regulatory capital adequacy cover	▼	**1.65**	1.66	1.69

- PVIF: The PVIF represents the discounted value of the expected future after tax profits in respect of business in force. The PVIF is sensitive to lapse rates and mortality rates. The increased PVIF in H1 2017 is attributed largely to a change in lapse assumptions driven by an overall decrease in both credit life and funeral product lapse rates.
- Life insurance new business margin: The new business margin is the present value of new business profits less initial capital costs expressed as a percentage of the present value of projected premium income. The increase in margin is due to the low advice direct life insurance offering increase in the new business margin to 17.9% (June 2016: 14.7%) and business mix changes.
- Annualised return on shareholder fund: The fund return is expressed as investment income on shareholder funds. Performance differences for both Life and Short-term Insurance are attributed to changes in financial market conditions as investment mandates have remained largely unchanged.
- Short-term Insurance premium income: The decrease in premium income is attributed largely to the sale of the unprofitable commercial intermediated business book. This is expected to result in positive financial performance over the longer term.
- Short-term Insurance net underwriting margin: The underwriting surplus is expressed as a percentage of net premiums. The lower margin is attributed to catastrophe claims as a result of the Knysna fire and Cape storms in H1 2017.
- WIMI insurance profit before tax: The lower profit before tax figure in 2017H1 is mainly due to lower profits in Rest of Africa insurance entities and South African Short-term Insurance entities being impacted by difficult economic conditions and catastrophe events.
- Absa Financial Services regulatory capital adequacy cover: The regulatory capital cover is calculated using Solvency Assessment Management's Deduction and Aggregation approach where the capital position for Absa Financial Services (as registered at the Financial Services Board) is calculated by adding together all the capital positions of the entities within the Group and deducting the intragroup exposures to avoid double-counting of capital. The capital cover position as at 2017H1 will be submitted to the Financial Services Board by 30 September 2017 and the figure presented at 30 June 2017 in the table is an estimate. The cover position has remained stable over the past year.
- Key performance indicators: Indicator levels are monitored on a monthly basis and compared with trigger levels. These indicators include short-term insurance underwriting margins, life insurance policy counts and shareholder returns.

7.2 Key achievements

- Update to the Insurance Risk Principal Risk Framework and polices to reflect the change from a key risk to a principal risk under the ERMF and full alignment to Board Notice 158 requirements;
- Actuarial Centres of Excellence established for Pan Africa Life Insurance and Pan Africa Short-term Insurance in order to support Rest of Africa entities to embed consistent standards, procedures and controls;
- Life Insurance and Short-term Insurance chief risk officers put in place to provide more effective second line of defence for insurance entities; and
- Submission of the third annual Own Risk and Solvency Assessment (ORSA) report to the South African regulator.

7.3 Priorities

- Ensure consistent risk and control standards across all Pan African insurance entities;
- Develop Solvency Assessment Management (SAM) insurance group reporting to the end state requirements, including developing an appropriate insurance group internal view for economic capital;
- Delivery of insurance risk appetites as part of the planning process with improvements in embedding within the business;
- Meeting the end state SAM requirements for the Head of Actuarial Control and the Actuarial Control Function for South African short-term insurance entities;
- Life Insurance entities will continue to focus on sales and underwriting initiatives to increase revenues and attract high-quality risks; and
- Short-term Insurance entities will continue to embed analytics, pricing and retention solutions to maintain claims ratios within targeted ranges.

7.4 General information about insurance risk

Life insurance underwriting activities are undertaken by Absa Life, Barclays Life Botswana, Barclays Life Zambia and Barclays Life Assurance Kenya. Short-term insurance underwriting activities are undertaken by Absa Insurance (which consists of Absa Insurance Company, Absa idirect and Absa Insurance Risk Management Services), First Assurance Kenya and First Assurance Tanzania. Global Alliance Mozambique underwrites both life and short-term insurance business. The entities reside in Absa Financial Services, as registered with the Financial Services Board, which in turn reside in the management entity Wealth, Investment Management and Insurance (WIMI).

Entities that conduct insurance business are materially exposed to the following risk drivers:

- Underwriting risk: The risk that aggregate insurance premiums received from policyholders under a portfolio of insurance contracts are inadequate to cover the claims arising from those policies and the expenses associated with the management of the portfolio.
- Reserving risk: The risk that current reserves are insufficient to cover current and future claims and the expenses associated with the management of those claims.
- Investment risk: The exposure to movements in the value of the investment portfolio and the risk that assets and liabilities are mismatched, which limits the ability to pay claims as they fall due.
- Liquidity risk: The risk that the Group does not have the appropriate liquidity or capital resources to support its contractual or contingent obligations.
- Counterparty risk: Primarily driven by counterparty exposure on reinsurance contracts and investments, but can also arise due to outstanding premiums and broker exposure.
- Other ERMF risks which include operational risk, model risk, conduct risk, reputation risk and legal risk.

The Insurance Risk Principal Risk Control Framework applies the Evaluate-Respond-Monitor process to insurance risk and applies across all businesses. Each business is expected to implement a suitable governance model as to manage the framework requirements in accordance with the principles and rules defined by its relevant Regulatory Authority on a stand-alone basis, or as part of an insurance group, if defined as such under the relevant regulatory regime. It is important to note that the in-country regulatory requirements take precedence over the framework requirements if in conflict with the framework.

7.5 Risk measurement approach

Risk measurement techniques use both best practice and mandatory local and international actuarial methodologies for asset, liability and capital requirement quantification, as well as monitoring of exposures against pre-determined limits.

An insurance entity must quantify all insurance liabilities and assets as required for local regulatory and financial reporting purposes on a consistent basis:

- Depending on the purpose, asset and liability measurement techniques must utilise either deterministic or stochastic methods; and
- The purpose of the quantification will prescribe whether the results are estimated without margins (e.g. market consistent or best estimate values), or with margins.

An insurance entity must quantify capital adequacy requirements defined for local regulatory and internal solvency purposes.

- Regulatory capital adequacy requirements must be quantified using prescribed methodology, whereas internal models will be based on approved internal methodology. The purpose of the calculation will dictate the model and methodology to be used.
- Capital adequacy results at specific confidence levels (commonly 99.5% for regulatory requirements) or higher confidence levels (in line with Group or benchmark industry economic capital requirements) can be derived by combining stochastic stresses of individual risk factors (with appropriate use of correlation assumptions), or by integrating them into broader stochastic economic capital models.

The forward-looking nature of insurance entity liabilities requires a large number of assumptions to be made and it is not possible to be prescriptive on those. There are demographic (e.g. mortality, morbidity), statistical (claims incidence, reporting and development patterns) and economic (interest rates, yield curves, market returns, etc.) assumptions.

Scenario/stress testing must be used to isolate and examine the impact of specific, or combinations of, variables. These are either defined internally, by the Group or by regulators.

7.6 Insurance risk appetite

Risk appetite is defined as the level of risk that each licensed Group insurance entity is prepared to accept whilst pursuing its business strategy, recognising a range of possible outcomes are possible, as business plans are implemented.

The insurance risk appetite is set and approved by the Group on an annual basis. The risk appetite setting and approval process follows the relevant policies and processes. For insurance risk, risk appetite requirements are calculated at an entity level and, where an insurer is part of an insurance group (as defined by regulation), the appetite is also aggregated for the insurance group. Risk appetite is approved by the Principal Risk Officer and other forums (such as insurance entity boards of directors) and officials where prescribed by regulation.

Insurance risk appetite is considered from three perspectives:

- Capital adequacy: Defined as the degree of capital headroom required in excess of regulatory minimum requirements in order to satisfy financial solvency expectations of stakeholders (policyholders, regulators, shareholders). This can be defined in line with Group economic capital requirements such as a one-year value at risk at a 99.5% (one in 200 year event) confidence level, as well as business unit (BU)-specific requirements.
- Financial volatility: Defined as the expected financial performance required by the Group and the level of potential deviation from the expected performance that the Group is prepared to sustain at an appropriate near-term return period. This is can be defined in line with Group 1 in 10 and 1 in 25 outcomes, as well as BU-specific requirements.
- Mandates: A risk management approach that seeks formally to review and control business activities to ensure that they are within the Group's mandate and are of an appropriate scale and mix to achieve a targeted risk adjusted return. Underwriting risk (mortality, morbidity, catastrophe, lapses, premium, and reserving), investment/market risk (interest rate, equity, currency, counterparty default and concentration), liquidity risk and operational risk from investments and financial operations are monitored on a monthly basis.

7.7 Risk mitigation

7.7.1 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.

7.7.2 Group insurance programme

Following the Barclays PLC announcement on 1 March 2016 of the intention to sell down its controlling equity holding in the Group, a Corporate Insurance team was established to look after the insurance risk management requirements in respect of the Group 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.

8. Operational risk

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Operational risk is 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.

8.1 Review of current reporting period

Key risk metrics	YoY trend	30 June 2017	30 June 2016	31 December 2016
Total losses as a percentage of gross income (%)	▼	**0.3**	1.0	0.8
Total operational risk losses (Rm)	▼	**121**	380	582
Operational RWA (Rm)	▲	**103 487**	100 310	100 433

- Total operational risk losses: The reduction in losses is driven by a decrease in both the volume and average value of incidents, as well as better response times. In line with the nature of the business, the main contributors to operational losses remain fraud (46%), transaction processing (24%) and payment-related issues (17%).
- 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 3% compared to 2016 year end.

