BARCLAYS

Barclays Africa Group Limited

Risk management

for the reporting period ended 30 June 2015

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Risk management overview

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

The role of risk management is to evaluate, respond to and monitor risks that arise in the execution of the strategy to become the 'Go-To' bank in Africa. It is essential that business growth plans are supported by an effective Enterprise Risk Management Framework (ERMF). Risk culture is closely aligned to that of the business. The Risk Function retains independence in analysis and decision-making.

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

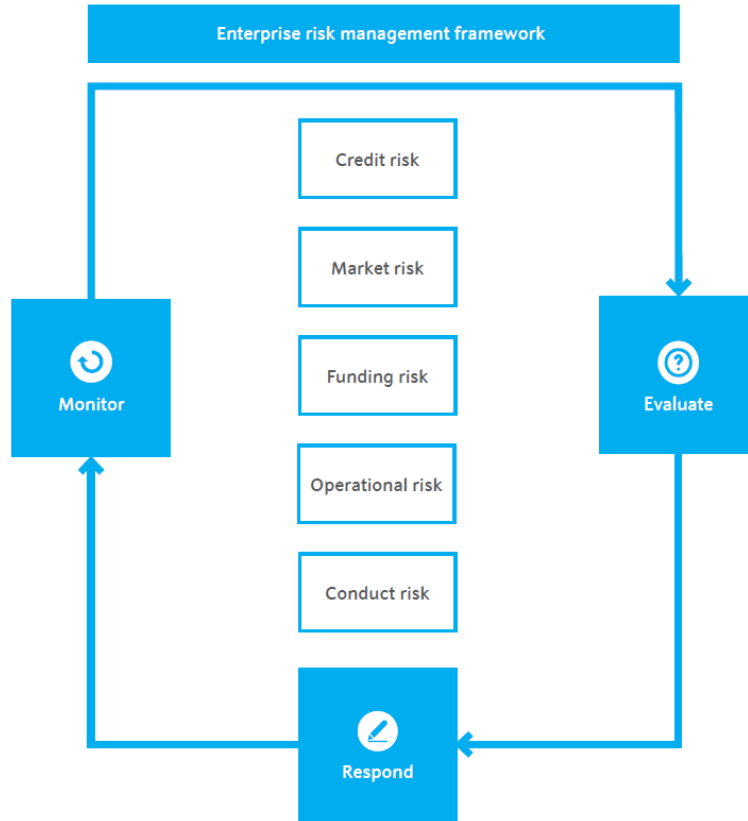
The ERMF includes those risks taken by the Group that are foreseeable, and material enough to merit establishing specific group-wide control frameworks. These are known as key risks and are grouped into five principal risks.

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

- Own and take risk, and implement controls (first line);
- Oversee and challenge the first line, providing independent second line risk management activity and support controls (second line); and
- Provide assurance that risk processes are fit for purpose, and that they are being carried out as intended (third line).

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

Principal Risks



H1 2015 review

Overall performance continued to improve, with all risk and capital measures remaining within the Board-approved risk appetite. Key performance outcomes included:

- As loans and advances increased, driven by growth in Wholesale, Credit Card and AVAF portfolios, credit performance continued to improve across major portfolios resulting in a decrease of the impairment loss ratio. Impairment charges are flat on 2014, driven by higher impairment charges in Wholesale portfolios offset by lower charges in mortgages.
- Against the backdrop of continuing challenges in the macro-economic environment, overall coverage increased on performing loans.
- Market risk exposures remained within overall risk appetite.
- Total operational risk losses for H1 2015 were lower than H1 2014, with fraud and transaction processing being the primary drivers of loss.
- The Group remained capitalised above the minimum regulatory limit and the Board-approved CET1 target range.
- The liquidity position remained healthy and well managed within key limits and metrics.
- The Group developed an approach to the management of conduct risk.
- The Insurance Group finalised its Own Risk and Solvency Assessment (ORSA) report for submission to the Financial Services Board.

Future priorities

While continuing to focus on delivering effective and efficient risk management and meeting regulatory requirements, specific risk management priorities for 2015 include:

- Ensure business remains within risk appetite, and refine the risk appetite approach for insurance and country risk.
- Embed the ERMF and the three lines of defence operating model.
- Continue to improve risk measurement models, and enhance risk-adjusted returns while reducing volatility in performance.
- Continue to strengthen controls and infrastructure, specifically in the areas of technology, financial crime, fraud and transactional operations.
- Embed Conduct risk frameworks and enhance Conduct risk management controls, tools and reporting.
- Achieve a uniform approach to managing risk across Africa.
- Continue to build upon the Recovery Plan and develop an approach to resolution.
- Increase focus upon data initiatives, including those arising from regulation (e.g. BCBS 239, and IFRS 9).

Credit risk

The risk of financial loss should the Group's customers, clients or market counterparties fail to fulfil their contractual obligations.

Factors that influence this risk

Specific factors which could impact credit risk in both the retail and wholesale portfolios include:

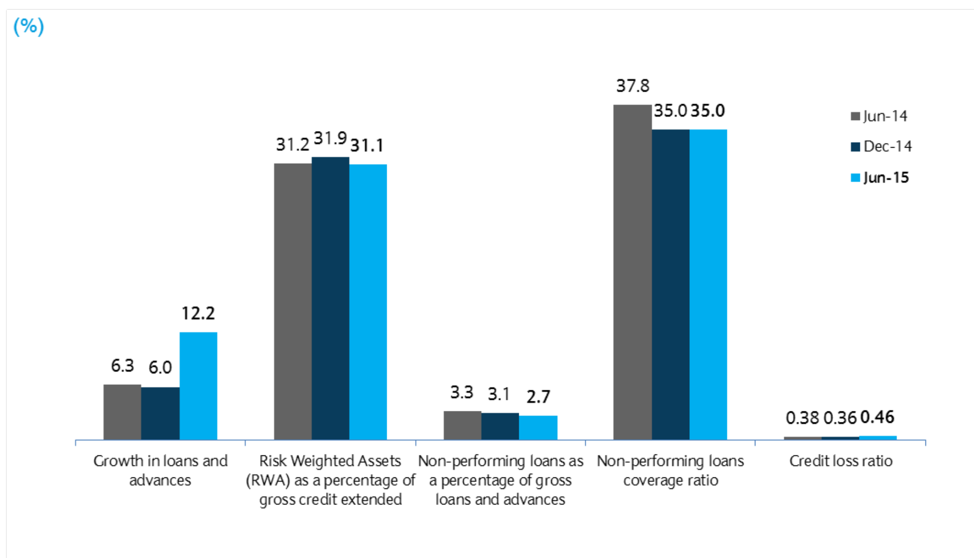
- Persistent electricity supply constraints and industrial action in South Africa.
- A slowdown in global growth, particularly in the Eurozone and China. Commodity prices and external demand are expected to remain subdued.
- US monetary policy normalisation and the instability of the Euro Monetary Area could result in second order impacts for investment flows into Africa.
- The prospect of rising interest rates across the continent.

How the Group manages this risk

- Understand the target market.
- Define and monitor clear risk appetite thresholds and triggers, using applicable stress test measures.
- Establish risk acceptance criteria, with mandates and scales aligned to Board-approved Risk Appetite.
- Undertake sound credit origination, monitoring and account management.
- Ensure appropriate risk infrastructure and controls.

Wholesale credit risk

	YoY Trend	30 June 2015 %	30 June 2014 %	31 December 2014 %
Growth in loans and advances	▲	**12.2**	6.3	6.0
Risk Weighted Assets (RWA) as a percentage of gross credit extended[1 2]	▼	**31.1**	31.2	31.9
Non-performing loans as a percentage of gross loans and advance	▼	**2.7**	3.3	3.1
Non-performing loans coverage ratio	▼[3]	**35.0**	37.8	35.0
Credit loss ratio	▲	**0.46**	0.38	0.36



→ **Growth:** Total loans and advances growth was robust at 12.2% compared to 6.3% at June 2014. Growth was led by South African Corporate and Investment Banking with the Rest of Africa growing steadily. Regional diversification continued as opportunities across Africa are explored.

→ **Non-performing loans (NPL's)[4]:** The NPL ratio decreased due to higher write-offs in Business Bank and the SA Corporate Book. Rest of Africa coverage increased due to new defaults at higher coverage during the comparable period.

→ **Impairments:** The Wholesale credit impairment charge increased to R568m (Jun 2014: R426m) due to new impairments booked in Rest of Africa. The same level of macro-economic provisions was booked in the first half of 2015, compared to the first half of 2014.

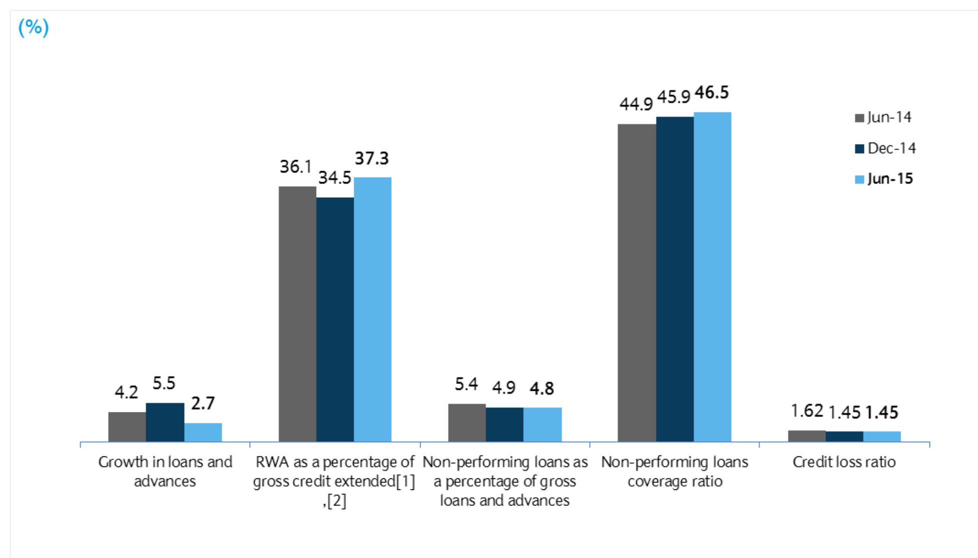
Future priorities

- Continue to respond to regulatory changes while making efficient use of capital.
- Ensure that delivery capability is based on a progressive and cost effective infrastructure that will enable the Group to deliver forward thinking, relevant and scalable approaches to manage and report credit risk.
- Refine stress testing and concentration risk methodologies to ensure that all potential stresses are understood and quantified.
- Refine the approach to sovereign and country risk management.

Notes
[1] Gross credit extended includes off balance sheet exposures as well as exposures to banks and sovereigns.
[2] The percentages include only portfolios subject to the IRB approaches.
[3] Down is normally adverse, but in this case, it is due to write-offs.
[4] In terms of Regulation 43 an analysis of impairment and non-performing loans are required. The analysis of impairment disclosures were made in the Group's annual financial statements. Please refer to note 63.2 for the IFRS 7 analysis for impairments. An analysis of the NPL was disclosed in the Group's booklet. Please refer to note 4 for the NPL disclosure

Retail credit risk

	YoY Trend	30 June 2015 %	30 June 2014 %	31 December 2014 %
Growth in loans and advances	▼	**2.7**	4.2	5.5
RWA as a percentage of gross credit extended[1,2]	▲	**37.3**	36.1	34.5
Non-performing loans as a percentage of gross loans and advances	▼	**4.8**	5.4	4.9
Non-performing loans coverage ratio	▲	**46.5**	44.9	45.9
Credit loss ratio	▼	**1.45**	1.62	1.45



- → **Growth:** The 0,5% net decrease in the growth of the Home Loans portfolio was offset by a 5.8% growth in the Business Banking portfolio, an 8.6% growth of the Vehicle and Asset Finance (VAF) portfolio, and a 5.6% growth of the Credit Card portfolio. Portfolios in the Rest of Africa grew by 8.5% during the current reporting period.
- → **RWA:** Overall RWA as a percentage of gross credit extended increased to 37.3% from 36.1%, due to additional capital requirements specific to forbearance/restructured exposures.
- → **Non-performing loans (NPL's):** NPL's continued to decrease. The NPL coverage ratio increased to 46.5% (June 2014: 44.9%) as NPL levels continue to decrease across portfolios.
- → **Impairments:** The credit loss ratio reduced to 1.45% from 1.62%, reflecting improvements to the quality of new business, and further enhancements to the collections capability. The loss ratio decreased in Home Loans and Personal Loans, and increased in VAF and Credit Cards. The impairment loss ratio in the Rest of Africa increased to 1.9% (June 2014: 1.7%).

Future priorities

- Improve debt counselling and other collection rehabilitation programmes to ensure appropriate management of customers in financial difficulty.
- Continue investment in models/analytics to improve the Group's risk profile, measurement and risk-adjusted returns, with a focus on unsecured lending.
- Respond effectively to the deteriorating macro-economic environment.

Notes
[1] Gross credit extended includes off balance sheet exposures as well as exposures to banks and sovereigns.
[2] The percentages include only portfolios subject to the internal ratings-based approaches.

Market risk

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

- Traded market risk: the risk of the Group being impacted by changes in the level or volatility of positions in trading books, primarily in the Investment Bank.
- Non-traded market risk[1]: the risk of the Group's earnings or capital being reduced due to the market risk exposure from banking book positions which may arise net of hedging activities.
- Insurance risk: the risk that future experiences relating to claims, expenses, policyholder behaviour and investment returns are different from the assumptions made when setting premiums or valuing policyholder liabilities.
- Pension risk: the risk that arises when an adverse movement between pension assets and liabilities results in a pension deficit.