8.2 Key achievements

- Improved technology stability and migration of most critical services to a new 'best-in-class' data centre;
- Enhanced analytics to detect fraud and money-laundering and activities; and
- Strengthened payment processing capability.

8.3 Priorities

- Maintain the safe and controlled execution of the structured programme directed at delivering the separation from Barclays PLC;
- Continue to invest in technology to improve and maintain technology resilience and control;
- Continue to invest in data infrastructure and controls to support the increasing utilisation of data towards delivery of the Group's strategic objectives;
- Continue to remediate records of customers to meet financial crime control requirements; and
- Develop an information security transformation plan to localise and improve the Group's cyber risk posture.

8.4 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.

8.5 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.

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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 critical 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;
- continuing the shift from reactive remedial activities to effectively managing and mitigating key operational risks; and
- continue to drive an investment in data.

8.6 Approach to operational risk

The Operational Risk Management Framework (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.

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.

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:

8.6.1 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.

8.6.2 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.

8.6.3 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.

8.6.4 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.

8.6.5 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.

8.6.6 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.

8.7 Insurance

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

8.8 Risk mitigation

In the Group 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 the Group'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.

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 the Group 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 the Group will not take, those that it will take, and how much. The Group Board sets the appetite in aggregate for operational risk and management is required to observe these.

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 the Group.

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.

8.9 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 Executive Risk Committee (ERC) is the executive body responsible for the oversight and challenge of operational risk in the Group. The ERC presents relevant risk profile information to the GRCMC and GACC. The ERC is chaired by the GCRO.

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

8.10 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 unexpected losses. The Group also assesses its EC requirements to cover 99.95% of the estimated unexpected 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, the Group might not be able to apply the AMA model. In these instances, the BIA or TSA approach is utilised.

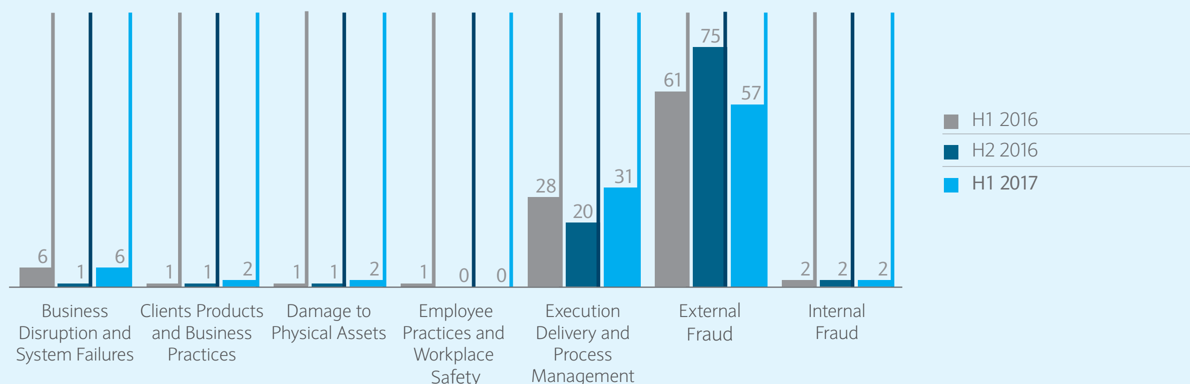
8.11 Operational risk events

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

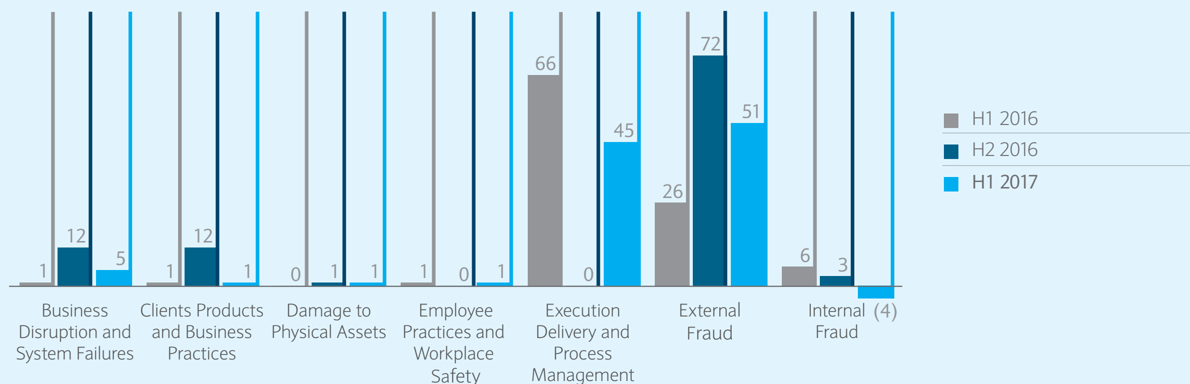
The Group monitors trends in operational risk events by size (count and value), product line and internal risk categories (including key risk). For comparative purposes, the analysis below presents the operational risk events by Basel II category. The highest frequency of events for the period occurred in External Fraud (57%). 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 H1 2017 occurred in External Fraud (51%) and Execution, Delivery and Process Management (mainly transaction processing and payment related issues) (45%).

Risk events by count (%)



Risk events by value (%)



9. Model risk

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Model risk is the risk of potential adverse consequences from financial assessments or decisions based on incorrect or misused model outputs and reports.

9.1 Approach to measuring and managing

Model risk has been identified as a principal risk to be managed under the Enterprise Risk Management Framework (ERMF), with specific guidelines set out in the Group Model Risk Policy (GMRP) and relevant standards covering model ownership, model development, model approval, model implementation, model monitoring and model validation.

A model is defined as a method, system, or approach that applies statistical, economic, financial, or mathematical theories, techniques, and assumptions to process the inputs into quantitative outputs (estimates). A model comprises inputs, calculations and outputs and is considered as an end-to-end concept, including the input and the usage of the output. A model may have several internal components, in which case they are all considered as parts of the model.

Model risk is the potential for adverse consequences from decisions based on incorrect or misused model outputs and reports. The most material and complex models are likely to present the greatest model risk and, therefore, increased scrutiny is placed on the independent validation and challenge of those models.

9.2 Key achievements

- The combined assurance assessments over the period confirmed the operating effectiveness of the Model Risk Framework and the Group Model Risk Policy that direct and govern the use of models within the Group.
- Significant progress has been made over the period to address model shortcomings. This was mainly achieved through the redevelopment of the Retail regulatory model suites (PD, EAD, LGD) and Wholesale EAD and LGD models.
- The majority of the IFRS 9 models have been developed and submitted for independent validation.

9.3 Priorities

- Define the risk appetite, previously included in operational risk, for model risk as a principal risk.
- Ongoing redevelopment of models and improvements in the controls to manage model risk will continue to strengthen the process.
- The conclusion of the development of IFRS 9 models for impairment is a priority project underway to conclude by 1 January 2018.

9.4 Strategy

The model risk process is a structured, practical set of three steps – Evaluate, Respond and Monitor 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.

Evaluate

The Group defines model risk as including the following components:

- Models in use are not identified and correctly registered to facilitate appropriate and effective governance;
- Models are poorly designed, developed, documented and implemented, resulting in model error; and
- Models are not monitored, reviewed and updated to assess ongoing fitness for purpose, resulting in model error or misuse.

The elements of model risk are assessed through evaluating critical controls and framework compliance:

- Annual inventory attestation;
- The Group Model Database (GMD) which records the model inventory and tracks the elements of the model lifecycle;

- Model validation and approval, where the model performance is assessed relative to its objectives and for compliance with the governance framework;
- Risk control self assessments performed by control owners;
- Conformance reviews;
- Model monitoring including backtesting;
- The number of breaches recorded and failures to meet remediation plans; and
- Regulatory and audit issues identified.

Respond

Model risk is governed by the GMRP which defines model risk, establishes requirements for assessing model risk for all models in use, assigns clear responsibilities and accountabilities for the management of model risk, mitigates model risk through controlled model design, development, implementation, use and change processes, and institutionalises independent validation and approval of models. The GMRP is supported by standards addressing the requirements of the following:

- Model documentation;
- Model validation and approval;
- Model complexity and materiality;
- Model testing, monitoring and annual review;
- Model overlays;
- Vendor models;
- Model inventory, workflow and taxonomy; and
- Benchmark and challenger models.

As a matter of principle, the Group has no tolerance for:

- newly developed models being used without being in compliance with the Group Model Risk Policy (GMRP);
- models identified as being in use and not accurately recorded in the GMD; and
- models with material regulatory findings.

Monitor

A control framework is established and overseen by the Model Risk and Development Group (MRaD) to manage model risk in accordance with the bank's risk tolerance. In addition to policies and standards, the control framework identifies risks and controls to establish a consistent approach to managing risk across the bank. Compliance to controls is assessed through Risk and Control Self-Assessments (RCSAs) and control testing is conducted to provide assurance around the effective design and operation of controls.

The second line of defence in relation to model risk is MRaD. MRaD comprises Model Governance and Control (MGC) and the Independent Validation Unit (IVU). MGC establishes the framework, policy and standards to manage model risk, sets limits consistent with the Group's risk appetite and monitors performance of the model ownership areas against these limits. It also performs conformance reviews to provide assurance around control effectiveness.

IVU is responsible for independently validating each model assessing whether it is fit for purpose. Models are validated and approved prior to use.