Factors that influence this risk

Specific factors which could result in significantly lower revenues include:

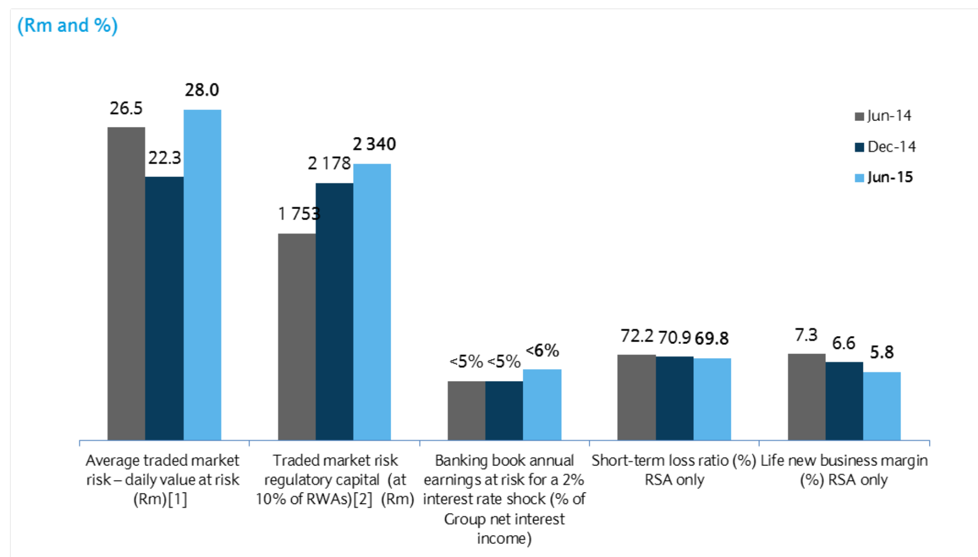
- Reduced client activity and / or decrease in market liquidity, as the trading business model is focused on client intermediation.
- Significant unexpected capital outflows driven by foreign investors as a result of a decline in demand for African and other emerging market assets.
- Market movements against expectation, for example due to high levels of volatility or unexpected adverse events that affect asset classes associated with client flows.
- Changes in the composition of the assets and liabilities of the Group, which if not adequately identified and managed, could lead to increased levels of exposure to interest rate and exchange rate volatility of earnings.
- Inadequate product pricing, insufficient assets held for policyholder liabilities and inappropriate reinsurance strategies in the management of insurance claims.

How the Group manages this risk

- Monitor the risk limit and appetite framework.
- Ensure a high degree of net interest margin stability in banking books.
- Understand risk sensitivity and volatility, and take advantage of stress testing and empirical analysis.
- Use appropriate models to measure risk.
- Ensure that risks underwritten are well diversified and focus on reducing earnings volatility.
- Increase exposure to more attractive business lines to improve the risk-return outlook.
- Monitor and continuously reassess the inherent quality and risk profile of the insurance business book.
- Ensure pension risk is managed within defined principles, objectives and governance standards, as well as country specific regulations.
- Ensure appropriate capital levels exist to meet policyholder obligations during severe economic conditions.

	YoY	30 June		31 December
	Trend	2015	2014	2014
Average traded market risk – daily value at risk (Rm)[2]	▲	28.0	26.5	22.3
Traded market risk regulatory capital (at 10% of RWAs) (Rm)	▲	2 340	1 753	2 178
Banking book annual earnings at risk for a 2% interest rate shock (% of Group net interest income)	▲	<6%	<5%	<5%
Insurance short-term loss ratio (%) RSA only	▼	69.8	72.2	70.9
Life insurance new business margin (%) RSA only	▼	5.8	7.3	6.6

Notes
[1] Structural risk was previously a key risk under funding risk, but is now being included as a component of interest rate risk in the banking book within non-traded market risk.
[2] Daily value at risk for outside South Africa is based on a historical simulation model that uses sensitivity-based inputs rather than full revaluation as is done for South Africa.



- → **Traded market risk:** The Group managed the trading exposures within its overall risk appetite. The trading business remained resilient in the face of macro-economic headwinds.
  Revenues were underpinned by a strong client franchise, with a focus on sustainable client flows and the careful management of risk across the Group. This was supported by continued strengthening of the control environment and the implementation of the Group's trading platform across Rest of Africa.
- → **Non-traded market risk:** The Group remained positively exposed to increases in interest rates in South Africa after the impact of hedging. Basis risks also exist across the Rest of Africa business. Interest rate risk management in the Rest of Africa remains challenging due to the lack of availability of relevant derivative instruments to hedge interest rate risk. Continuous refinement to balance sheet structuring, supported with enhancements to risk measurement methodologies across the Rest of Africa, remains a key management tool.
- → **Insurance risk:** The Group continued to pursue diversified growth between life insurance and short term insurance exposures. The economic capital assessments for the constituent risks and overall insurance risk remained within the approved levels. The insurance entities remained solvent as there was sufficient capital retention above the regulatory minimum capital requirements.
- → **Pension risk:** Pension plans and benefits are provided in all countries where the Group has a footprint. The South African pension arrangement, the Absa Pension Fund, remains the largest fund.

Future priorities

- Ensure that the Group employs appropriate risk management responses to higher traded market volatility and the continued pressure on market liquidity.
- Respond to regulatory and capital change, specifically preparing for the adoption of the Fundamental Review of the Trading Book.
- Continue to service the client franchise, and increase client flow across the Group.
- Further align market risk structures and risk technology in the Rest of Africa with those in South Africa.
- Deepen the penetration into African markets and distribute risk across the continent.
- Reduce margin volatility through the on-going structural hedge programme in South Africa.
- Further refine risk measurement of structural products and optimise balance sheet structures as a risk mitigant.
- Enhance and further develop the rigour of models for life and non-life insurance entities.
- Submit the first insurance group Own Risk and Solvency Assessment (ORSA) report to the regulator in the second half of 2015. Further embed the ORSA principles into the operations and governance of the insurance entities.
- Finalise the insurance entities' preparations for the Solvency Assessment Management regime coming (SAM) into effect in 2016.
- Develop the pension risk appetite for all BAGL pension schemes in 2015.

Funding risk

The risk that the Group is unable to achieve its business plans as a result of capital and liquidity risk[1]:

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

Factors that influence this risk

- Ability of the business to generate positive equity driven by profit, and changes in capital requirements.
- Regulatory change and structural reform of the financial sector.
- Change in macro-economic factors.

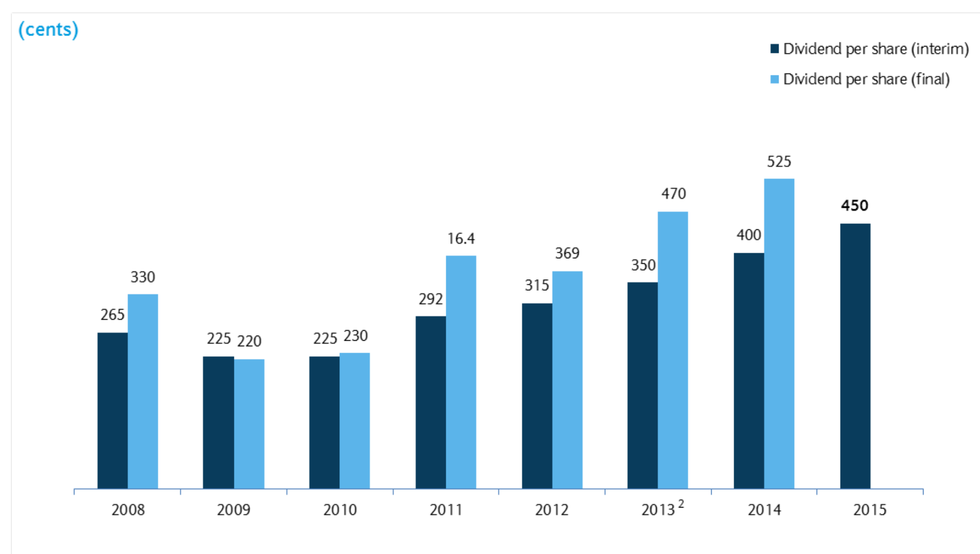
How the Group manages this risk

The Group manages funding risk by adhering to Board-approved funding risk appetite and by maximising shareholder value through RWA precision, optimising capital supply mix and liquidity components.

Capital risk

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

- Meeting capital ratios required by regulators and the target ranges approved by the Board.
- Maintaining an adequate level of capital resources prudently in excess of economic capital requirements.
- Maintaining a sustainable dividend to maximise shareholder value.

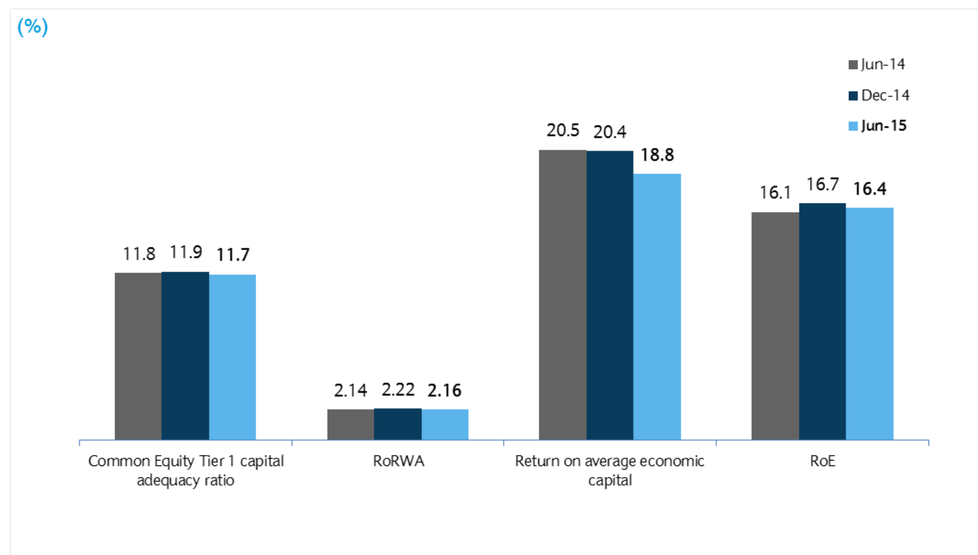


		YoY Trend	30 June 2015 %	30 June 2014 %	31 December 2014 %
Common Equity Tier 1 capital adequacy ratio	Board target range 9,5 – 11,5%	▼	**11.7**	11.8	11.9
RoRWA		▲	**2.16**	2.14	2.22
Return on average economic capital		▼	**18.8**	20.5	20.4
RoE		▲	**16.4**	16.1	16.7

Notes

[1] Structural risk was previously a key risk under funding risk, but is now being included as a component of interest rate risk in the banking book within non-traded market risk.

[2] A special dividend of 708 cents per share was declared in July 2013.



- The cost of equity increased to13.75% from 13.50% with effect from January 2015 due to a higher market view of the risk free rate.
- RWAs increased by 8.8% to R647.5bn at 30 June 2015 (June 2014: R595.1bn) mainly due to increased regulatory requirements, and the prevailing economic environment negatively impacting certain credit portfolios. This was partly offset by RWA precision initiatives.
- The Group is capitalised above the minimum regulatory limit and is above the Board-approved CET1 target range.

Future priorities

- Ensure all entities remain adequately capitalised relative to minimum regulatory requirements and within Board-approved target capital ranges.
- Further improve the approach to capital management:
  - continue focus on RWA precision;
  - enhance the economic capital framework;
  - improve performance metrics such as positive net generation of equity and return on equity;
  - optimise the mix of capital supply; and
  - allocate capital appropriately.
- Issuance of Basel III compliant Tier 2 instruments to replace instruments being called.

Foreign exchange translation risk

Foreign exchange translation risk arises from capital resources (including investments in subsidiaries and branches, intangible assets, non-controlling interests, deductions from capital and debt capital instruments) and RWAs being denominated in foreign currencies.

- Changes in the rand value of capital resources and investments in foreign currency investments resulting from foreign currency movements are captured in the currency translation reserve that forms part of Common Equity Tier 1.
- To minimise volatility of capital ratios caused by foreign exchange rate movements, the Group aims to maintain an appropriate foreign currency capital structure by maintaining the ratio of foreign currency Common Equity Tier 1, Tier 1 and total capital resources to foreign currency RWAs in line with the Group's capital risk appetite.
- This is primarily achieved by subsidiaries issuing capital or holding retained earnings in local currencies or through the Group issuing debt capital in foreign currency. As a result foreign exchange translation risk impacts dividends.
- Foreign exchange translation risk can be mitigated through derivatives or borrowings in the same currency as the functional currency involved, designated as net investment hedges, or through economic hedges.

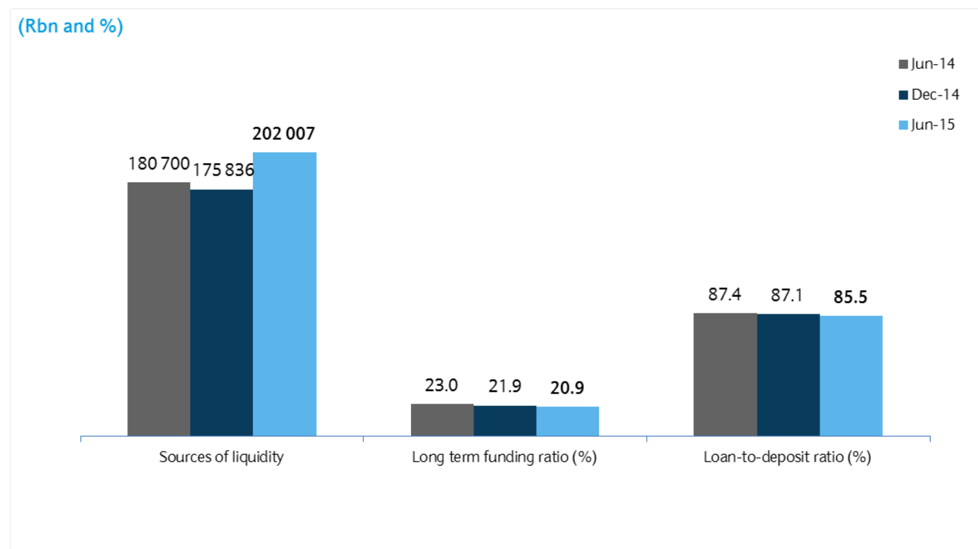
Liquidity risk

The liquidity risk management process includes:

- Management of the overall funding position, including development of the funding plan.
- Liquidity risk monitoring.
- Intra-day liquidity risk management.
- Contingency liquidity planning.
- Regulatory compliance.

The Group expects to maintain a healthy liquidity position throughout 2015 which supports its growth targets.

	YoY Trend	30 June 2015	30 June 2014	31 December 2014
Sources of liquidity (Rm)		**202 007**	180 700	175 836
High quality liquid assets	▲	**98 106**	90 514	88 537
Other liquid assets[1]	▲	**28 126**	25 672	31 841
Other sources of liquidity	▲	**75 775**	64 514	55 458
Long term funding ratio (%)	▼	**20.9**	23.0	21.9
Loan-to-deposit ratio (%)	▼	**85.5**	87.4	87.1
Liquidity coverage ratio (%)[2]		**78.9**		



- The Group's liquidity risk position remained healthy and within key limits and metrics.
- Since 1 January 2015, the Group has continuously maintained a liquidity coverage ratio (LCR) in excess of 60%. As a result of the inherent volatility of this measure, the Group targets a level above the 60% to ensure continuous compliance with the minimum regulatory requirement.
- The Group has a well-diversified deposit base, and concentration risk is managed within appropriate guidelines. Sources of liquidity are reviewed regularly to maintain a wide diversity of provider, product and term. During the first six months of 2015, the long-term funding ratio was reduced by 1% to 20.9%, due to an increase in short-term funding raised in RBB and CIB.
- The loan-to-deposit ratio decreased by 1.6% to 85.5% during the first six months of 2015 and by 1.9% year on year driven by growth in customer deposits and debt securities in issue.
- The net stable funding ratio (NSFR) is currently being incorporated into local regulations and will become effective on 1 January 2018.