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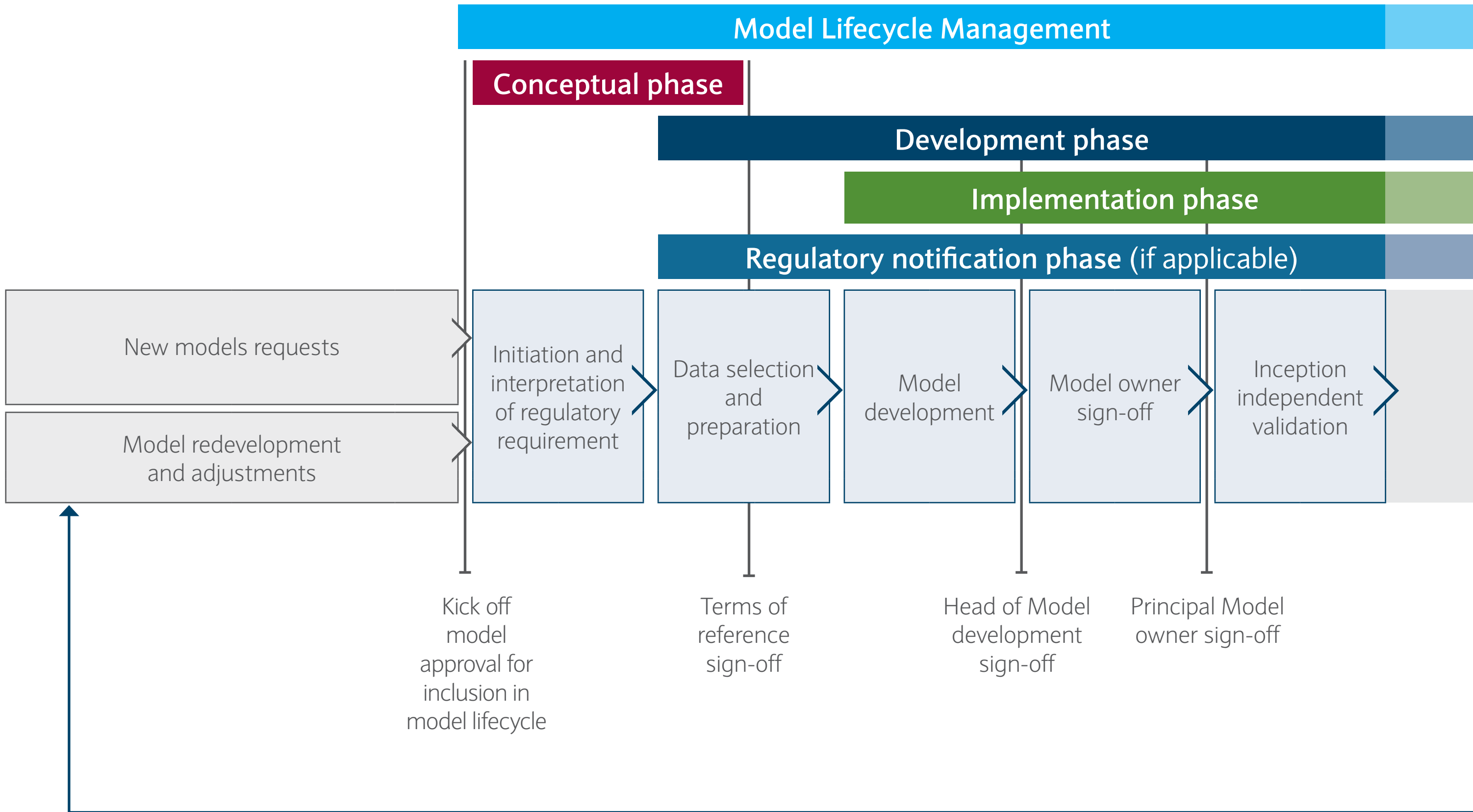
9.5 Approach to model risk

Model risk is managed throughout the model lifecycle. The model lifecycle and associated controls are depicted in the diagram below. These controls are in line with the GMRP.



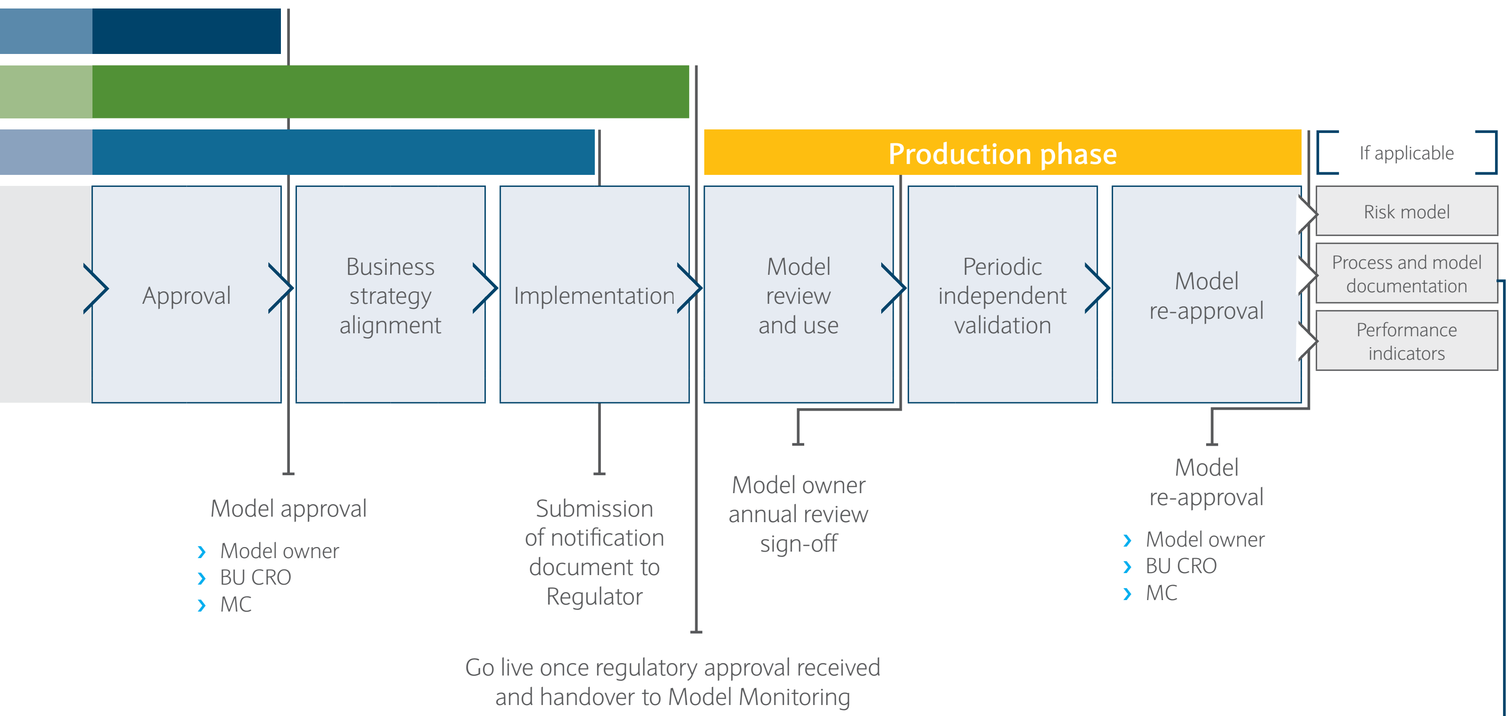
The GMRP sets out the accountabilities and controls pertaining to this risk and relevant standards have been developed for risk types. The GMRP identifies Model Approvers based on the materiality of models. Material models are designated by the MC (Board committee) for approval while models of lesser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

MRaD 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 IVU reports to the MC Chair.



A combined assurance plan is in place 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 modelling and operational risk modelling for the Group; and
- capital reporting for credit and operational risk for the Group.

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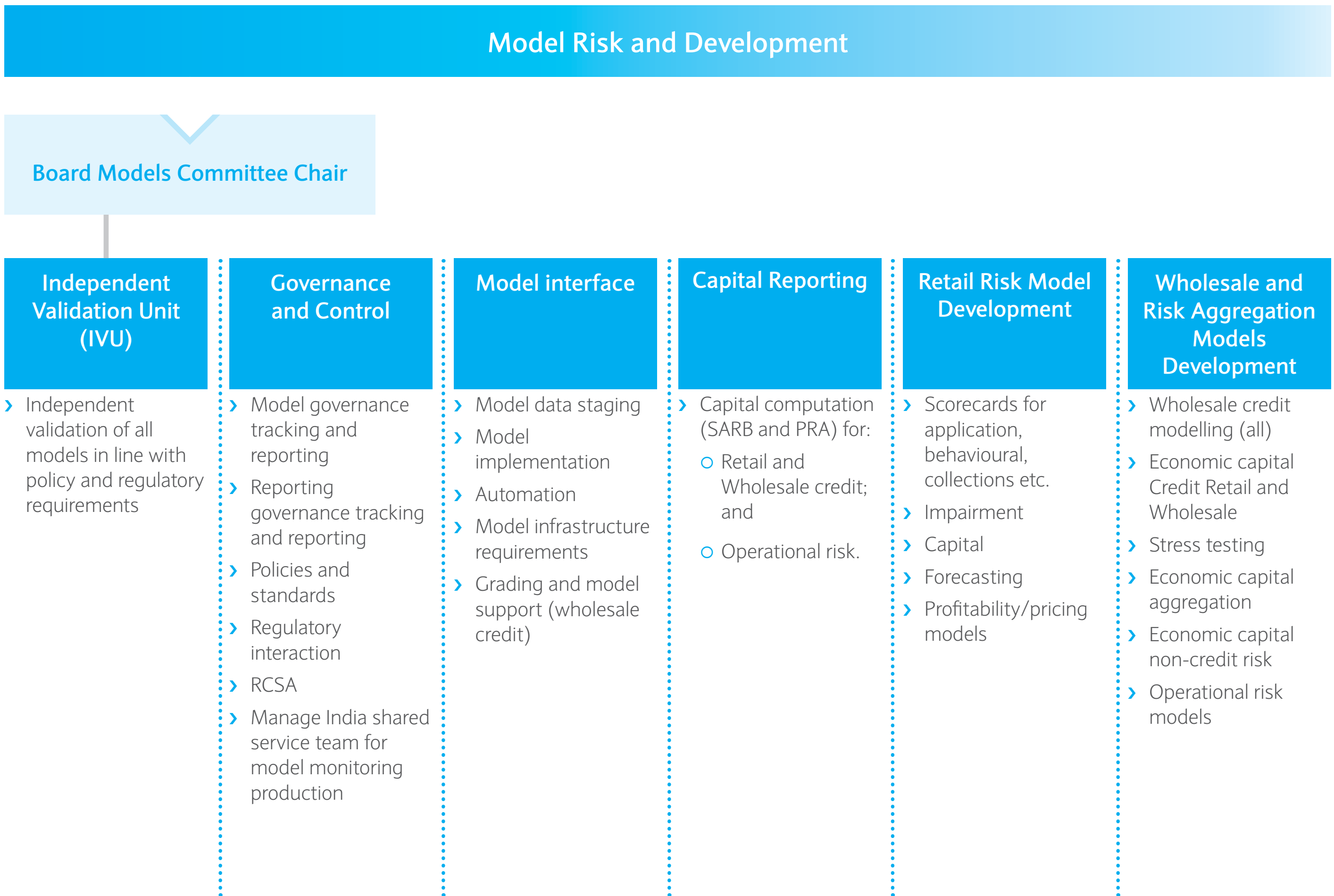
Below is a presentation of the structure of the Shared Service.



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).

The Group has approval to use the AIRB approach for all its South African credit portfolios with the exception of the Edcon retail portfolio, while all the Rest of Africa credit 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 Group has SARB approval for the use of AMA for operational risk and the IMA for market risk.

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

	2017		
	AIRB %	AIRB roll-out plan %	Standardised %
Retail South Africa	38.3	0.9	–
Wholesale South Africa	45.9	–	–
Rest of Africa	–	–	14.9
Total	84.2	0.9	14.9

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

	2017		
	PD number	LGD number	EAD number
Retail South Africa	8	7	7
Wholesale South Africa	12	3	1
Rest of Africa	–	–	–
Total	20	10	8

PD, EAD and LGD models are in place for each Retail product. In the case of Wholesale, there are PD models for each portfolio, an EAD model catering for the entire Wholesale portfolio and an LGD model covering the entire Wholesale portfolio except for Local and Foreign Currency Sovereigns where separate LGD models have been implemented. New portfolio-specific EAD and LGD models are being developed.

10. Conduct risk

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

10.1 Review of current reporting period

Key risk metrics	YoY trend	30 June 2017	30 June 2016	31 December 2016
Overall Conduct Index[1]	▲	**64**	62	64

- The improvement in the Overall Conduct Index, the measure that includes customer feedback on the Group's efforts towards Treating Customers Fairly, is recognisant of the Group's continued investment in optimising processes and practices and its cultural transformation programme directed towards addressing:
  - sales practices and customer treatment;
  - market conduct;
  - use of customer and company information;
  - technology stability and functionality; and
  - cybercrime.
- The key conduct related matters addressed by the Group over the past six months were:
  - the investigation by the South African Competition Commission;
  - sim-swap fraud experienced by customers using our digital channels;
  - continued remediation programs related to Financial Crime and National Credit Act requirements; and
  - increased regulatory requirements across the continent.

10.2 Priorities

- Continued focus on cultural change across the Group to enhance integrated decision-making in the management of the conduct risk outcomes;
- Assess and incorporate the G30 recommendations on conduct and culture into the Group's risk management approach;
- Increase the use of data analytics and digital platforms to improve customer service; and
- Implementation and embedment of new regulatory requirements across the continent.

10.3 General information about conduct risk

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 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 banks' product complexity, the importance of banking to people's lives, and the power and information 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 Group-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 as the Financial Sector Regulation Bill has been passed. Execution of the existing conduct risk management framework positions the Group to meet any enhanced requirements that will result from the changes.

10.4 Strategy

The Group's conduct risk management objectives are to:

- enhance conduct risk management across the organisation;
- provide oversight and ensure that 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.

Notes

[1] Measurement against the 10 conduct risk outcomes through customer surveys which include Treating Customer Fairly. The comprehensive measurement of Treating Customers Fairly and the 10 conduct risk outcomes provide a broad view of the Group's customers' and clients' actual experience. The survey assesses their perceptions about the Group's corporate culture; product design and marketing; quality of information; quality of advice; services and expectations; barriers to switch to another service provider; cancel; and complaints management. These scores remain below the Group's internal ambition.

10.5 Approach to conduct risk

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

- Culture and strategy risk: The risk that our culture or strategy causes or has the potential to cause customer detriment.
- Product lifecycle risk: The risk in the way we design and implement a product does not meet customers' needs or has the potential to cause customer detriment. 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 Conduct and Reputation Risk Committee which is chaired by the Chief Compliance Officer, is the senior executive body responsible for the oversight and challenge of conduct and reputation risk in the Group. The CRRC provides relevant risk profile information to the, Barclays Africa Group Executive Risk Committee (ERC), Social and Ethics Committee (SEC), Group Audit and Control Committee (GACC), and the Group Risk Capital Management Committee (GRCMC).

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.
- The Group upholds its reputation.

Achieving the conduct risk outcomes is a positive indicator that the Group is putting its customers at the heart of its 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.

Key indicators (KIs) are used to monitor conduct risk against measurable targets. Prescribed key performance indicators have been drafted to allow businesses to identify underlying processes and data relevant to their businesses or function's key risk profile. Individual business units are required to develop business-specific performance indicators to enable a more detailed assessment of conduct risk management across the Group. Predictive key indicators are used to measure forward-looking risk exposures.

10.6 Conduct material risk assessments (CMRAs) 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 includes the analysis of medium-term financial plans. A risk assessment that focuses on the functions and risks inherent in their activities has also been developed. Accountable executives produce quarterly conduct risk reporting. By using the strategy and business/operating model 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.

10.7 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 and in some instances have an impact on our reputation.

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.

11. Reputation risk

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Reputation risk is the risk that an action, transaction, investment or event will reduce trust in the Group's integrity and competence by clients, counterparties, investors, regulators, employees or the public.

11.1 Review of current reporting period

		30 June		31 December
Key risk metrics	YoY trend	**2017**	2016	2016
Africa YouGov[1]	▲	**6.4**	6.3	6.3

- The YouGov assessment, providing an indication of the external perception of our brand, has improved despite the number of issues encountered in the media and, therefore, recognises the Group's main effort towards operating with integrity.
- Significant progress was achieved towards definition and implementation of the Reputation Risk Framework across the Group, in support of the classification to a principal risk.
- The following key issues were managed in H1 2017:
  - Public Protector report;
  - South African Competition Commission Investigation;
  - Sim-swap fraud experienced by customers using our digital channels; and
  - The impact of the downgrade of South Africa's sovereign rating to sub-investment grade by credit rating agencies.

11.2 Priorities

- Continue embedment and refinement of the Reputation Risk Framework and integrate its approach into the other principal risks;
- Enhance the capability, including the use of data analytics, to identify issues that may impact the Group's reputation; and
- Develop and source additional metrics to support the measurement of reputation risk.

11.3 Strategy

- Embedment of the framework and associated key indicators;
- Enhance the capability to identify issues that have an impact on the bank's reputation; and
- Integration of the reputation risk management approach with all principal risks.

Notes

[1] The conduct reputation survey measures perceptions across a range of questions relating to transparency, employee welfare, quality and customer value as well as trust. Respondents include business and political stakeholders, the media, non-governmental organisations, charities and other opinion formers. While still above the target of 5.9/10, the 2016 score decreased to 6.3 (2015: 6.8). While the Group is perceived to provide high-quality services, the score improved notwithstanding the impact by certain media coverage in 2016 and H1 2017.

11.4 Approach to reputation risk

Reputation risk was previously managed under conduct risk as a key risk. It has now been identified as a principal risk in the ERMF and is managed through the Reputation Risk Framework and associated policies. It is defined as the risk of damage to the brand arising from association, action or inaction which is perceived by stakeholders as inappropriate or unethical.

The framework supports and should be applied in the context of the Code of Conduct which articulates the purpose, values and behaviours to which all employees must adhere and which are relevant to all our business processes, practices and decisions.

Understanding that this risk may arise from all business activities or decisions, the framework complements other risk frameworks as reputation risk may arise as a result of issues and incidents relevant to other principal and key risks, in particular conduct and operational risk. This is managed through existing business committees that assess the reputational impact of transactions and associations.