Future priorities

- Manage the funding and high quality liquid asset position in line with the Board-approved liquidity risk appetite framework and liquidity coverage ratio requirements.
- Continue to grow and diversify the funding base to support asset growth and other strategic initiatives.
- Balance the above against the long-term impact on the cost of liquidity.

Notes
[1] Rest of Africa
[2] The Group LCR represents the simple average of the relevant 3 month-end data points prior to half year end.

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. The Group actively seeks to minimise the impact of losses suffered, both in the normal course of business (expected losses) and in extreme events (unexpected losses), to improve effective management of the Group, and strengthen its brand and external reputation.

Factors that influence this risk

- The scale and type of fraud, both internal and external.
- Increasing and changing regulatory requirements.
- The extent, nature and management of change in the organisation, including the type and scale of growth.
- The rate of technological evolution and progress, and the complexities of IT recovery.
- External factors such as the disruption of key services via energy load shedding.

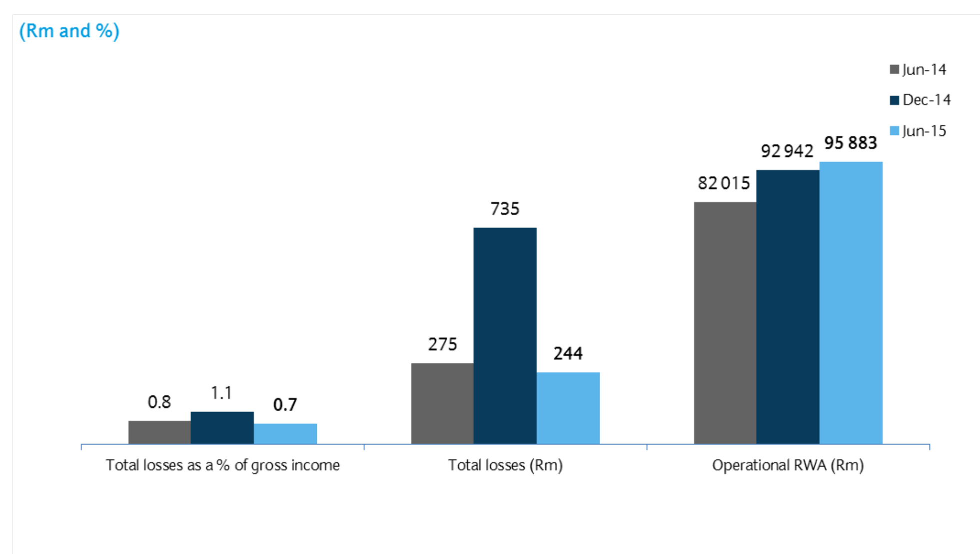
How the Group manages this risk

The Group has developed and embedded an Operational Risk Management Framework (ORMF) designed to deliver on the key operational risk management strategies and objectives. The consistent implementation and application of the ORMF enables the Group to:

- Embed a culture of risk awareness across the businesses.
- Improve risk governance and oversight at an executive level.
- Strengthen risk practices.
- Enhance the control environment by standardising processes using automated solutions where appropriate.
- Invest in infrastructure and systems to support the measurement of operational risk.
- Implement remedial actions should the risk profile not be at an acceptable level.

When the Group has a significant event, a Lessons Learnt review is performed. Learnings from such reviews are shared with other parts of the Group, and actions taken to address issues are independently tracked to completion by the risk management function.

	YoY Trend	30 June 2015 %	30 June 2014 %	31 December 2014 %
Total losses as a % of gross income	▼	**0.7**	0.8	1.1
Total losses (Rm)	▼	**244**	275	735
Operational RWA (Rm)	▲	**95 883**	82 015	92 942



Total operational risk losses for H1 2015 were within the Group's appetite and lower than H1 2014. Incidents relating to fraud and transaction processing remained the largest contributors, accounting for 56% and 25% of total losses respectively. No significant risk events of the scale reported in the previous period occurred during the current reporting period.

→ Technology Risk: Significant investments have been made towards the remediation of ageing infrastructure and disaster recovery, contributing to improved stability levels.
→ Fraud Risk: Plastic fraud losses remain the key driver of overall fraud losses, but these have improved and stabilised across all card portfolios. Lending fraud has increased and is being monitored closely.
→ Information Risk**:** The Group has made further progress in enhancing protection over secret and confidential data, and this will continue into H2 2015.
→ Financial Crime: Satisfactory progress has been made on remediating customer identification and verification issues, and improved customer document retrieval capability.

Future priorities

- Technology Risk: Continue to invest in technology to improve and maintain technology resilience. Firm plans are in place to migrate services to a new data centre to support further improvement in the Group's disaster recovery capability. Continued focus on cyber risk management.
- Financial Crime Risk: Financial Crime compliance will be strengthened through investment in technology and transforming the customer on-boarding processes.
- Fraud Risk: Improve the Group's fraud capability with a focus on digital banking, the insurance businesses and operations in the Rest of Africa. Customer exposure to fraud is also receiving attention, specifically identifying and closing accounts opened for the sole purpose of committing fraud.
- Product Risk: Monitoring and managing risks associated with the expansion of the businesses across Africa, specifically within the corporate, life insurance and digital businesses.
- The Energy challenge in South Africa is being closely monitored, with Business Continuity plans being updated for various scenarios including energy curtailment, load shedding, and blackouts.

Conduct risk

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

Factors that influence this risk

- Strategy and business model of the organisation.
- Culture and behaviour of employees.
- Technological evolution impacting approaches to the marketing and selling of services and products.
- Increasing and changing regulatory requirements.
- Association with controversial clients, business decisions, sectors, governments, or countries.

How the Group manages this risk

- Implementing a framework and risk practices which include frequent material risk assessments, use of risk and performance indicators, management of risk events, and reporting of key conduct risks.
- Continuous engagement with regulators and industry bodies to identify forthcoming regulatory changes, and assessing and addressing their impact on customers and the financial industry.
- Ongoing monitoring and combined assurance of the effectiveness of the framework and risk management practices.
- Evaluating the potential reputation risk to the Group's brand prior to making a commercial decision and ensuring ongoing monitoring of the risk once a commitment has been made.
- Identifying and escalating material reputation risks for appropriate review.
- Regular review through scenario planning of business continuity and crisis management.

H1 2015 review

The key forward-looking themes identified in conduct material risk assessments were:

- The unavailability of technology and support to users.
- Continued levels of regulatory change, resulting in increased expectations and enhanced requirements that impact customer experience.
- Strategic drive to develop and implement a multi-channel solution to cater for diverse segments and customer preference.

In addition, the Group managed a number of reputation risks:

- A number of accounts deemed to be non-compliant with know your customer (KYC) regulations were blocked with a consequent negative impact on the customer experience. The Bank remained in contact with customers and the general public through various channels of communication during this period, providing timely and consistent responses to customer complaints.
- The Bank closed several branches. Stakeholders' responses were monitored and used to inform the engagement strategy.
- The Group managed reputation risk associated with both internal and external fraud by ensuring a an appropriate level of communication with customers.

Future priorities

- Increase focus on improving overall regulatory controls, particularly those related to know your client, anti-money laundering, and the National Credit Act.
- Focus on and measure how the Group delivers on its stakeholder commitments relating to values and culture.
- Ensure that clients and customers are at the centre of all decisions.
- Embed material risk assessments and forward-looking Conduct risk reporting across the organisation.
- Enhance controls and key performance indicators to track and manage Conduct risk.
- Provide regular training and material to ensure business units and functions are implementing the Conduct Risk Framework requirements, risk definitions and escalation procedures.
- Maintain a robust awareness and understanding of drivers of political, regulatory and policy changes across the continent.

Basis of preparation

Risk disclosure

The purpose of this document is to comply with Basel Pillar 3 disclosure requirements regulated by section 43 of the South African Bank's Act and represent a holistic view of the Group's risks. The information in this report is unaudited.

Scope of consolidation

Disclosure in this report is presented on a consolidated basis for the Group. The new Group is called Barclays Africa Group Limited (the Group) (The Group). The consolidation is similar to that used for reporting to the South African Reserve Bank (SARB), and for subsidiary reporting to Absa Bank Limited (the Bank) and Barclays Africa Group Limited.

Where a different treatment is applied for regulatory reporting compared to statutory 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 those 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.

Policy, validation and sign-off

This report is in line with policy, and was validated and approved through the appropriate governance channels. All data submissions are attested to by the risk directors. Review and challenge were performed centrally within Group risk to ensure that the disclosures are a fair representation of the risk profile.

Credit risk

Basel measurement elected

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

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

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

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

Standardised approach

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

Advanced internal ratings-based approach

To assess credit risk under this approach, the Group analyses this risk in terms of its common components of probability of default (PD), exposure at default (EAD) and loss given default (LGD).

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

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

The classification of credit models is twofold. Models are firstly classified as either Complex or Non-complex. Models using sophisticated quantitative methods (e.g. stochastic processes, statistical modelling, etc.) are referred to as Complex. Those models using simple quantitative methods which in some cases are combined with expert judgement assumptions are Non-complex.

Models classified as either Complex or Non-complex are assigned a model classification of High or Low. The model classification considers the model's materiality, i.e. the extent of model usage, reliance on the model within BAGL.

All models are subject to an inception validation and approved by the appropriate Model Approver. The most material models require BAGL Models Committee (MC) approval. Models are monitored and validated on an ongoing basis. Regulatory models are independently validated annually by the Independent Validation Unit within Group Risk. The validation frequency of non-regulatory models is commensurate with the model classification of High/Low and Complex/Non-complex. The ongoing monitoring and validation results are regularly reported to and discussed with the Model Owners and Model Approvers.

Securitisation

The Group applies the IRB approach in the assessment of the Group's securitisation exposure for RC purposes and use Moody's and Standard and Poor's as external credit assessment institutions (ECAI).

Equity investment risk

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

Applicable accounting policies

Retail and wholesale portfolios

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

The replacement of IAS 39 with IFRS 9 Financial Instruments (IFRS 9) 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.

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.

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, and 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.

Market risk

Basel measurement elected

Traded market risk

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

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

Total traded market risk minimum capital requirement increased by 33% or R587 million in 2015 compared to the 2014 financial year. The increase was predominantly as a result of an uptick in standardised approach capital.

	30 June		31 December
	2015	2014	2014
	%	%	%
Internal model based approach	**1297**	1080	1 238
Value at risk	**550**	412	470
Stressed value at risk	**747**	668	768
Standardised approach	**1042**	673	940
Interest rate risk	**1019**	619	775
Equity risk	**19**	39	109
Foreign exchange risk	**4**	15	56
Total traded market risk capital requirement[1]	**2340**	1753	2 178

Liquidity risk

South African banks have been monitoring and reporting their Basel III positions on both the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) since January 2013. LCR is designed to promote short term resilience of a bank's liquidity risk profile by ensuring that it has sufficient high quality liquid resources to survive an acute stress scenario lasting for 30 days.

In April 2015 the Reserve Bank published amendments to Regulation 26 of the Banks Act, 1990 (Act No. 94 of 1990). These amendments were required in order to align domestic LCR reporting to the final framework, standards and disclosure requirements as outlined by Basel.

Notes
[1] At 9,5% of RWAs for 2014.

Operational risk

Basel measurement elected

The Group applies the advanced measurement approach (AMA) for the majority of the Group's South African entities to calculate RC requirements for operational risk. This is subject to the relevant Regulatory Capital floor. The Basic Indicator Approach (BIA) or The Standardised Approach (TSA) is applied for the remaining entities not included in the AMA, namely:

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

Capital management

H1 2015 review

- The Group maintained a strong capital adequacy position above the Board-approved CET1target range.
- R2.0 billion call of the AB06 bond qualifying as Tier 2 on 27 March 2015.
- R2.5 billion issuance of bonds qualifying as Tier 2 on 4 February 2015 at holding company and Absa Bank level.
- RWA precision and capital allocation remain key focus areas for the Group.
- Strong focus on positive net generation of equity.

Key performance indicators

Group	30 June		31 December
	2015	2014	2014
	%	%	%
Common Equity Tier 1 capital adequacy ratio[1]	**11.7**	11.8	11.9
Return on average risk-weighted assets	**2.16**	2.14	2.22
Return on average economic capital	**18.8**	20.5	20.4
Cost of Equity[2]	**13.75**	13.50	13.50

Absa Bank Limited	30 June		31 December
	2015	2014	2014
	%	%	%
Common Equity Tier 1 capital adequacy ratio	**10.0**	10.1	10.6
Return on average risk-weighted assets	**2.05**	1.91	2.05

Future priorities

The Group's strategic focus is to maintain an optimal mix of high-quality capital, while continuing to generate sufficient capital to support profitable asset growth. As in the current reporting period, RWA precision, generation of equity to support dividend payments and capital allocation remain key focus areas for the Group. The Group is also focusing on developing the markets for Tier 2 capital in the Pan African markets in which the Group operates.

Strategy

In alignment with and in support of the overall Group strategy, capital management objectives are to:

- Maximise shareholder value by optimising the level and mix of capital resources and the utilisation of those resources.
- Meet capital ratios required by regulators and the target ranges approved by the Board.
- Maintain an adequate level of capital resources for both regulatory capital and economic capital requirements.
- To 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.
- Maintain a strong credit rating.

Notes

[1] Reported ratios include unappropriated profits.

[2] The average CoE is based on the capital asset pricing model.

Internal capital adequacy assessment process (ICAAP)

The efficient use of capital is fundamental to ensuring a clear focus on enhancing shareholder value through the careful deployment of capital resources. From a Group consolidated perspective, capital adequacy is considered for each regulated entity as well as the Group. Progress in achieving the goal of being the 'Go-To' bank in Africa is measured with reference to pre-determined targets in the balanced scorecard which incorporate capital metrics. Capital risk is considered a key risk, forming part of the funding principal risk, and thus receives the requisite focus required for a risk of this nature. Capital management is an integral part of decision making within the Group and is considered to be proportional to the nature, scale and complexity of the activities of the Group. The ICAAP reflects the level of capital required to be held against identified material risks the Group is or may become exposed to and the management actions required in the event of severe stress.

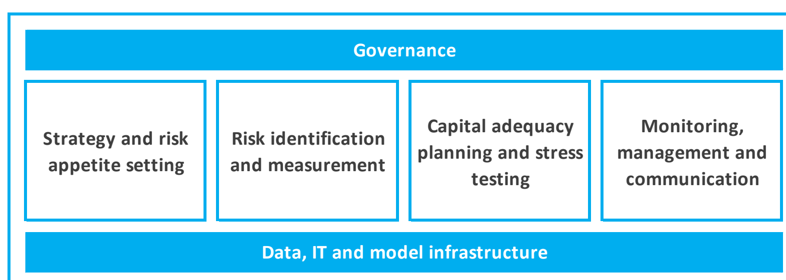
The Board-approved ICAAP is used to inform senior management of the on-going assessment of the Group's risks, how the risks are mitigated and how much current and future capital is considered necessary taking into account mitigating factors. The ICAAP is used to ensure that the Board's risk appetite and minimum capital ratios can be maintained over the period of the medium term plan, having been subjected to suitably severe stress and scenario analysis. Expected capital supply on both a regulatory and economic basis is compared to current and future capital needs. The ICAAP and its underlying components form an integral part of decision-making and business processes. The Group has embedded risk and capital management tools, processes and activities across clusters to align management behaviour to strategy and address stressed outcomes.

Stress testing is conducted on a regular basis[1] to identify market condition changes that could adversely impact the Group. Management actions are identified to mitigate risks on a timely basis.

Furthermore, the ICAAP framework ensures that internal systems, controls and management information are in place to enable the Board and senior management to track changes in the economic environment, which may require adjustments to the business strategy in order to remain within the risk appetite on an ongoing basis. Decisions on the allocation of capital resources, which are an integral part of the ICAAP and capital management process, are based on a number of factors including return on regulatory capital.

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

The building blocks of the Group's ICAAP are as follows:



Business plans are prepared based on strategy, within the risk appetite approved by the Board. Risk in the plans is identified, measured, and where relevant, mitigating actions are identified. The expected levels of capital supply and demand are tested through stress testing with the output being used to reconfirm the risk appetite. In addition, management actions are identified and tested to address the stresses identified.

From an ICAAP perspective, stress testing represents the link between risk management and capital management. As a result of better risk management practices and global events, stress testing has become fundamental in assessing appropriate levels of capital to ensure that the Group can absorb stress events to protect its depositors and other stakeholders in line with Board-approved risk appetite. The capital target ranges, which are derived through the stress testing process, are used in capital allocation, hurdle setting, performance measurement, risk adjusted remuneration, limit monitoring, RWA management and pricing. Management actions are identified to mitigate risks on a timely basis through early warning indicators (EWIs).

The Board considers dividend payments after careful review of business plans, growth objectives, and environmental factors. The objective is to be able to pay a dividend to shareholders of 2.5 times cover up to 1 in 25 year risk event. In more severe circumstances dividends may not be paid.

The results from the most recently conducted stress and scenario testing and budgeting process confirm that the Group's capital levels and capital buffers, both current and forecast (both regulatory capital and the Group's internal capital assessment, economic capital), remain appropriate. The Group believes that it is strongly capitalised relative to its strategy, risk appetite, risk profile, business activities and the macro-economic environments in which it operates.

Notes
[1] In addition to the annual stress testing performed as part of the budgeting process, ad hoc stress testing is conducted during the year. Stress testing may also be required should macroeconomic variables change.

The Group's solid capital and leverage Basel III ratios remain well in excess of the SARB's minimum requirements and are monitored on an ongoing basis. Basel III leverage is a non-risk sensitive ratio used to restrict the build-up of leverage in the banking sector to avoid destabilising deleveraging processes that can damage the broader financial system and the economy. Capital, leverage and balance sheet management is a key focus area of the Group.

Recovery and resolution planning

Following the global financial crisis, the Financial Stability Board released its Key attributes of effective resolution regimes for financial institutions. The Key attributes constitute the international standard for resolution planning, with which South Africa has to comply. These attributes include a range of new tools to reduce the likelihood, and minimise the impact, of bank failures. These guidelines require the development of recovery and resolution plans.

The Group has a Board-approved Recovery Plan in place which was developed in line with SARB guidance, detailing potential options available to restore capital, liquidity and balance sheet positions during times of stress. The Group Recovery Plan includes a formalised process for the implementation of the plan and the approvals and notifications required if invoked during times of stress.

On the 13 August 2015 the National Treasury, the South African Reserve Bank and the Financial Services Board published South Africa's Resolution Framework for Financial Institutions with comment deadline comment 30 September 2015. The main objectives of an effective Resolution regime are to minimise the cost from the failure of a financial institution, reduce moral hazard, and protect financial stability.

Capital transferability

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

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

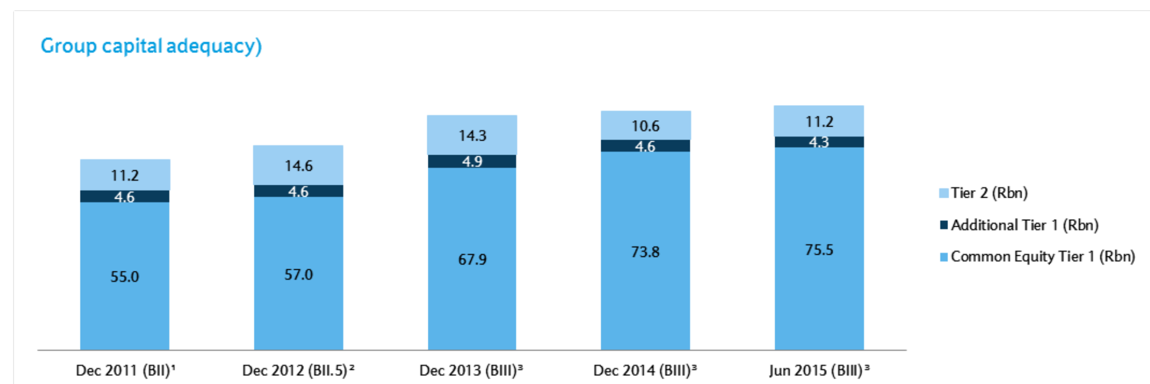
Statutory capital adequacy

The Board sets Group and Bank target capital ranges. The Group and its regulated entities (including insurance entities) remain adequately capitalised above minimum capital requirements as at the reporting date. The Group's target capital ranges for the current reporting period were set after considering the following:

- risk appetite;
- the preference of rating agencies for permanent capital;
- stressed scenarios;
- Basel III amendments including capital conservation buffer; and
- peer analysis.

Group	30 June 2015	30 June 2014	31 December 2014	2015 Board target ranges %	2015 Minimum regulatory capital requirements %
Capital adequacy ratios (%)[1]					
Common Equity Tier 1	**11.7**	11.8	11.9	**9.5 - 11.5**	**6.5**
Tier 1	**12.3**	12.5	12.7	**10.5 - 12.5**	**8.0**
Total	**14.1**	14.6	14.4	**12.5 - 14.5**	**10.0**
Capital supply and demand for the reporting period (Rm)					
Net generated equity[2]	**(703)**	(1 113)	(487)		
Qualifying capital	**90 983**	87 172	89 004		
Total RWA	**647 472**	595 053	619 705		

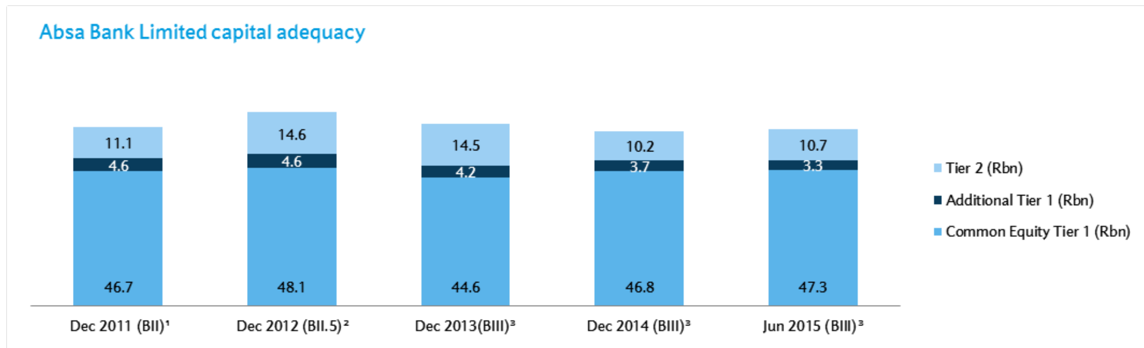
Notes
[1] Reported ratios include unappropriated profit.
[2] Net generated equity for the June 2014 and December 2014 comparatives restated to reflect change in methodology.



Dec 2011	Dec 2012	Dec 2013	Dec 2014	Jun 2015	
13.0	13.0	12.1	11.9	**11.7**	Common Equity Tier 1 Ratio (%)
16.7	17.4	15.5	14.4	**14.1**	Total Capital Adequacy Ratio (%)

Absa Bank Limited	30 June 2015	30 June 2014	31 December 2014	2015 Board target ranges %	2015 Minimum regulatory capital requirements %
Capital adequacy ratios (%)[4]					
Common Equity Tier 1	**10.0**	10.1	10.6	**9.0 - 10.5**	**6.5**
Tier 1	**10.7**	10.9	11.4	**10.0 - 11.5**	**8.0**
Total	**13.0**	13.9	13.7	**12.0 - 13.5**	**10.0**
Capital supply and demand for the reporting period (Rm)					
Net generated equity[5]	**(1 703)**	(1 327)	(113)		
Qualifying capital	**61 267**	60 494	60 763		
Total RWA	**472 598**	434 103	443 955		

Notes
[1] BII: Basel II
[2] BII.5: Basel II.5
[3] BIII: Basel III
[4] Reported ratios include unappropriated profit.
[5] Net generated equity for the June 2014 and December 2014 comparatives restated to reflect change in methodology.



Dec 2011	Dec 2012	Dec 2013	Dec 2014	Jun 2015	
12.1	12.5	11.0	10.6	**10.0**	Common Equity Tier 1 Ratio (%)
16.2	17.5	15.6	13.7	**13.0**	Total Capital Adequacy Ratio (%)

- The Group maintained capital ratios in excess of risk appetite post the financial crisis.
- The Group continued operating within its risk appetite post the implementation of Basel III.

Notes
[1] BII: Basel II
[2] BII.5: Basel II.5
[3] BIII: Basel III

Statutory capital adequacy

		30 June						31 December				
		2015			2014			2014			2015 Total target capital adequacy ratio	
Operations	Regulator	Total qualifying capital Rm	Tier 1 ratio %	Total capital adequacy %	Total qualifying capital Rm	Tier 1 ratio %	Total capital adequacy %	Total qualifying capital Rm	Tier 1 ratio %	Total capital adequacy %	Regulatory minimum %	Board Target %
Local entities (South Africa)												
Group	SARB											
Including unappropriated profits		90,983	12.3	14.1	87 172	12,5	14,6	89 004	12.7	14.4		**12,5-14,0**
Excluding unappropriated profits		85,189	11.4	13.2	80 712	11,4	13,5	80 889	11.4	13.1	**10,0**	
Absa Bank	SARB											
Including unappropriated profits		61,267	10.7	13.0	60 494	10,9	13,9	60 763	11.4	13.7		**12,0-13,5**
Excluding unappropriated profits		55,632	9.5	11.8	56 715	10,1	13,1	56 499	10.4	12.7	**10,0**	
Foreign banking entities[1]												
Barclays Bank of Mozambique	Banco de Mozambique	1,159	15.7	23.6	308	7,7	7,8	1 395	18.2	27.3	**8,0**	**15,0**
Barclays Bank of Botswana	Bank of Botswana	2,147	17.3	21.8	1 764	17,0	20,1	1 789	15.6	18.6	**15,0**	**16,0**
Barclays Bank of Ghana	Bank of Ghana	1,157	10.8	14.3	1 008	11,0	14,6	1 569	10.8	18.2	**10,0**	**12,0**
Barclays Bank of Kenya	Central Bank of Kenya	4,933	16.3	18.8	3 955	15,3	15,7	4 216	15.7	16.0	**12,0**	**14,5**
Barclays Bank of Mauritius	Bank of Mauritius	4,286	16.8	17.2	3 923	16,4	17,1	4 243	17.0	17.9	**10,0**	**11,0**
National Bank of Commerce	Bank of Tanzania	1,114	14.2	17.2	1 089	13,9	17,1	1 282	16.1	19.2	**12,0**	**13,5**
Barclays Bank of Tanzania	Bank of Tanzania	310	12.6	14.6	309	14,2	14,2	322	15.4	15.4	**12,0**	**14,0**
Barclays Bank of Uganda	Bank of Uganda	872	17.5	20.2	964	25,7	29,5	894	18.5	22.0	**12,0**	**14,0**
Barclays Bank of Seychelles	Bank of Seychelles	600	24.0	27.7	616	26,6	30,2	496	16.4	22.3	**12,0**	**14,0**
Barclays Bank of Zambia	Bank of Zambia	1,194	16.7	16.7	1 015	14,4	14,6	1 087	14.5	14.7	**10,0**	**12,0**
Insurance entities												
Absa Life Limited	FSB[2]	1 058	n/a	3.1xCAR[3]	1 247	n/a	2.8Xcar[3]	1 008	n/a	2.9xCAR[3]	**1,0xCAR[3]**	**2.0xCAR[3]**
Absa idirect Limited	FSB[3]	1 61	n/a	43.73%xNWP[4]	1 41	n/a	46.61%xNWP[4]	148	n/a	44.2%xNWP[4]	**23,7%xNWP[4]**	**45%xNWP[4]**
Absa Insurance Company Limited	FSB[3]	1 392	n/a	56.85%xNWP[4]	1 420	n/a	55.99%xNWP[4]	1 234	n/a	55.95%xNWP[4]	**28.3%xNWP[4]**	**45%xNWP[4,5]**

Notes
[1] In country regulatory capital requirements.
[2] Financial Services Board.
[3] Capital adequacy requirement (CAR): Actuarial calculation of value at risk on insurance liabilities. 2,0 times (2014: 2,0 times) being the required capital level.
[4] NWP: Net Written Premiums,45% (2014:45%) of NWP being the required capital level determined by Absa Insurance Company Limited and Absa idirect.
[5] NWP: Net Written Premiums - In July 2015 the Board-approved an internal required capital target of 36%xNWP for Absa Insurance Company Limited.