The Conduct and Reputation Risk Committee is a sub-committee of the Barclays Africa Executive Committee. It is the most senior executive body responsible for independent oversight and challenge with regard to whether reputation risk and the related control environment are being appropriately managed. It also makes recommendations on the related risk appetite.

The Social and Ethics Committee is the board sub-committee mandated to provide guidance and oversight to the Conduct and Reputation Risk Committee, as deemed necessary. In doing so, the committee is required to review the effectiveness of the processes by which the Group identifies and manages reputation risk against risk appetite.

The definition of the risk is articulated in our internal policies to manage our engagements with amongst others the defence sector and the environment, as well as providing guidance on the use of the brand and how external communications should be conducted.

As a general principle, Barclays Africa does not seek to impose value judgements on customers that are involved in legal business activities, nor does the Group seek to limit the freedom on individuals wishing to access products and services. However, the Group reserves the right to turn aside business if, in our judgement, it operates on the margins of legality or in another inappropriate fashion, and would cause offence to a significant proportion of our employees, customers and/or other stakeholders and would consequently adversely affect our reputation.

11.5 Issue identification and management

Issues are identified through various mechanisms including media queries, customer complaints and social media platforms. Assessments are made on what may cause reputation risk based on sociopolitical factors and the extent to which there is interest in the matter. The defined reputation risk drivers include customer service issues, infrastructure failures and conduct issues.

Where possible, there is a fair amount of forward planning. This is enabled by the Rapid Response Framework which is in place and provides guidance to business on how to deal with potential issues. It contains a grid of likely scenarios and communications protocols on how to respond should they arise. Likely scenarios include a robbery, bomb threats and downtime of IT platforms. In addition, the communications team liaises with business directly to flag potential risks or issues on a reactive basis. Once they have been identified, the team works closely with business to manage and mitigate the risk.

The communications team has an extensive media engagement and stakeholder management plan to cultivate relationships that can be leveraged for reputation risk management.

12. Legal risk

105 12.1 The key issues managed by the Group over the past six months

105 12.2 Priorities

105 12.3 General information about legal risk

105 12.4 Strategy

106 12.5 Approach to legal risk

106 12.6 Legal risk appetite and measuring legal risk

Legal risk is the risk of loss or imposition of penalties, damages or fines from the failure of the Group to meet its legal obligations including regulatory or contractual requirements.

12.1 The key issues managed by the Group over the past six months

- Supported the ongoing separation programme in respect of legal risk management, legal advice and negotiation and preparation of agreements;
- Managing the ongoing litigation between the Group and various plaintiffs pertaining to losses allegedly suffered by the plaintiffs due to the collapse of the Ayanda Fund;
- Successfully resisted the exception brought by Syfrets and Nedbank against Absa Bank Limited's claim for losses suffered as a result of the defaults by various parties in respect of single stock futures of Pinnacle Point Holdings; and
- Participated in the investigation by the Public Protector into the alleged failure on the part of the Government to recover funds pertaining to the assistance packages provided by the South African Reserve Bank (SARB) to Bankorp in the period 1986 to 1995, and the subsequent joining of the High Court review application brought by the SARB, as well as the filing of a separate, substantive review application.

12.2 Priorities

- Continue to enhance the implementation and standardisation of the Legal Risk Control Framework across the Group; and
- Define the risk appetite, previously included in operational risk, for legal risk as a principal risk.

12.3 General information about legal risk

In addition to the definition of legal risk, it is further defined by a series of supporting sub-risk categories:

- Legal documentation used in business transactions is not enforceable as intended;
- Litigation involving Barclays Africa as either claimant or defendant is not identified or managed adequately;
- Intellectual property: Barclays Africa's intellectual property is not protected or the Group infringes another entity's intellectual property;
- Competition/antitrust law: Failure to comply with the law or failure to manage relationships with competition and antitrust authorities; and
- Inappropriate legal advice: Inappropriate selection and use of external counsel.

12.4 Strategy

The Group entrusts the management of legal risk to a fully fledged, in-house Legal Function. The capacity and capabilities of the Legal Function are augmented by access to select external legal experts through a preferred panel arrangement. The panel is reviewed on a periodic basis to ensure the best fit from an expertise, performance and cost management perspective.

The Legal Function consists of around 250 qualified professionals across Barclays Africa, divided into various logical and geographical teams. In South Africa, the structure of the Legal Function follows the Barclays Africa Group Structure, to ensure optimal line of sight of legal risk and optimal delivery of legal risk management services.

Specialist legal teams are aligned with the client facing franchises, namely:

- Retail and Business Bank (RBB);
- Corporate and Investment Bank (CIB); and
- Wealth, Investment Management and Insurance (WIMI).

A Central Legal team is aligned to the Enterprise Core Functions. This team also houses the specialist legal teams that provide Legal Shared Services across the Group, for example litigation, competition law, mergers and acquisitions and financial crime.

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12.5 Approach to legal risk

The Legal Principal Risk Framework applies the evaluate-respond-monitor process to legal risk and applies it across all businesses to ensure legal risk is managed effectively and efficiently, in line with the approved legal risk appetite.

The Legal Risk Framework includes a list of policies that augment the framework and contain detailed control objectives that must be met. These policies are set out in the table below:

Policy Name	Summary
Contractual Arrangements	The Contractual Arrangements Policy is designed to minimise the risk of Barclays Africa's contractual arrangements not being enforceable as intended.
Litigation	The Litigation Policy is designed to ensure consistency and best practice across Barclays Africa in the management of litigation and accurate and timely reporting of information on litigation by and against Barclays Africa.
Intellectual Policy	The Policy on Intellectual Property (IP) is designed to ensure that all reasonable endeavours are used to protect Barclays Africa's IP in all relevant markets including countries in which Barclays Africa does business or is likely to do business and to ensure that the Group does not infringe the valid intellectual rights of third parties.
Competition/Antitrust Law	The Policy on Competition/Antitrust Law is designed to ensure that the risk of mismanagement of relationships with competition/antitrust authorities is mitigated in all countries in which Barclays Africa does business or is likely to do business.
Use of Law Firms	The Policy on the Use of Law Firms is designed to ensure that appropriate control is exercised over the selection and use of external law firms.

Group-wide and business/function specific standards may be put in place to support the implementation of the legal policies. The standards are aligned to one of the policies and are implemented by businesses/functions.

In line with their corresponding policy, the standards set out the legal risk taking activities that businesses/functions are authorised to undertake and detail how relevant key controls and processes specified in policies have to be implemented. This includes where the Business is empowered to take risk via delegated authority, or where risk decisions must be escalated to the Key Risk Officer (or delegated individual or committee).

Mandatory Legal processes and controls that must be operated are detailed within the Legal Policies and Standards, and these form part of the Legal Principal Risk Control Framework and support managing legal risk within appetite.

12.6 Legal risk appetite and measuring legal risk

Barclays Africa has established a legal risk appetite for limited adverse financial and/or reputational impacts arising from failures in legal-related processes whilst following its business strategy and legal and regulatory obligations. Appetite is considered to be reached where the achievement of business objectives may not be met or the achievement diluted as a result of a failure to comply with the legal key risk policies.

Legal risk appetite includes both quantitative and qualitative criteria and is reviewed on an annual basis.

12.6.1 Quantitative criteria

The Legal Function monitors Barclays Africa's exposure to legal risk via the regular review and challenge of relevant management information, including key risk assessments, using the set legal risk appetite thresholds.

Red thresholds represent the limit of risk appetite.

12.6.2 Qualitative criteria

Any assessment of legal risk must also ensure that qualitative factors are duly considered to identify the potential implications on Barclays Africa of material legal risk control weaknesses or upcoming changes in the control environment, forthcoming changes in the external legal and regulatory environment and/or prevailing decisions from courts and enforcing authorities as they relate to defined legal risks. Due to the qualitative nature of this information, defined risk appetite thresholds for these criteria are not prescribed. Following assessment of the qualitative criteria, respective General Counsel must apply their judgement to determine whether an override should be applied to legal risk appetite assessments.

The monitoring and oversight of legal risk is an essential component of the risk management process. This ensures Barclays Africa is managing legal risk within appetite and that legal risk management processes are working effectively. Monitoring also ensures action is taken to address any potential appetite breaches and/or legal risk control weaknesses. Primary monitoring activities include:

- the monitoring of legal risk against risk appetite, including the use of appetite thresholds;
- legal risk reporting processes; and
- legal risk governance and oversight, lessons learnt processes and the conformance framework.

13. Annexures

Annexure A

108 › Composition of capital disclosure template (Group and Bank)

114 › Reconciliation of accounting capital to regulatory capital template (Group and Bank)

118 › Leverage ratio common disclosure template and summary (Group and Bank)

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Annexure B

130 › Liquidity risk: LCR Common disclosure template and summary

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Composition of capital disclosure template (Barclays Africa Group Limited)[1]

		Amount subject to Basel III Rm[1]	Amount subject to Pre-Basel III treatment Rm	Reference[2]
	CET1 capital: instruments and reserves			
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	14 562		(e)
2	Retained earnings	79 560		(f)
3	Accumulated other comprehensive income (and other reserves)	4 121		(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)	1 831	–	(h) – (i)
6	**CET1 capital before regulatory adjustments**	100 074		
	CET1 capital: regulatory adjustments			
7	Prudential valuation adjustments	31	–	
8	Goodwill (net of related tax liability)	690	–	(b)
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	2 681	–	(c)
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	29	–	
11	Cash-flow hedge reserve	375		
12	Shortfall of provisions to ELs	2 073	–	
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	635	–	
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	–	–	
27	Regulatory adjustments applied to CET1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	–		
28	**Total regulatory adjustment to CET1**	6 514		
29	CET1 capital (CET1)	93 560		
	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)	2 785		(j) – (k)
35	of which: instruments issued by subsidiaries subject to phase-out	4 644		(j)
36	**Additional Tier 1 capital before regulatory adjustments**	2 785		

Notes

[1] Numbers reported are on a regulatory basis.