Statutory capital adequacy

Capital demand

Group	30 June 2015 RWA Rm	30 June 2015 Minimum required capital Rm	30 June 2014 RWA Rm	30 June 2014 Minimum required capital Rm	31 December 2014 RWA Rm	31 December 2014 Minimum required capital Rm
Basel measurement approach						
Credit risk	494 407	49 441	455 467	45 547	468 705	46 870
Portfolios subject to the AIRB approach	347 079	34 708	324 096	32 410	325 213	32 521
Portfolios subject to the standardised approach	130 918	13 092	118 667	11 867	130 491	13 049
Securitisation	532	53	866	86	918	92
Counterparty credit risk[1]	15 878	1 588	11 838	1 184	12 083	1 208
Equity investment risk						
Market-based approach (simple risk-weight approach)	10 303	1 030	14 871	1 487	13 737	1 374
Market risk	23 395	2 340	17 535	1 753	21 781	2 178
Standardised approach	10 426	1 043	6 732	673	9 399	940
IMA	12 969	1 297	10 803	1 080	12 382	1 238
Operational risk	95 883	9 588	82 015	8 202	92 942	9 294
BIA	3 825	383	4 236	424	4 180	418
TSA	20 723	2 072	19 932	1 993	21 341	2 134
AMA	71 335	7 133	57 847	5 785	67 421	6 742
Non-customer assets	23 484	2 348	25 165	2 516	22 540	2 254
	647 472	64 747	595 053	59 505	619 705	61 970
Pillar 1 requirement (8%)		51 798		47 604		49 576
Pillar 2a requirement (2%)		12 949		11 901		12 394

Notes
[1] Counterparty credit risk amount as at 30 June 2014 and 31 December 2014 reflects the net amount after applying the SARB's transitional exclusion of credit valuation adjustment emanating from rand over-the-counter derivatives.

Statutory capital adequacy

Capital demand

Absa Bank Limited	30 June 2015 RWA Rm	30 June 2015 Minimum required capital Rm	30 June 2014 RWA Rm	30 June 2014 Minimum required capital Rm	31 December 2014 RWA Rm	31 December 2014 Minimum required capital Rm
Basel measurement approach						
Credit risk	**363 175**	**36 318**	336 463	33 646	338 910	33 891
Portfolios subject to the AIRB approach	**330 626**	**33 063**	305 769	30 577	308 191	30 819
Portfolios subject to the standardised approach	**16 474**	**1 648**	18 130	1 813	17 847	1 785
Securitisation	**532**	**53**	866	86	918	92
Counterparty credit risk[1]	**15 543**	**1 554**	11 698	1 170	11 954	1 195
Equity investment risk						
Market-based approach (simple risk-weight approach)	**6 593**	**659**	9 219	922	7 650	765
Market risk	**19 476**	**1 948**	15 752	1 575	18 260	1 826
Standardised approach	**6 507**	**651**	4 949	495	5 878	588
IMA	**12 969**	**1 297**	10 803	1 080	12 382	1 238
Operational risk	**68 904**	**6 890**	59 302	5 930	65 339	6 534
BIA	**3 450**	**345**	3 052	305	3 755	376
AMA	**65 454**	**6 545**	56 250	5 625	61 584	6 158
Non-customer assets	**14 450**	**1 445**	13 367	1 337	13 796	1 380
	472 598	**47 260**	434 103	43 410	443 955	44 396
Pillar 1 requirement (8%)		**37 808**		34 728		35 517
Pillar 2a requirement (2%)		**9 452**		8 682		8 879

Notes
[1] Counterparty credit risk amount as at 30 June 2014 and 31 December 2014 reflects the net amount after applying the SARB's transitional exclusion of credit valuation adjustment emanating from rand over-the-counter derivatives.

Statutory capital adequacy

Capital supply

The Group's total qualifying capital supply for the reporting period increased by R2.0bn from 31 December 2014.

	Group			Absa Bank Limited		
	30 June		31 December	30 June		31 December
	2015	2014	2014	**2015**	2014	2014
Movements in qualifying capital	**Rm**	Rm	Rm	**Rm**	Rm	Rm
Balance at the beginning of the reporting period (excluding unappropriated profits)	**80,889**	76 014	76,014	**56,499**	57 890	57,890
Share capital, premium and reserves	**3,514**	5 830	8,225	**(580)**	523	2,681
Non-controlling interest	**136**	83	150	**-**	-	-
Regulatory deductions - CET1	**334**	764	510	**(333)**	451	641
Regulatory changes in Additional Tier 1	**(307)**	(439)	(283)	**(464)**	(465)	(465)
Tier 2 subordinated debt issued	**2,500**	-	500	**2 500**	-	500
Tier 2 subordinated debt matured	**(2,000)**	(1 725)	(4,725)	**(2 000)**	(1 725)	(4,725)
Regulatory changes in Tier 2	**121**	158	494	**-**	-	-
General allowances for impairment losses on loans and advances: Standardised Approached - SA	**2**	27	4	**10**	41	(23)
Balance at the end of the reporting period (excluding unappropriated profits)	**85,189**	80 712	80,889	**55,632**	56 715	56,499
Add: unappropriated profits	**5,794**	6 460	8,115	**5,635**	3 779	4264
Qualifying capital including unappropriated profit	**90,983**	87,172	89,004	**61,267**	60 494	60,763

Breakdown of qualifying capital	30 June				31 December	
	2015		2014		2014	
Group	Rm	%[1]	Rm	%[1]	Rm	%[1]
Common Equity Tier 1	69 698	10.8	63 506	10.7	65 714	10.6
Ordinary share capital	1 694	0.3	1 694	0.3	1 694	0.3
Ordinary share premium	4 530	0.7	4 508	0.7	4 548	0.7
Reserves[2]	67 086	10.4	61 199	10.3	63 554	10.2
Non-controlling interest	2 386	0.4	2 183	0.4	2 250	0.4
Deductions	(5 998)	(1.0)	(6 078)	(1.0)	(6 332)	(1.0)
Goodwill	(749)	(0.1)	(759)	(0.1)	(762)	(0.1)
Financial and insurance entities not consolidated	(1 116)	(0.2)	(597)	(0.1)	(705)	(0.1)
Amount by which expected loss exceeds eligible provisions	(1 443)	(0.3)	(1 672)	(0.3)	(1 326)	(0.2)
Other deductions	(2 690)	(0.4)	(3 050)	(0.5)	(3 539)	(0.6)
Additional Tier 1 capital	4 265	0.6	4 416	0.7	4 572	0.8
Tier 1 capital	73 963	11.4	67 922	11.4	70 286	11.4
Tier 2 capital	11 226	1.8	12 790	2.1	10 603	1.7
Instruments recognised as Tier 2 capital	10 807	1.7	12 350	2.0	10 186	1.6
General allowance for impairment losses on loans and advances – standardised approach	419	0.1	440	0.1	417	0.1
Total qualifying capital (excluding unappropriated profits)	85 189	13.2	80 712	13.5	80 889	13.1
Qualifying capital (including unappropriated profits)						
Tier 1 capital	79 757	12.3	74 382	12.5	78 401	12.7
Common Equity Tier 1 (excluding unappropriated profits)	69 698	10.8	63 506	10.7	65 714	10.6
Unappropriated profits	5 794	0.9	6 460	1.1	8 115	1.3
Additional Tier 1	4 265	0.6	4 416	0.7	4 572	0.8
Tier 2 capital	11 226	1.8	12 790	2.1	10 603	1.7
Total qualifying capital (including unappropriated profits)	90 983	14.1	87 172	14.6	89 004	14.4

Leverage[3]

	30 June
Group	2015
Leverage ratio exposure (Rm)	1 206 720
Leverage ratio (excluding unappropriated profit) (%)	6.1
Leverage ratio (including unappropriated profit) (%)	6.6
Minimum required leverage ratio (%)	4

Notes
[1] Percentage of capital to RWAs.
[2] Reserves exclude unappropriated profits.
[3] This publication represents the first interim public disclosure of the leverage ratio; therefore no comparative information is disclosed.

Statutory Capital Adequacy

Capital supply

Absa Bank Limited	30 June 2015 Rm	30 June 2015 %[1]	30 June 2014 Rm	30 June 2014 %[1]	31 December 2014 Rm	31 December 2014 %[1]
Common Equity Tier 1	41 643	8.8	40 208	9.3	42 556	9.6
Ordinary share capital	303	0.1	303	0.1	303	0.1
Ordinary share premium	16 465	3.5	14 465	3.3	16 465	3.7
Reserves[2]	29 151	6.2	29 574	6.8	29 731	6.7
Deductions	(4 276)	(1.0)	(4 134)	(0.9)	(3 943)	(0.9)
Amount by which expected loss exceeds eligible provisions	(2 134)	(0.5)	(2 063)	(0.4)	(1 816)	(0.4)
Other deductions	(2 142)	(0.5)	(2 071)	(0.5)	(2 127)	(0.5)
Additional Tier 1 capital	3 251	0.7	3 715	0.8	3 715	0.8
Tier 1 capital	44 894	9.5	43 923	10.1	46 271	10.4
Tier 2 capital	10 738	2.3	12 792	3.0	10 228	2.3
Instruments recognised as Tier 2 capital	10 500	2.2	12 500	2.9	10 000	2.2
General allowance for impairment losses on loans and advances – standardised approach	238	0.1	292	0.1	228	0.1
Total qualifying capital (excluding unappropriated profits)	55 632	11.8	56 715	13.1	56 499	12.7
Qualifying capital (including unappropriated profits)						
Tier 1 capital	50 529	10.7	47 702	10.9	50 535	11.4
Common Equity Tier 1 (excluding unappropriated profits)	41 643	8.8	40 208	9.3	42 556	9.6
Unappropriated profits	5 635	1.2	3 779	0.8	4 264	1.0
Additional Tier 1	3 251	0.7	3 715	0.8	3 715	0.8
Tier 2 capital	10 738	2.3	12 792	3.0	10 228	2.3
Total qualifying capital (including unappropriated profits)	61 267	13.0	60 494	13.9	60 763	13.7

Leverage[3]

Absa Bank Limited	30 June 2015
Leverage ratio exposure (Rm)	1 031 963
Leverage ratio (excluding unappropriated profit) (%)	4.4
Leverage ratio (including unappropriated profit) (%)	4.9
Minimum required leverage ratio (%)	4

Notes
[1] Percentage of capital to RWAs.
[2] Reserves exclude unappropriated profits.
[3] This publication represents the first interim public disclosure of the leverage ratio; therefore no comparative information is disclosed.

Economic capital adequacy

The economic capital (EC) framework covers Basel III Pillar 1 risks as well as additional economic risks such as interest rate risk in the banking book. EC is an internal measure of the risk profile of the Group expressed as the estimated stress loss at a given confidence.

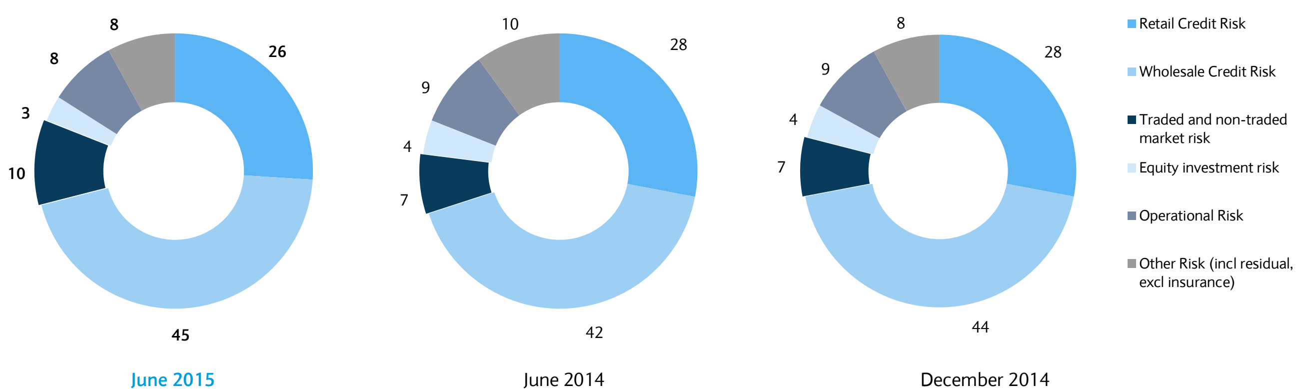
The total average EC demand requirement is determined through the use of internal risk assessment models and is compared to the EC supply to evaluate EC utilisation. The Group targets an internal EC supply versus EC demand minimum coverage ratio as part of the monthly management.

Aside from its application in capital management, EC is a key component of Group level and business unit level applications such as capital management, stakeholder communication, risk-adjusted performance measurement, pricing and structuring.

Economic capital demand

Group	30 June				31 December	
	2015		2014		2014	
Capital demand	RWA Rm	Economic capital[1] Rm	RWA Rm	Economic capital[1] Rm	RWA Rm	Economic capital[1] Rm
Credit risk	494 407	50 818	455 467	41 602	468 705	44 705
- RBB	326 630	32 577	311 021	29 759	318 581	30 468
- CIB	145 890	17 120	123 788	11 067	125 766	13 355
- WIMI	5 852	413	6 574	326	6 006	328
- Other	16 035	708	14 084	450	18 352	554
Equity investment risk	10 303	1 867	14 871	2 365	13 737	2 187
Market risk	23 395	7 418	17 535	4 235	21 781	4 364
Operational risk	95 883	5 911	82 015	5 532	92 942	5 646
Non-customer assets	23 484	6 546	25 165	6 656	22 540	6 544
	647 472	72 560	595 053	60 390	619 705	63 446

Economic capital demand[2] (%)



Notes

[1] Represent the average required economic capital (EC) (demand).
[2] Excludes insurance due to the difference in the confidence level resulting from insurance regulation.

Economic capital supply

The resources available to meet EC requirements are calculated as the average available shareholders' equity after adjustments including preference shares. The Group's EC calculations form the basis of its internal risk view used in the ICAAP. Funds available for EC are impacted by a number of factors that have arisen from the application of IFRS.

EC supply includes:

- ordinary shareholders' equity;
- retained earnings, whether appropriated or not;
- non-redeemable, non-cumulative preference shares;
- non-controlling interests; and
- other reserves.

The following are excluded from EC available financial resources:

- Cash flow hedging reserve: to the extent that the Group undertakes the hedging of future cash flows, shareholders' equity will include gains and losses that will be offset against the gain or loss on the hedged item when it is recognised in the statement of comprehensive income at the conclusion of the hedged transaction. Given the future offset of such gains and losses, they are excluded from shareholders' equity when calculating EC; and
- Other perpetual debt, preference shares and subordinated debt.