[2] References refer to the reconciliation of accounting capital to regulatory capital.

		Amount subject to Basel III Rm[1]	Amount subject to Pre-Basel III treatment Rm	Reference[2]
	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)	120	–	
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	–		
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**	120		
44	**Additional Tier 1 capital (AT1)**	2 665		
45	**Tier 1 capital (T1 = CET1 + AT1)**	96 225		
	Tier 2 capital and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	8 523		(d)
47	Directly issued capital instruments subject to phase-out from Tier 2	6 500		(d)
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)	(860)		(d)
49	of which: instruments issued by subsidiaries subject to phase-out	6 500		
50	Provisions	496		(a)
51	Tier 2 capital before regulatory adjustments	14 659		
	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	–		
57	**Total regulatory adjustments to Tier 2 capital**	–		
58	**Tier 2 capital (T2)**	14 659		
59	**Total capital (TC = T1 + T2)**	110 884		
	RWA IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	–		
	of which: Basel III amendments	–		
60	**Total RWA**	724 780		
	Capital ratios			
61	CET1 (as a percentage of RWA)	12.9		
62	Tier 1 (as a percentage of RWA)	13.3		
63	Total capital (as a percentage of RWA)	15.3		
64	Institution-specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement expressed as a percentage of RWA)	7.3		
65	of which: capital conservation buffer requirement	1.3		
66	of which: bank-specific countercyclical buffer requirement	–		
67	of which: G-SIB buffer requirement	–		
68	CET1 available to meet buffers (as a percentage of RWA)	5.6		

Notes

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[2] References refer to the reconciliation of accounting capital to regulatory capital.

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		Amount subject to Basel III Rm[1]	Amount subject to Pre-Basel III treatment Rm	Reference[2]
	National minima (if different from Basel III)			
69	National CET1 minimum ratio (if different from Basel III minimum)	7.3		
70	National Tier 1 minimum ratio (if different from Basel III minimum)	8.5		
71	National total capital minimum ratio (if different from Basel III minimum)	10.8		
	Amounts below the thresholds for deduction (before risk weighting)			
72	Non-significant investments in the capital of other financials	1 118		
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)	1 135		
	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)	496		
77	Cap on inclusion of provisions in Tier 2 under standardised approach	496		
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)	–		

Notes
[1] Numbers reported are on a regulatory basis.
[2] References refer to the reconciliation of accounting capital to regulatory capital.

Composition of capital disclosure template (Absa Bank Limited)[1]

		Amount subject to Basel III Rm[1]	Amount subject to Pre-Basel III treatment Rm	Reference[2]
	CET1 capital: instruments and reserves			
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	37 184		(d)
2	Retained earnings	33 728		(e)
3	Accumulated other comprehensive income (and other reserves)	3 341		(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**	74 253		
	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)	2 056	–	(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	374	–	
12	Shortfall of provisions to ELs	1 924	–	
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	–	–	
27	Regulatory adjustments applied to CET1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	–		
28	**Total regulatory adjustment to CET1**	4 932		
29	CET1 capital (CET1)	69 320		
	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	4 644		
32	of which: classified as liabilities under applicable accounting standards	–		
33	Directly issued capital instruments subject to phase-out from Additional Tier 1	2 322		
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	4 644		
36	**Additional Tier 1 capital before regulatory adjustments**	2 322		(g)

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		Amount subject to Basel III Rm[1]	Amount subject to Pre-Basel III treatment Rm	Reference[2]
	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)	29	–	
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	–		
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**	29		
44	**Additional Tier 1 capital (AT1)**	2 293		
45	**Tier 1 capital (T1 = CET1 + AT1)**	71 613		
	Tier 2 capital and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	15 023		(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	6 500		
50	Provisions	131		(a)
51	Tier 2 capital before regulatory adjustments	15 023		
	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	–		
57	**Total regulatory adjustments to Tier 2 capital**	131		
58	**Tier 2 capital (T2)**	15 154		
59	**Total capital (TC = T1 + T2)**	86 767		
	RWA IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	–		
	of which: Basel III amendments	–		
60	**Total RWA**	526 145		
	Capital ratios			
61	CET1 (as a percentage of RWA)	13.2		
62	Tier 1 (as a percentage of RWA)	13.6		
63	Total capital (as a percentage of RWA)	16.5		
64	Institution-specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement expressed as a percentage of RWA)	7.3		
65	of which: capital conservation buffer requirement	1.3		
66	of which: bank-specific countercyclical buffer requirement	–		
67	of which: G-SIB buffer requirement	–		
68	CET1 available to meet buffers (as a percentage of RWA)	5.9		

Notes
[1] Numbers reported are on a regulatory basis.
[2] References refer to the reconciliation of accounting capital to regulatory capital.

		Amount subject to Basel III Rm[1]	Amount subject to Pre-Basel III treatment Rm	Reference[2]
	National minima (if different from Basel III)			
69	National CET1 minimum ratio (if different from Basel III minimum)	7.3		
70	National Tier 1 minimum ratio (if different from Basel III minimum)	8.5		
71	National total capital minimum ratio (if different from Basel III minimum)	10.8		
	Amounts below the thresholds for deduction (before risk weighting)			
72	Non-significant investments in the capital of other financials	257		
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)	48		
	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)	131		
77	Cap on inclusion of provisions in Tier 2 under standardised approach	131		
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)	–		

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[1] Numbers reported are on a regulatory basis.

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Reconciliation of accounting capital to regulatory capital template (Barclays Africa Group Limited)

As at 30 June 2017	Accounting balance sheet per published financial statements[1] Rm	Balance sheet per regulatory scope of consolidation[2] Rm	Reference[3]
Assets			
Cash, cash balances and balances with central banks	45 078	42 194	
Investment securities	115 834	112 140	
Loans and advances to banks	63 451	61 961	
Trading portfolio assets	101 554	101 542	
Hedging portfolio assets	2 278	2 278	
Other assets	36 091	34 542	
Current tax assets	536	503	
Non-current assets held for sale	2 601	2 601	
Loans and advances to customers	748 052	747 630	
Less impairments	(19 067)	(19 067)	
of which gross amount of eligible provisions: standardised approach	–	4 985	
of which general allowance for credit impairment, after deferred tax: standardised approach	–	496	(a)
of which gross amount of eligible provisions: IRB approach	–	12 444	
of which gross amount of eligible provisions: securitisation	–	19	
Reinsurance assets	814	–	
Investment linked to investment contracts	19 131	–	
Investments in associates and joint ventures	1 144	1 144	
Goodwill and intangible assets	3 714	3 371	
of which goodwill	690	690	(b)
of which other intangibles	3 024	2 681	(c)
Investment properties	268	45	
Property and equipment	15 044	14 983	
Deferred tax assets	1 353	1 051	
Total assets	1 137 876	1 106 918	

Notes
[1] Relates to Barclays Africa Group Limited balance sheet including insurance entities and the impact of the separation from Barclays PLC.
[2] Relates to Barclays Africa Group Limited excluding insurance entities.
[3] References to composition of capital disclosure table.

As at 30 June 2017	Accounting balance sheet per published financial statements[1] Rm	Balance sheet per regulatory scope of consolidation[2] Rm	Reference[3]
Liabilities			
Deposits from banks	49 290	49 290	
Trading portfolio liabilities	42 564	42 564	
Hedging portfolio liabilities	1 478	1 478	
Other liabilities	38 082	36 354	
Provisions	1 974	1 928	
Current tax liabilities	–	–	
Non-current liabilities held for sale	114	114	
Deposits due to customers	696 362	695 190	
Debt securities in issue	140 192	140 192	
Liabilities under investment contracts	29 918	9 193	
Policyholder liabilities under insurance contracts	4 495	–	
Borrowed funds	15 963	15 963	
of which instruments recognised as Tier 2 capital	6 500	6 500	(d)
of which directly issued qualifying Tier 2 instruments	8 523	8 523	(d)
of which instruments not recognised as Tier 2 capital	940	–	
of which minority Interest Consolidated	–	(860)	(d)
Deferred tax liabilities	1 113	1 057	
Total Liabilities	1 021 545	993 323	
Equity			
Capital and reserves			
Attributable to ordinary equity holders:			
Paid-in share capital	14 562	14 562	
of which amount eligible for CET1	14 562	14 562	(e)
Retained earnings including unappropriated profits	87 799	85 137	
Retained earnings excluding unappropriated profits	87 799	79 560	(f)
Unappropriated profits	–	5 577	
Accumulated other comprehensive income	4 750	4 845	
of which amount eligible for CET1	4 121	4 121	(g)
of which amount related to non-qualifying reserves	629	724	
Non-controlling Interest – Ordinary shares	4 576	4 407	(h)
of which related to Surplus Deduction CET1	–	2 576	(i)
Non-controlling Interest – Preference shares	4 644	4 644	(j)
of which related to Surplus Deduction AT1	–	1 859	(k)
Total equity	116 331	113 595	
Total liabilities and equity	1 137 876	1 106 918	

Notes

[1] Relates to Barclays Africa Group Limited balance sheet including insurance entities and the impact of the separation from Barclays PLC.
[2] Relates to Barclays Africa Group Limited excluding insurance entities.
[3] References to composition of capital disclosure table.