The following are deducted from EC supply:

- goodwill; and
- intangible assets

Group	**30 June**						**31 December**		
	2015			2014			2014		
Total qualifying capital	**Share-holders' equity Rm**	**Economic capital Rm**	**Tier 1 regulatory capital Rm**	Share-holders' equity Rm	Economic capital Rm	Tier 1 regulatory capital Rm	Share-holders' equity Rm	Economic capital Rm	Tier 1 regulatory capital Rm
Ordinary share capital and share premium	**6 224**	**6 224**	**6 224**	6 202	6 202	6 202	6 242	6 242	6 242
Preference share capital and share premium	**-**	**4 644**	**4 265**	-	4 644	4 416	-	4 644	4 572
Retained earnings	**72 399**	**72 399**	**69 445**	66 814	66 814	63 519	70 237	70 237	66 931
Other reserves	**4 876**	**5 139**	**3 435**	5 413	5 062	4 140	6 211	5 859	4 738
Non-controlling interest	**-**	**3 708**	**2 386**	-	3 209	2 183	-	3 611	2 250
Expected loss adjustment	**-**	**-**	**(1 443)**	-	-	(1 672)	-	-	(1 326)
Other deductions	**-**	**(3 095)**	**(4 555)**	-	(3 168)	(4 406)	-	(3 219)	(5 006)
	83 499	**89 019**	**79 757**	78 429	82 763	74 382	82 690	87 374	78 401
Average capital for the reporting period	**82 946**	**87 977**	**78 158**	77 873	82 109	73 561	78 009	82 414	74 690

Credit ratings

Credit ratings	June 2015 Moody's Absa Bank	June 2015 Fitch ratings Absa Bank	 Barclays Africa Group
National			
Short-term	Prime-1.za	F1+ (zaf)	F1+ (zaf)
Long-term	A1.za	AAA (zaf)	AAA (zaf)
Outlook	-	Stable	Stable
Local currency			
Short-term	Prime-2	-	-
Long-term	Baa2	A-	A-
Outlook	Stable	Stable	Stable
Foreign currency			
Short-term	Prime-2	F2	F2
Long-term	Baa2	A-	A-
Outlook	Stable	Negative	Negative
Bank's financial strength	C-	-	-
Baseline credit assessment	Baa2	-	-
Viability rating	-	bbb	bbb
Outlook	Stable	-	-
Support	-	1	1
Counterparty Risk[1]	Baa1 (cr)/P-2 (cr)	-	-

Notes

[1] The Counterparty Risk Assessment is an opinion of the counterparty risk related to a banks covered bonds, contractual performance obligations (servicing), derivatives, letters of credit, guarantees and liquidity facilities and was first assigned on 23 June 2015 following the publication of Moody's new bank rating methodology.

Risk management strategy

The Group's approach to risk management

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

This three step risk management process:

- Can be applied to every objective at every level in the Bank, both top-down or bottom-up;
- Is embedded into the business decision-making process;
- Guides our response to changes in the external or internal environment in which existing activities are conducted; and
- Involves all staff and all three lines of defence.

The following three-step process in terms of the Group's risk management approach 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 contrarian 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 and concentrations, and aggregated levels. – Where possible, assessing risks on the basis of inherent and residual risk. – Ranking risks and taking an overall portfolio view of the risks to determine priorities.
Respond	– Complying with all relevant laws and regulations. – Focus on the priority risks first. – Recognising that risk mitigation involves resource allocation: actions such as designing, implementing and operating controls should achieve the required level of effectiveness at an appropriate cost. – Looking for a single response that may mitigate more than one risk, and extend or replicate existing controls if appropriate. – Embedding controls into the business activity/process as far as possible. – 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.

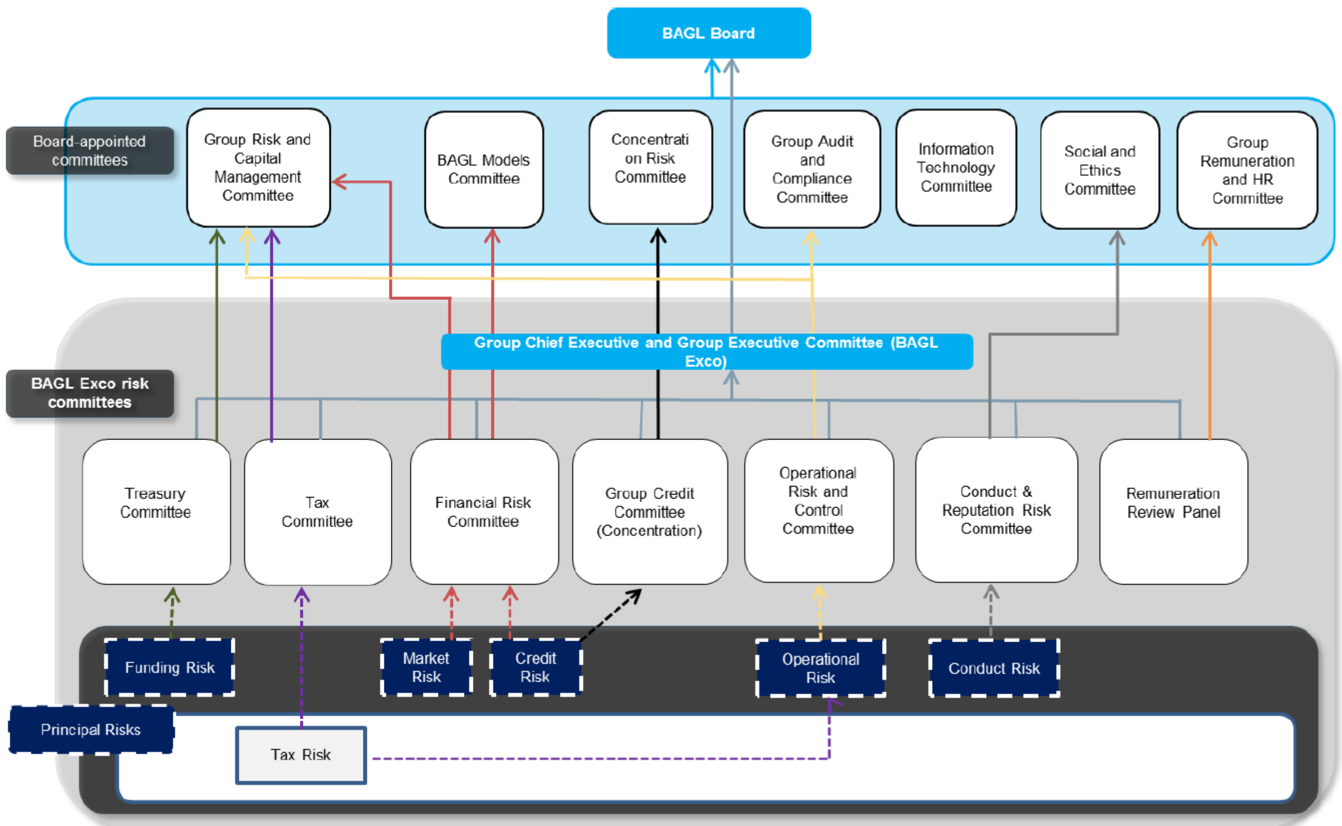
Monitor	
	– Focusing on progress towards objectives, using Key Performance Indicators (KPIs) to identify those objectives which require further attention. – Examining the current and evolving risk profile and risk trends, use Key Risk Indicators (KRIs) to examine changes in the risk environment; maintain 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 risk appetite 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 Conformance and Assurance testing. – 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.

Risk oversight

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

The Group Chief Executive (GCE) grants authority and responsibility to the Group Chief Risk Officer (GCRO) to ensure the principal risks are properly managed under appropriate control frameworks and to advise on risk appetite and the Group's risk profile.

Risk governance structure



The Group Risk and Capital Management Committee (GRCMC)

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

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

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

The Chairman of the GRCMC is a member of the Group Audit and Compliance Committee (GACC) and attended all meetings of the GACC. The Chairman met with the GCRO and executive management on a regular basis and reported to the Board after each committee meeting.

Core activities of the Group Risk and Capital Management Committee

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

- recommending the Group's risk appetite to the Board for approval and monitoring the actual risk profile against the Board-approved appetite;
- assisting the Board in executing its duties with respect to risk and capital management as required by the Banks Act;
- monitoring risk profiles, including emerging risks, and reporting findings to the Board;
- monitoring the level of available capital, both current and projected, and reporting to the Board on the adequacy of available capital relative to the Group's emerging risk profile;
- assessing the Group's risk management approach and practices in light of the global financial crisis;
- liaising with the GACC to ensure appropriate oversight of key controls and, in turn, considering and acting on concerns raised by the GACC;
- oversight of risk matters relating to information technology (IT);
- ensuring the appropriate disclosure of risk and capital management statuses and activities;
- setting the liquidity risk appetite and monitoring the liquidity position over the reporting period; and
- undertaking a number of deep dives on key areas of focus, including impairments, to assess underlying risks further.

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

The Group Audit and Compliance Committee (GACC)

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

Risk management related activities of the Group Audit and Compliance Committee

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

- dealing with any matters referred to it by the GRCMC; and
- ensuring that internal and external assurance providers and management apply the combined assurance model.

The Enterprise Risk Management Framework (ERMF)

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

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

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

The E-R-M process:

- Can be applied to every objective at every level in the Bank, both top-down or bottom-up;
- Is embedded into the business decision making process;
- Guides our response to changes in the external or internal environment in which existing activities are conducted; and
- Involves all staff and all three lines of defence

The ERMF is currently being implemented within the Group and includes the following Principal and Key Risks.

Principal risk	Key risks	Group Exco risk committees
Credit risk	– Retail credit risk – Wholesale credit risk[1]	– Financial Risk Committee – Group Credit Committee
Market risk	– Traded risk – Non-traded – Pension risk – Insurance risk	– Financial Risk Committee
Operational risk[2]	– External Supplier risk – Payment Process risk – Technology risk (including Cyber Security) – Transaction Operations risk – Premises and Security risk – Information risk – Financial Reporting risk – Fraud risk – Financial Crime risk – Legal risk – People risk – Tax risk	– Operational Risk & Control Committee (note: tax risk exposure is monitored via the Tax Risk Committee)
Funding risk[3]	– Liquidity risk – Capital risk	– Africa Treasury Committee (ATC)
Conduct risk	– Authorisations and Permissions risk – Product Design risk – Strategy & Business Model risk – Governance & Culture risk – Transaction Services risk – Customer Servicing risk – Reputation risk	– Conduct and Reputational Risk Committee

Notes
[1] Equity investment risk, counterparty credit risk and securitisation are reported under wholesale credit risk.
[2] Financial crime risk is managed, overseen and reported under operational risk, previously under conduct risk.
[3] Structural risk was previously a key risk under funding risk, but is now being included as a component of interest rate risk in the banking book within non-traded market risk.

Risk appetite

Risk appetite and stress testing are key components of the Group's management of risk and are embedded as part of the strategic planning processes. The risk appetite statement describes and measures the amount and types of risk that the Group is prepared to take in executing its strategy. It defines the integrated approach to business, risk and capital management and supports the achievement of strategic objectives. The Group's risk appetite framework combines a top-down view of capacity to take risk with a bottom-up view of the business risk profile associated with each business area's plans. The risk appetite statement is approved annually by the Board under recommendation from the GRCMC and is monitored on an ongoing basis.

Stress testing

Stress testing is a key focus during the Group's strategic planning processes. Stress testing occurs throughout the Bank and assists in ensuring that the Group's medium-term plan has sufficient flexibility to remain appropriate over a multi-year time horizon during times of stress. Through the use of stress testing and scenario analyses, the Group is able to assess the performance of the Group's portfolios in the anticipated economic environment and evaluate the impact of adverse economic conditions on the Group's portfolios. Stress testing also assists in understanding core assumptions in its capital plans and informs the setting of capital buffers. Stress test results inform setting of mandate and scale limits.

Stress testing and scenario analyses are central to the monitoring of significant and emerging risks, helping to understand the sensitivities of the core assumptions in the Group's capital plans to the adverse effect of extreme but plausible events. Stress testing allows the Group to formulate the Group's response and mitigate risk in advance of conditions exhibiting the stresses identified in the scenarios.

Actual market stresses, which occurred throughout the financial system in recent years, have been used to inform the Group's capital planning process and enhance the employed stress scenarios. In addition to the Group's internal stress testing exercises, other stress testing exercises are undertaken at the request of regulators using their prescribed assumptions, and by the regulators themselves. The Group takes into account the results of all such stress testing when assessing the Group's internal and regulatory capital requirements.

The Group Risk and Capital Management Committee (GRCMC) exercises governance oversight and approval authority over stress testing results.

Risk appetite key indicators and triggers

The Group aims to manage its risk profile in a forward-looking way. To support this, key indicators and triggers have been developed to act as early signals in the event that one of the scenarios or stress situations may materialise. The indicators include, *inter alia,* economic indices directly correlated with risk measures and financial indicators. The indicators and triggers are implemented at Group, Business Unit, country, and product levels, and are monitored routinely and considered by GRCMC.

Credit risk management

Credit risk is the risk of financial loss should the Group's customers, clients or market counterparties fail to fulfil their contractual obligations. 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.

Strategy

The Group's credit risk objectives are:

- supporting the achievement of sustainable asset and revenue growth in line with the Group's risk appetite;
- simplifying risk management processes;
- investing in skills and experience;
- operating sound credit approved processes;
- monitoring credit diligently;
- using appropriate models to assist decision-making;
- improving forecasting and reducing variability;
- continually improving business support, collection and recovery processes; and
- optimising the control environment.

Approach to credit modelling / internal ratings

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 ratings that are used in numerous aspects of credit risk management and in the calculation of regulatory capital (RC) and economic capital (EC). The key building blocks of this process are:

- probability of default (PD);
- exposure at default (EAD);
- loss given default (LGD); and
- maturity.

These parameters are used in a variety of applications that measure credit risk across the entire portfolio and can be calculated to represent different aspects of the credit cycle:

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

Internal ratings are used for the following purposes:

- Credit approval: PD models are used in the approval process in both retail and wholesale portfolios. In high-volume retail portfolios, application and behaviour scorecards are frequently used as decision-making tools. In wholesale and certain retail home loan portfolios, PD models are used to direct applications to an appropriate credit sanctioning level.
- Credit grading: to provide a common measure of risk across the Group, wholesale credit grading employs a 21-point internal default grade scale, this is converted to a 25-point scale of default probabilities per SARB for regulatory reporting purposes.
- Risk-reward and pricing: PD, EAD and LGD metrics are used to assess the profitability of deals and portfolios and to allow for risk-adjusted pricing and strategy decisions.
- Risk appetite: measures of expected loss (EL) and the potential volatility of loss are used in the Group's risk appetite framework.
- Impairment calculation: under IAS 39 Financial Instruments: Recognition and Measurement (IAS 39), many of the collective impairment estimates incorporate the use of the Group's PD and LGD models, adjusted as necessary.
- Collections and recoveries: model outputs are used to identify segments of the portfolio where collection and recovery efforts should be prioritised.
- EC calculations: most EC calculations use the same PD and EAD inputs as the RC process. The EC process also uses the same underlying LGD model outputs as used in RC calculations, but does not necessarily use the same economic downturn adjustment used in RC calculations.
- Risk management information: Group Risk and the business units generate credit risk reports that make use of model outputs to describe the credit risk profile.