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Reconciliation of accounting capital to regulatory capital template (Absa Bank[1])

As at 30 June 2017	Accounting balance sheet per published financial statements[1] Rm	Balance sheet per regulatory scope of consolidation[2] Rm	Reference[3]
Assets			
Cash, cash balances and balances with central banks	26 346	26 346	
Investment securities	81 876	81 876	
Loans and advances to banks	50 824	50 824	
Trading portfolio assets	74 961	74 961	
Hedging portfolio assets	2 270	2 270	
Other assets	29 225	29 225	
Current tax assets	386	386	
Non-current assets held for sale	1 391	1 391	
Loans and advances to customers	652 302	652 302	
Less impairments	(13 750)	(13 750)	
of which gross amount of eligible provisions: standardised approach	–	1 307	
of which general allowance for credit impairment, after deferred tax: standardised approach	–	131	(a)
of which gross amount of eligible provisions: IRB approach	–	12 444	
Loans to Absa Group companies	26 117	26 117	
Investments in associates and joint ventures	1 144	1 158	
Property and equipment	13 222	13 222	
Goodwill and intangible assets	2 168	2168	
of which goodwill		112	
of which other intangibles (excluding MSRs)		2 056	(b)
Deferred tax assets	41	41	
Total assets	948 523	948 537	

Notes
[1] Absa Bank Limited includes subsidiary undertakings, special-purpose entities, joint ventures, associates and offshore holdings and includes the impact of the separation from Barclays PLC.
[2] Relates to Absa Bank Limited.
[3] References to composition of capital disclosure table.

As at 30 June 2017	Accounting balance sheet per published financial statements[1] Rm	Balance sheet per regulatory scope of consolidation[2] Rm	Reference[3]
Liabilities			
Deposits from banks	56 475	56 475	
Trading portfolio liabilities	39 680	39 680	
Hedging portfolio liabilities	1 470	1 470	
Other liabilities	31 207	31 207	
Provisions	1 233	1 233	
Current tax liabilities	–	–	
Non-current liabilities held for sale	–	–	
Deposits due to customers	577 925	577 925	
Debt securities in issue	139 906	139 906	
Borrowed funds	15 930	15 930	
of which instruments recognised as Tier 2 Capital	–	15 023	(c)
of which instruments not recognised as Tier 2 Capital	–	907	
Deferred tax liabilities	884	884	
Total liabilities	864 710	864 710	
Equity			
Capital and reserves			
Attributable to ordinary equity holders:			
Paid-in share capital	37 184	37 184	
of which amount eligible for CET1	–	37 184	(d)
Retained earnings including unappropriated profits	38 642	38 656	
Retained earnings excluding unappropriated profits	38 642	33 728	(e)
Unappropriated profits	–	4 928	
Accumulated other comprehensive income	3 341	3 341	(f)
of which amount eligible for CET1		3 341	
of which amount related to non-qualifying reserves		–	
Attributable to preference shareholders:	1	1	
Paid-in share capital	2	2	
Non-controlling interest – ordinary shares			
of which relate to surplus deduction CET1		–	
Non-controlling interest – preference shares	4 643	4 643	
of which relate to surplus deduction AT1	–	2 322	(g)
Total equity	83 813	83 827	
Total liabilities and equity	948 523	948 537	

Notes

[1] Absa Bank Limited includes subsidiary undertakings, special-purpose entities, joint ventures, associates and offshore holdings and includes the impact of the separation from Barclays PLC.

[2] Relates to Absa Bank Limited.

[3] References to composition of capital disclosure table.

Summary of capital position and risk profile	3	Operational risk	86	Composition of capital disclosure template	108
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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	1 409 664
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulator consolidation	(36 894)
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	10 101
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)	(116 696)
7	Other adjustments	(6 603)
8	**Leverage ratio exposure**	**1 259 572**

Table 2

	Item	Leverage ratio framework
	On-balance sheet exposures	
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	1 009 728
2	(Assets amounts deducted in determining Basel III Tier 1 capital)	(6 603)
3	Total on-balance sheet exposures (excluding derivatives and SFTs (sum of lines 1 and 2))	1 003 125
	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	16 734
5	Add-on amounts for PFE associated with all derivatives transactions	23 274
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	11 306
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0
11	**Total derivative exposures (sum of lines 4 to 10)**	51 314
	Security financing transaction exposures	0
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	33 820
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)**	33 820
	Other off-balance sheet exposures	0
17	Off-balance sheet exposures at gross notional amount	288 010
18	(Adjustments for conversion to credit equivalent amounts)	(116 696)
19	Off-balance sheet items (sum of lines 17 to 18)	171 313
	Capital and total exposure	
20	**Tier 1 capital**	**96 225**
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**1 259 572**
	Leverage ratio	
22	**Basel III leverage ratio**	7.64%

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 to 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 (i.e. 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 to 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 CCFs according to paragraph 39.
18	Reduction in gross amount of off-balance sheet exposures due to the application of CCFs 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	1 196 414
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	11 000
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)	(106 469)
7	Other adjustments	(4 961)
8	**Leverage ratio exposure**	**1 095 984**

Table 2

	Item	**Leverage ratio framework**
	On-balance sheet exposures	
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	862 786
2	(Assets amounts deducted in determining Basel III Tier 1 capital)	(4 961)
3	Total on-balance sheet exposures (excluding derivatives and SFTs (sum of lines 1 and 2)	857 826
	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	16 734
5	Add-on amounts for PFE associated with all derivatives transactions	23 274
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	11 306
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0
11	**Total derivative exposures (sum of lines 4 to 10)**	51 314
	Security financing transaction exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	33 820
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)**	33 820
	Other off-balance sheet exposures	
17	Off-balance sheet exposures at gross notional amount	259 494
18	(Adjustments for conversion to credit equivalent amounts)	(106 469)
19	**Off-balance sheet items (sum of lines 17 to 18)**	153 025
	Capital and total exposure	
20	**Tier 1 capital**	**71 613**
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**1 095 984**
	Leverage ratio	
22	**Basel III leverage ratio**	6.53%

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 to 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 (i.e. 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 to 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 CCFs paragraph 39.
18	Reduction in gross amount of off-balance sheet exposures due to the application of CCFs 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.

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Main features of capital instruments disclosure template (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	Barclays Africa Group Limited	Barclays Africa Group 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	ZAG000101221	ZAG000101239	ZAG000101254	ZAG000121476	ZAG000121484	ZAG000123100	ZAG000123118
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	Common Equity Tier 1	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	Common Equity Tier 1	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/Group/Group solo	Group	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Group	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 regulatory capital (Currency in mil, as of most recent reporting date)	R14 562	R2 322	R1 500	R1 805	R2 007	R1 188	R370	R130	R1 693	R807
9	Par value of instrument	R1 694	R2	R845	R1 805	R2 007	R1 188	R370	R130	R1 693	R807
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	21 Nov 2012	21 Nov 2012	21 Nov 2012	18 Nov 2014	18 Nov 2014	04 Feb 2015	04 Feb 2015
12	Perpetual or dated	Perpetual	Perpetual	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	N/A	N/A	07 Dec 2028	21 Nov 2022	21 Nov 2023	21 Nov 2023	19 Nov 2024	19 Nov 2024	05 Feb 2025	05 Feb 2025
14	Issuer call subject to prior supervisory approval	N/A	N/A	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	N/A	N/A	07 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.	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.	05 Feb 2020, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	05 Feb 2020, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.
16	Subsequent call dates, if applicable.	N/A	N/A	N/A	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.	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	Floating	Fixed	Floating	Fixed	Floating	Fixed
18	Coupon rate and any related index	N/A	70% of the prime overdraft lending rate	5.5 % indexed to ZAR revised CPI	3M JIBAR +195 bps	3M JIBAR +205 bps	8.2950%	3M JIBAR +330 bps	10.835%	3M JIBAR +350 bps	10.05%
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

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
ZAG000129354	ZAG000129362	ZAG000129388	ZAG000129396	ZAG000129966	ZAG000135997	ZAG000136003	ZAG000138801	ZAG000138819	ZAG000140203	ZAG000142746	ZAG000144254
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
R508	R437	R737	R30	R288	R31	R200	R1 510	R140	R500	R642	R500
R508	R437	R737	R30	R288	R31	R200	R1 510	R140	R500	R642	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
03 Sep 2015	03 Sep 2015	03 Sep 2015	03 Sep 2015	28 Sep 2015	4 May 2016	4 May 2016	19 Aug 2016	19 Aug 2016	02 Nov 2016	16 Mar 2017	24 May 2017
Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
04 Sep 2025	04 Sep 2025	03 Sep 2027	03 Sep 2027	29 Sep 2025	5 May 2026	5 May 2026	20 Aug 2026	20 Aug 2026	03 Nov 2026	17 Mar 2027	25 May 2027
Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
04 Sep 2020, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	04 Sep 2020, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	03 Sep 2022, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	03 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.	03 Nov 2021, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	17 Mar 2022, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	25 May 2022, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.
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.	Quarterly after the first optional call date until maturity.	Quarterly after the first optional call date until maturity.
Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	Floating	Floating
11.365%	3M JIBAR +350 bps	11.810%	3M JIBAR +360 bps	11.400%	3M JIBAR +400 bps	12.430%	3M JIBAR +400 bps	11.740%	3M JIBAR +400 bps	3M JIBAR +378 bps	3M JIBAR +385 bps
No	No	No	No	No	No	No	No	No	No	No	No
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory

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21	Existence of step up or other incentive to redeem	N/A	No	Yes	No	No	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	N/A	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
30	Write-down feature	No	No	No	No	No	No	Yes	Yes	Yes	Yes
31	If write-down, write-down trigger(s)	N/A	N/A	N/A	N/A	N/A	N/A	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
32	If write-down, full or partial	N/A	N/A	N/A	N/A	N/A	N/A	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
33	If write-down, permanent or temporary	N/A	N/A	N/A	N/A	N/A	N/A	Permanent	Permanent	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
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	N/A	Yes	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A
37	If yes, specify non-compliant features	N/A	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	N/A	N/A	N/A	N/A

11	12	13	14	15	16	17	18	19	20	21	22
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
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
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
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
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
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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Main features of capital instruments disclosure template (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	ZAG000101221	ZAG000101239	ZAG000101254	ZAG000121492	ZAG000121500	ZAG000123126	ZAG000123134
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).	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).
	Regulatory treatment										
4	Transitional Basel III rules	Common Equity Tier 1	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	Common Equity Tier 1	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Tier 2	Tier 2	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	Solo	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 regulatory capital (Currency in mil, as of most recent reporting date)	R37 184	R2 322	R1 500	R1 805	R2 007	R1 188	R370	R130	R1 693	R807
9	Par value of instrument	R304	R2	R845	R1 805	R2 007	R1 188	R370	R130	R1 693	R807
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	21 Nov 2012	21 Nov 2012	21 Nov 2012	18 Nov 2014	18 Nov 2014	04 Feb 2015	04 Feb 2015
12	Perpetual or dated	Perpetual	Perpetual	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	N/A	N/A	07 Dec 2028	21 Nov 2022	21 Nov 2023	21 Nov 2023	19 Nov 2024	19 Nov 2024	05 Feb 2025	05 Feb 2025
14	Issuer call subject to prior supervisory approval	N/A	N/A	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	N/A	N/A	07 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.	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.	05 Feb 2020, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	05 Feb 2020, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.
16	Subsequent call dates, if applicable	N/A	N/A	N/A	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	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	Floating	Fixed	Floating	Fixed	Floating	Fixed
18	Coupon rate and any related index	N/A	70% of the prime overdraft lending rate	5.5% indexed to ZAR revised CPI	3M JIBAR +195 bps	3M JIBAR +205 bps	8.295%	3M JIBAR +330 bps	10.835%	3M JIBAR +350 bps	10.05%
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	N/A	No	Yes	No	No	No	No	No	No	No

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
ZAG000129412	ZAG000129420	ZAG000129438	ZAG000129446	ZAG000129958	ZAG000136045	ZAG000136052	ZAG000138835	ZAG000138827	ZAG000140211	ZAG000142753	ZAG000144247
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
R508	R437	R737	R30	R288	R31	R200	R1 510	R140	R500	R642	R500
R508	R437	R737	R30	R288	R31	R200	R1 510	R140	R500	R642	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
03 Sep 2015	03 Sep 2015	03 Sep 2015	03 Sep 2015	28 Sep 2015	4 May 2016	4 May 2016	19 Aug 2016	19 Aug 2016	02 Nov 2016	16 Mar 2017	24 May 2017
Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
04 Sep 2025	04 Sep 2025	03 Sep 2027	03 Sep 2027	29 Sep 2025	5 May 2026	5 May 2026	20 Aug 2026	20 Aug 2026	03 Nov 2026	17 Mar 2027	25 May 2027
Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
04 Sep 2020, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	04 Sep 2020, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	03 Sep 2022, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	03 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.	03 Nov 2021, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	17 Mar 2022, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	25 May 2022, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.
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.	Quarterly after the first optional call date until maturity.	Quarterly after the first optional call date until maturity.
Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating	Floating	Floating
11.365%	3M JIBAR +350 bps	11.810%	3M JIBAR +360 bps	11.400%	3M JIBAR +400 bps	12.430%	3M JIBAR +400 bps	11.740%	3M JIBAR +400 bps	3M JIBAR +378 bps	3M JIBAR +385 bps
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

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	Disclosure template for main features of RC instruments	1	2	3	4	5	6	7	8	9	10
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	N/A	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
30	Write-down feature	No	No	No	No	No	No	Yes	Yes	Yes	Yes
31	If write-down, write-down trigger(s)	N/A	N/A	N/A	N/A	N/A	N/A	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
32	If write-down, full or partial	N/A	N/A	N/A	N/A	N/A	N/A	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
33	If write-down, permanent or temporary	N/A	N/A	N/A	N/A	N/A	N/A	Permanent	Permanent	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
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	N/A	Yes	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A
37	If yes, specify non-compliant features	N/A	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	N/A	N/A	N/A	N/A

11	12	13	14	15	16	17	18	19	20	21	22
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
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
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
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Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
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
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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LCR Common disclosure template[1] and summary

	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)		155 075		144,168
Cash outflows				
2 Retail deposits and deposits from small business customers, of which:	305 319	24 188	238 519	18 351
3 Stable deposits	–	–	–	–
4 Less: stable deposits	305 319	24 188	238 519	18 351
5 Unsecured wholesale funding, of which:	310 548	165 535	259 211	142 568
6 Operational deposits (all counterparties) and deposits in networks of cooperative banks	87 944	21 986	86 827	21 707
7 Non-operational deposits (all counterparties)	213 368	134 313	164 512	112 989
8 Unsecured debt	9 236	9 236	7 872	7 872
9 Secured wholesale funding	–	609	–	609
10 Additional requirements, of which:	227 973	24 332	190 868	21 919
11 Outflows related to derivative exposures and other collateral requirements	12 498	7 985	12 326	7 814
12 Outflows related to loss of funding on debt products	–	–	–	–
13 Credit and liquidity facilities	215 475	16 347	178 542	14 105
14 Other contractual funding obligations	59	59	0	0
15 Other contingent funding obligations	180 066	8 519	159 231	7 607
16 **Total cash outflows**	–	223 242	–	191 053
Cash outflows				
17 Secured lending (e.g. reverse repos)	20 201	8 188	20 201	8 188
18 Inflows from fully performing exposures	108 046	75 218	86 107	63 411
19 Other cash inflows	9 420	9 420	3 578	3 578
20 **Total cash inflows**	137 667	92 826	109 886	75 177
		Total adjusted value		Total adjusted value
21 **Total HQLA**		155 075		144 168
22 **Total net cash outflows**		130 416		115 876
23 **LCR (%)**		118.9		124.4

Notes
[1] The values disclosed represent the simple average of the relevant 3 month-end data points
[2] Absa Bank Limited includes the South African banking operations.

14. Abbreviations and acronyms

A

AEaR	annual earnings at risk
AFR	available financial resources
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
BIS	Bank for International Settlements
BIA	basic indicator approach
bps	basis points
BU	business unit

C

CAR	capital adequacy requirement
CCF	credit conversion factor
CCoRC	Credit Concentration Risk Committee
CCP	central counterparty
CCR	counterparty credit risk
CEM	current exposure method
CET1	Common Equity Tier 1
CFP	contingent funding plan
CIB	Corporate and Investment Bank
CLF	committed liquidity facility
CLGD	country loss given default
CMRA	conduct material risk assessments
CoE	cost of equity
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 Reputation Risk Committee
CSA(s)	collateral support annexure(s)
CVA	credit valuation adjustment

D

DIS	Deposit Insurance Scheme
D-SIBs	domestic systemically important banks
DVaR	daily value at risk

E

EAD	Exposure at default
EC	economic capital
Edcon	Edcon Store Card Portfolio
EEPE	effective expected positive exposure
EL	expected loss
ERC	Barclays Africa Group Executive Risk Committee
ERMF	Enterprise Risk Management Framework
EVE	economic value of equity
EWIs	early warning indicators

F

FRTB	Fundamental Review of the Trading Book

G

GAC	Group Actuarial Committee
GACC	Group Audit and Compliance Committee
GCC	Group Credit Committee
GCCO	Group Chief Credit Officer
GCRO	Group Chief Risk Officer
GMRA	Global Master Repurchase Agreement
GMD	Group Model Database
GMRC	Group Market Risk Committee
GMRP	Group Model Risk Policy
GMSLA	Global Master Securities Lending
GRCMC	Group Risk and Capital Management Committee
G-SIBs	globally systemically important banks
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	IFRS 9: Financial Instruments
IFRS 11	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
IVU	Independent Valuation Unit

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	Models Committee
MGC	Models Governance and Control
MR	market risk
MRaD	Model Risk and Development Group
MRC	Market Risk Committee

N

NCWO	no-creditor-worse-off
NII	net interest income
NPL	non-performing loans
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
PVIF	present value of in-force book

Q

QCCP	qualifying central counterparty

R

RBA	ratings-based approach
RBB	Retail and Business Banking
RC	regulatory capital
RCSA	Risk and Control Self-Assessment
RDARR	Risk data aggregation and risk reporting
RoE	return on average equity
RoRWA	return on average risk-weighted assets
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
SFTs	securities financing transactions
SL	specialised lending
SME	small- and medium-sized enterprises
SPV	special purpose vehicle
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