Wholesale portfolio

The PD rating process relies both on internally developed rating models and vendor provided solutions. While the rating and credit decision-making process in the retail portfolio is largely automated, this process in the wholesale portfolio relies on quantitative and qualitative assessments on a customer level. Information used in the calculation of customer ratings includes:

- financial statements;
- projected cash flows;
- equity price information;
- external rating agency grades; and
- behavioural scorecards.

Internal LGD estimates depend on the key drivers of recovery such as collateral value, seniority and costs involved as part of the recovery process, while the EAD models aim to replicate the expected utilisation of a customer's facility should a default occur.

New behavioral and PD models for the Commercial Property Finance and Agricultural portfolios have been redeveloped and submitted to the Reserve Bank for approval during H1 2014 and 2015 respectively. The Agricultural models were approved by the Reserve Bank in December 2014 and have since been implemented.

- Regulatory models are independently validated on an annual basis and when new models have been developed or changes occur to models.
- In addition, a process is in place to perform post model adjustments to adjust the outcome of the models if a model weakness is identified, until this is corrected through a redevelopment or a model change.

Retail portfolio

Ratings assigned across each retail portfolio are based on automated application and behavioural scoring systems. The underlying rating is calculated at point of application and updated monthly thereafter and used in decisions concerning underwriting, cheque account authorisations and assignment of accounts to risk grades used to calculate RC. The methodology and data employed in the risk estimation and the rating processes can be summarised as follows:

- Internal risk estimates of PD, EAD and LGD are grounded in historical experience, incorporating all relevant material and available data, information and methods. Both the historical observation periods and default definitions used are consistent with regulatory requirements.
- For each product, PDs are assigned at account level by calibrating the raw behavioural model scores/ratings to the observed long-run average default rate for each pool.
- For each product, EADs are assigned to each account based on the EAD pool to which the account has been assigned. EAD estimates incorporate all relevant data and information including account balances as well as utilised and unutilised limits, if present.
- LGDs are estimated for each product and assigned at account level, based on the LGD pool to which the account has been assigned. Calibration data on historically defaulted accounts includes observed EADs, recovery streams, cure and write-off rates. The models also make use of suitable risk drivers such as loan-to-value (LTV), which are updated monthly.
- The majority of the Retail regulatory model suites have been redeveloped and submitted to the Reserve Bank for approval during H2 2014 and 2015. Post model adjustments have been applied to these portfolios where a higher RWA from a new model is expected.
- Regulatory models are independently validated on an annual basis and when new models have been developed or changes occur to models. In addition, a process is in place to perform post model adjustments to adjust the outcome of the models if a model weakness is identified, until this is corrected through a redevelopment or a model change.

Assessment of credit risk

The assessment of credit risk relies heavily on quantitative models and tools which, to a large degree, have been developed internally and are supplemented by vendor solutions. The following sections provide an overview of the aforesaid concepts and their use in the assessment of credit risk across the Group's portfolios.

Probability of default

PD measures the likelihood of a customer defaulting on its obligations within the next 12 months and is a primary component of the internal risk rating calculated for all customers. The Group uses two types of PDs, namely:

- Through-the-Cycle (TTC) PD and Point-in-Time (PIT) PD

Both types of PDs are used extensively in the Group's decision-making processes and several types of rating approaches are employed.

For communication and comparison purposes, the Group's 21 default grades (DG), were mapped to the SARB 25 grade PD scale used for regulatory reporting purposes.

Exposure at default

The EAD denotes the total amount expected will be outstanding from a particular customer at the time of default. The Group calculates these estimates for each facility using models incorporating internal and external default data as well as the experience of credit experts in relation to particular products or customer groups.

EAD estimates incorporate both on- and off-statement of financial position exposures resulting in a capital requirement that incorporates existing exposures, as well as exposures contingent on counterparty's use of an available facility.

Loss given default

The third major risk component measures the loss expected on a particular credit facility in the event of default and therefore recognises credit risk mitigation such as collateral or credit derivatives. LGD estimates are calculated as a percentage of EAD using models based on internal and external loss data and the judgment of credit experts, and are primarily driven by the type and value of collateral held. The Group's LGD estimates are modified to distinguish between expected losses over the course of an economic cycle and loss estimates during periods of economic stress (downturn LGD).

Expected loss and capital requirements

The PD, EAD and LGD are components used in a variety of applications that measure credit risk across the entire portfolio. EL is a measurement of loss that enables the application of consistent credit risk measurement across all retail and wholesale credit exposures.

These estimates are also used in a range of applications including pricing, customer and portfolio strategy, and performance measurement

Credit risk mitigation, collateral and other credit enhancements

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

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

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

Generally one or more forms of security are sought in the credit approval process. The use and approach to credit risk mitigation (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 following types of collateral[1] may be held against assets subject to credit risk and are consistent with accepted market practice:

Financial collateral

- Deposits from customers and cession of ring-fenced bank accounts with cash
- Cash
- RSA government bonds
- Debentures
- Life insurance policies
- Commodities
- Listed equities
- Unlisted equities
- Credit linked notes
- Pledged securities
- Assignment of debtors
- Master netting agreements

Physical collateral

- Bonds over properties (commercial and residential)
- Charges on properties
- Property, equipment and vehicles

Other funded collateral

- Intangible assets
- Receivables

Unfunded collateral

- Guarantees
- Suretyships
- Export letters of credit
- Risk participation agreements
- Credit derivatives
- Insurance policies
- On-balance sheet netting

Valuation of collateral

Performing book

Security taken as part of the credit decision process is valued according to the applicable credit policies at the time of credit approval and at relevant intervals thereafter. The Group uses a number of approaches for the revaluation of collateral, including physical inspection, 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, including potential gains in the valuation of marketable securities and other market-related instruments that may lead to a partial release of the impairment allowance. In the retail portfolio, collateral valuations are updated using statistical indexing, which is available monthly.

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.

Notes
[1] This list is not exhaustive. There may be other forms of collateral that may be recognised.

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 often 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.

Use of netting agreements, International Swaps and Derivatives Association master agreements and collateral support annexures

In line with international market practice, the Group endeavours to use netting agreements wherever possible. The Group primarily employs International Swaps and Derivatives Association (ISDA) master agreements as well as collateral support annexures (CSAs) that provide standardised and commonly accepted processes for managing collateral and margin calls over the lifetime of the transaction. CSAs may create an obligation on the Group unrelated to the underlying instruments in the event of a credit downgrade. Only a small number of the Group's agreements make use of such a tiered structure.

Counterparty credit risk

Counterparty credit exposure arises from the risk that parties are unable to meet their payment obligations under certain financial contracts, such as derivatives and securities financing transactions (e.g. repurchase agreements). Unlike credit risk, counterparty credit risk implies the bilateral risk of loss.

For the allocation of EC to over-the-counter (OTC) derivative exposures, EAD estimates are treated as mark-to-market (MTM) loan equivalents, where the amount of capital allocated to a particular transaction is driven by the:

- borrower's netting arrangements;
- borrower's TTC PD;
- trade's residual maturity;
- nature of each trade; and
- net EAD and corresponding LGD.

For RC calculation purposes, the current exposure method (CEM) is applied to OTC derivative exposures. The Group relies mainly on cash, government bonds and negotiable certificates of deposits as collateral for derivative contracts.

The Group's policies for establishing impairment allowances for counterparties of traded products are based on applicable accounting requirements.

Concentrations of credit risk

Concentration of credit risk exists when a number of counterparties are located in a geographical region, and/or are engaged in similar activities and/or have similar economic characteristics such that their ability to meet contractual obligations is similarly affected by changes in economic or other conditions.

Measuring exposures and concentrations

Loans and advances to customers provide the principal source of credit risk although the Group might also be exposed to other forms of credit risk through, for example, loans to banks, loan commitments and debt securities.

Diversification is achieved through setting maximum exposure guidelines to individual counterparties. Limits in excess of the maximum exposure guideline are approved at the Barclays Africa Concentration Risk Committee, which is a Board Risk Committee. Mandate and scale limits are used to limit the stock of current exposures in a loan portfolio and the flow of new exposures into a loan portfolio. Limits are typically based on the nature of the lending and the amount of the portfolio meeting certain standards of underwriting criteria.

Due to the composition of the Group's business portfolios, a certain degree of risk concentration in the secured portfolios is evident. The Group manages these risks through mandate and scale limits that differ across the individual portfolios, for example:

- vehicle and asset finance: limits are placed on affordability and LTV ratios;
- mortgages: limits are placed on property values and LTV ratios; and
- commercial property finance: limits are placed on the type of asset (e.g. industrial or retail) and geographical area.

Due to the structure of the South African financial markets, a certain level of concentration with derivative counterparties is also to be expected. The Group manages this type of concentration risk through mandate and scale limits, netting agreements, CSAs, sophisticated, simulation-based exposure models that support a rigorous credit analysis, on-going monitoring of these counterparties and the Group's MTM exposure.

Asset management risk

Asset management risk arises where the fee and commission income earned by asset management products and businesses is affected by a change in market levels, primarily through the link between income and the value of assets under management. The risk is measured against an AEaR limit to reflect the sensitivity of annual earnings to shocks in market rates. Group policy requires that businesses monitor, report and regularly assess potential hedging strategies relating to this risk. Exposure to this risk currently arises mainly in WIMI. Asset management risk remained low during the reporting period.

Wrong-way risk

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

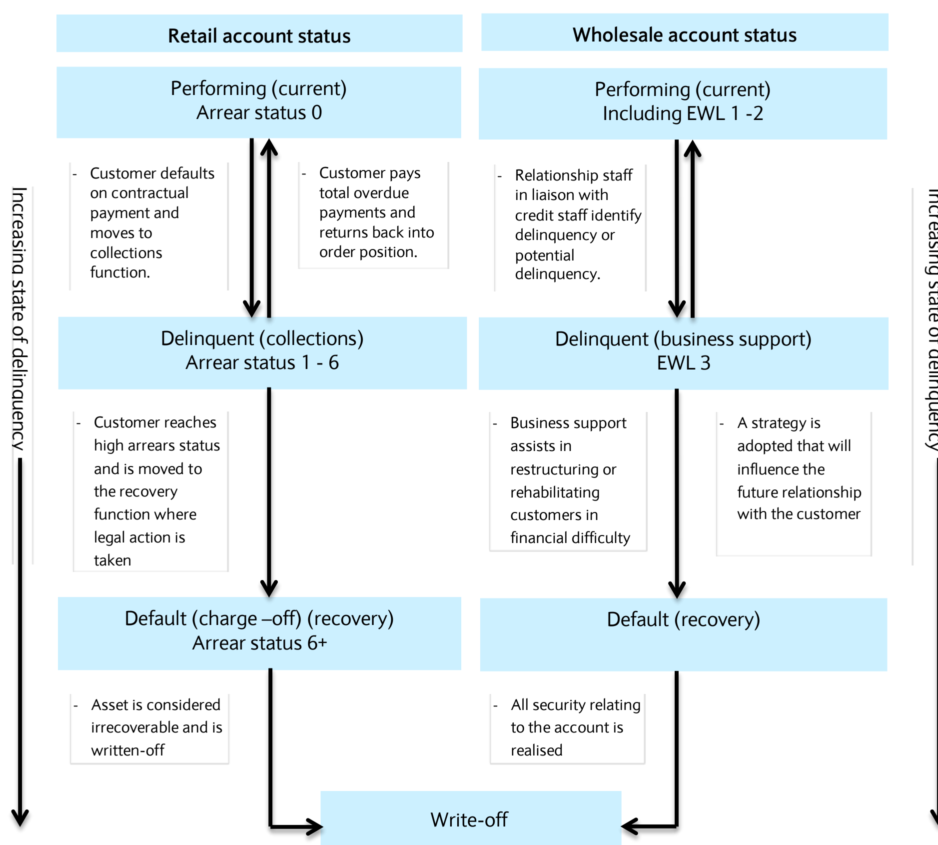
- Specific wrong-way risk, which may arise in transactions with certain structural features, such as the collateralisation of a loan with the borrower's, or a related party's shares; and
- General or conjectural wrong-way risk, which may arise where the credit quality of the counterparty is related to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

The Group aims to limit both these risk types. However, it recognises the need to engage in certain transactions that could expose the Group to specific wrong-way risk, such as funding broad-based black economic empowerment (BBBEE) transactions.

Monitoring weaknesses in portfolios

Corporate accounts deemed to contain heightened levels of risk are recorded on EWLs. These are updated monthly and circulated to relevant risk control points. Once an account is included on EWL, exposure is carefully monitored and, where possible, a reduction of the exposure is effected. The lists are graded in line with the perceived severity of the risk attached to the loan. Corporate customers are escalated through three categories of increasing concern. When an account becomes impaired, it would normally but not necessarily, have passed through all three categories, which reflect the need for increased monitoring and control. Where a borrower's financial health presents grounds for concern, it is immediately placed into the appropriate category. All borrowers are subject to a full review of all facilities on at least an annual basis. Interim reviews may be performed if necessary.

Within the Retail Banking portfolios, which tend to comprise homogeneous assets, statistical techniques allow the impairment to be monitored on a portfolio basis. It is consistent with the Group's policy to raise an impairment allowance as soon as objective evidence of impairment is identified as a result of one or more loss events that occurred, subsequent to initial recognition. The Group offers forbearance programmes to assist customers and clients in financial difficulty through agreements that may include accepting less than contractual amounts due where financial distress would otherwise prevent satisfactory repayment within the original terms and conditions of the contract. Models in use are based upon customers' personal and financial performance information over recent periods, which serve as a predictor for future performance. The models' output are regularly reviewed against actual performance and, where necessary, amended to optimise their effectiveness.



Securitisation

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

Apart from originating and sponsoring securitisation transactions, the Group also acts as an investor, a service provider, a liquidity provider and credit enhancer to a number of securitisation transactions. The Group invests directly in the securitisation schemes.

Securitisation transactions, used as part of the Group's credit portfolio, are primarily focused on the effective management of funding requirements. Planned securitisation transactions, market appetite and potential marketing and placement strategies are governed by a delegated mandate from the Board Finance Committee and assessed with the assistance of the CIB Market Risk Committee (CIB MRC) and Africa Treasury committee (ATC). There are two main types of securitisation:

- traditional securitisation transactions where an originating bank transfers a pool of assets it owns to a special purpose entity on an arm's length basis; and
- synthetic securitisation transactions where the originating bank transfers only the credit risk associated with an underlying pool of assets, through the use of credit-linked notes or credit derivatives, while retaining legal ownership of the pool of assets.

All securitisation transactions entered into as at the reporting date involved the sale of the underlying assets to the securitisation vehicle. The Group has not originated any synthetic securitisation transactions. Nonetheless, the Group calculates appropriate capital charges in respect of the risk assumed through the provision of liquidity facilities and retained exposures, as per the Basel III securitisation framework.

As at the current reporting date, the Group's own assets relating to the Home loan portfolio were securitised. The look-through approach is applied for the Home Obligors Mortgage Enhanced Securities Proprietary Limited (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 origination of transactions based on other asset classes, such as CPF are considered on an ongoing basis.

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

Equity investment risk

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

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

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

- a formal approval governance process;
- key functional specialists reviewing investment proposals;
- adequate monitoring and control after the investment decision has been implemented; and
- ongoing 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.

Market Risk management

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

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

Traded market risk arises in the trading book to support client-trading activity, whereas non-traded market risk arises in the banking book to support customer products.

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

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

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 high degree of net interest margin stability in the Group's banking books.
- Understand risk sensitivity and volatility, take advantage of stress testing and empirical analytics. Use appropriate models to measure risk.
- Underwrite risks that are well diversified in terms of types of risk and the level of insured benefits. Develop strategies to reduce earnings volatility and increase potential profits under good claims experience conditions.
- Reduce exposures to insurance business lines where the risk-adjusted returns are low, and increase exposures to more attractive business lines to improve the risk-return outlook. Monitor and continuously reassess the inherent quality and risk profile of the insurance business book.
- Ensure pension risk is managed within outlined principles, objectives and governance, as well as country specific regulations.
- The Group retains additional capital reserves which target a 99,6% level of confidence that policyholder obligations will be met during severe economic and demographic scenarios. The Group's adequacy of reserves, premiums and retained capital is regularly reviewed, in preparation for the Solvency Assessment and Management (SAM) legislation.

Traded Market Risk

Approach

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

Risk appetite

The risk appetite for traded market risk is based on:

- Proposed business strategy and growth;
- Targeted growth in risk;
- Budgeted revenue growth;
- Historical risk usage;
- Statistical modelling measures; and
- Risk equated to capital projection under various stress scenarios.

Risk measurement

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

- Value at risk (VaR) based measures including stressed value at risk (sVaR);
- Tail metrics;
- Position and sensitivity reporting (Non-VaR);
- Stress testing;
- Backtesting; and
- Standardised general & specific risk, as relevant.

The standardised approach is used to quantify regulatory capital requirements for both specific and general risk for the Rest of Africa. Additional measures such as VaR, Non-VaR and stress testing are used for management reporting purposes.

In line with regulatory requirements for public disclosures on the internal models approach, the sections below on Daily Value at Risk, Backtesting, Tail metrics and Stressed Value at Risk specifically relate to the models used for South Africa.

Daily value at risk

Daily value at risk (DVaR) is an estimate of the potential loss that may arise from unfavourable market movements if current positions were to be held unchanged for one business day.

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

The historical simulation methodology can be split into three parts:

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

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

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

The VaR estimates have a number of limitations namely:

- The historical simulation assumes that the past is a good representation of the future, 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 does not indicate the potential loss beyond the selected percentile.
- The VaR is based on positions at the close of business day. The intra-day risk or the risk from a position being bought and sold on the same day is not captured.
- Prudent valuation practices are used in the VaR calculation when there is a difficulty in obtaining rate/price information.

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

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, excluding fees, commissions, bid-ask spreads and net interest income, as required for regulatory backtesting purposes.

Tail metrics

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

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

Non-value at risk

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

Stressed value at risk

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

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

Stress testing

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

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

Standardised risk

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

General risk for the Rest of Africa is also quantified using standardised rules, specifically for the interest rate and foreign exchange asset classes to which exposures in these entities are limited (derivatives and other asset classes are traded only on a back-to-back basis with South Africa). In particular, the maturity method is used to quantify general interest rate risk for the Rest of Africa.

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; and
- Loss notification thresholds: actual losses versus pre-determined tolerance levels.

The valuation control, independent price testing and bid-offer testing are conducted by the product control and the independent price verification teams, and the results are reviewed monthly by the Valuation Governance and Control Committee.

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

Risk reporting

The Group's market risk team produces a number of detailed and summary market risk reports daily and monthly. These reports summarise the positions, risks and top stresses covering interest rate, foreign exchange, equity, commodity and credit spread risks. A risk summary is also presented at the AMRC and other governance committees, as required.

Non-Traded Market Risk

Interest rate risk in the banking book

Approach

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

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

Risk management strategies considered include:

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

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

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

Embedded customer optionality risk may also give rise to interest rate risk in the banking book. This risk arises from a customer's right to buy, sell or in some manner alter the cash flow of a financial contract. Embedded customer optionality is distinct from direct optionality, which arises through the underlying product structure (e.g. capped rate loan products). The Group's policy requires such direct option risk must be hedged explicitly.

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. The risk is controlled through book and term limits, funding (hedging) new loans according to the expected behavioural repayment profile and tracking deviations of actual customer behaviour from the expected profile.

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. Controls include campaign rules, prefunding of anticipated take-up and the management of the resultant residual risk

Risk measurement

The techniques used to measure and control interest rate risk in the banking book include repricing profiles, annual earnings at risk (AEaR), DVaR and tail metrics, economic value of equity sensitivity and stress testing.

Repricing profiles

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

Annual earnings at risk (AEaR)/ Net interest income (NII) sensitivity

AEaR/ NII sensitivity measures the sensitivity of net interest income 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.

Daily value at risk

A 1-day VaR calculated at a 95% confidence level for measuring interest rate risk in the banking book 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.

Economic value of equity (EVE) sensitivity

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

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 and is monitored against formal internal limits.

Risk control

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

Risk reporting

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

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.

Insurance Risk management

Within the Group, four categories of insurance risk are recognised, namely short-term insurance underwriting risk, life insurance underwriting risk, life insurance mismatch risk and life and short-term insurance investment risk. These four categories of insurance risk are managed within different entities within the Group.

Strategy

The Group's insurance risk management objectives are:

- Pursuing profitable growth opportunities
- Balancing exposure between life and short-term insurance to allow for better diversification
- Retention of desired risks
- Growing risk exposures outside South Africa.

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

- Short-term insurance underwriting risk is managed through underwriting authority mandates and through referral to an Underwriting Review Committee, as and when required. Risk governance is monitored by the Control Review Committee, the WIMI Actuarial Review Committee, the WIMI Financial Risk Committee and Key Risk reporting.
- Life insurance underwriting risk is monitored on a quarterly basis by the Underwriting Risk Forum to ensure the risk taken is in line with the risk priced and reserved for. Risk governance is monitored by the Control Review Committee, the WIMI Actuarial Review Committee, the WIMI Financial Risk Committee and Key Risk reporting.
- Life insurance mismatch risk is monitored every other month by the Capital and Investment Risk Committee. A quarterly oversight function is performed by the WIMI Financial Risk Committee and an annual review by the WIMI Actuarial Review Committee.
- Life and short-term insurance investment risk is monitored by the entity Capital and Investment Risk Committee on at least a quarterly basis.

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.

Funding Risk management

Liquidity Risk management

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

Liquidity risk is monitored at a group level under a single comprehensive Liquidity Risk Framework. The Liquidity Risk Framework is designed to deliver the appropriate term and structure of funding consistent with the Liquidity Risk Appetite (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 liquidity and funding perspective and is responsible to implement appropriate processes and controls to ensure compliance with local liquidity appetite, regulatory limits and reporting requirements.

Strategy

The Group's liquidity risk management objectives are:

- manage the funding position in line with Board-approved liquidity risk appetite framework and liquidity coverage ratio requirements;
- grow and diversify the funding base to support asset growth and other strategic initiatives;
- manage the bank's maturity profile in order to achieve planned liquidity ratios; and
- balance the above objectives against the long term impacts on the bank's cost of funding.

Barclays Africa Group is expected to maintain the healthy liquidity position throughout 2015 which will enable it to support its growth targets.

Approach to liquidity risk

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

- to maintain liquidity resources that are sufficient in amount and quality and a funding profile that is appropriate to meet the liquidity risk appetite as expressed by the Board;
- to maintain market confidence;
- to set limits to control liquidity risk within and across lines of business and legal entities;
- to accurately price liquidity costs, benefits and risks and incorporate those into product pricing and performance measurement;
- to set early warning indicators to identify immediately the emergence of increased liquidity risk or vulnerabilities including events that would impair access to liquidity resources;
- to project fully over an appropriate set of time horizons cash flows arising from assets, liabilities and off-balance sheet items; and
- to maintain a Contingency Funding Plan 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 Barclays Africa Group applies a three step risk management process:

- **Evaluate:** Risk evaluation is carried out by those individuals, teams and departments that are best placed to identify and assess the potential liquidity risks, and include those responsible for delivering the objectives under review.
- **Respond:** The appropriate risk response ensures that liquidity risk is kept within appetite.
- **Monitor:** Once risks have been identified and measured, and controls put in place, progress towards objectives must be tracked. Monitoring must be on-going and can prompt re-evaluation of the risks and/or changes in responses.

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

Funding planning	Liquidity risk monitoring	Execution and intra-day liquidity risk	Contingent funding planning	Regulatory compliance
– Funding plan – Concentration risk – Client behaviour – Pricing liquidity risk through funds transfer pricing	– Liquidity policies – Liquidity risk appetite – Stress testing – Limits and metrics – Intraday liquidity risk monitoring – Monitoring other contingent liquidity risks – New product review – Debt buyback monitoring	– Liquidity buffers – Funding execution – Daily clearing and settlement – Contingent liquidity risks in transaction documentation	– Contingency planning – Early warning indicators – Liquidity simulations – Recovery and Resolution planning	Current – Reserving – Liquid assets – Regulatory reporting Basel III – Liquidity coverage ratio – Net stable funding ratio

Funding planning

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

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

Stress and scenario testing

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

Each entity within the Barclays Africa Group undertakes a range of stress tests appropriate to their business. Stress tests consider both institution-specific and market-wide scenarios separately and on a combined basis. The results of the stress tests are used to determine the minimum liquid asset requirement, to develop the contingency funding plan, liquidity recovery plan, and 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.

Liquidity Coverage ratio

South African banks have been monitoring their liquidity coverage ratio (LCR) since January 2013. This was done in preparation for the introduction of the LCR minimum regulatory requirement of 60%, from 1 January 2015. The objective of the LCR is to ensure that every bank maintains an adequate stock of high quality liquid assets (HQLA) to survive a significant stress scenario lasting 30 days.

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

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

BAGL and Absa Bank Limited held high quality liquid assets (HQLA) in excess of the regulatory minimum requirement. The table below represents the average LCR for the quarter ended 30 June 2015[1]:

	Barclays Africa Group Limited	Absa Bank Limited
High Quality Liquid Assets (Rm)	115 431	97 476
Net Cash Outflows (Rm)	146 226	128 849
Liquidity Coverage Ratio (%)	78.9	75.7
Required Liquidity Coverage Ratio (%)	60.0	60.0

High Quality Liquid Assets

Each bank holds a stock of highly liquid assets 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 BAGL entity maintains and demonstrates constant access to the relevant underlying asset market to avoid undue price movement if liquid assets need to be sold to maintain confidence in the bank's name. Each operation ensures that its buffer can be liquidated at short notice.

Contingency funding planning

Each bank maintains its own Contingency Funding Plan (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, and
- scenario analyses and the extent to which each stress test and scenario can be mitigated by managing the balance sheet.

The Group maintains a range of early warning indicators (EWIs). These assist in informing management on deciding whether the CFP should be invoked. Each operation must adopt and conform to the Group CFP and establish local processes and procedures for managing local liquidity stresses that are consistent with the Group's level plan. The CFPs set out the specific requirements to be undertaken locally in a crisis situation. This could include monetising the liquidity pool, slowing the extension of credit, increasing the tenor of funding and securitising or selling assets. The Group continues to work with the Regulator on Recovery and Resolution planning.

Notes
[1] The values disclosed represent the simple average of the relevant 3 month-end data points.

Operational Risk management

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 impossible 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.

Strategy

The Group's operational risk management objectives are to:

- Articulate an appropriate level of financial and non-financial 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 (expected losses) and to avoid or reduce the likelihood of suffering an extreme (or unexpected) loss.

Primary supporting activities include:

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

Approach to operational risk

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

The ORMF comprises a number of elements that allow the Group to manage and measure its operational risk profile and to calculate the amount of operational risk capital that needs to be held to absorb unexpected losses. The minimum, mandatory requirements for each of these elements are set out in the Group's operational risk policies. These policies 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 policies; and horizontally, with the Key Risk Officers required to monitor information relevant to their key risk.

The Group is committed to the management and measurement of operational risk and was granted approval to operate 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 basic indicator approach or the standardised approach is being applied for the remaining entities.

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

- External supplier risk: inadequate selection and ongoing management of external suppliers.
- Financial reporting risk: reporting misstatement or omission in external financial or regulatory reporting.
- Fraud risk: dishonest behaviour with the intent to make a gain or cause a loss to others.
- Financial crime risk: the risk of breaching economic and financial sanctions, the facilitation of money laundering or terrorist financing and/or bribery and corruption
- Information risk: inadequate protection of the Group's information in accordance with its value and sensitivity.
- Legal risk: failure to identify and manage legal risks.
- Payment risk: failure in operation of payments processes.
- People risk: inadequate people capabilities and/or performance/reward structures, and/or inappropriate behaviour.
- Premises and security risk: unavailability of premises (to meet business demand) and/or safe working environments, and inadequate protection of physical assets, employees and customers against external threats.
- Taxation risk: failure to comply with tax laws and practice that could lead to financial penalties, additional tax charges or reputational damage.
- Technology risk (including cyber risk): failure to develop and deploy secure, stable and reliable technology solutions.
- Transaction operations risk: failure in the management of critical transaction processes.

The prime 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, assisting line managers in understanding and managing their risks. 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:

Risk and control 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 the level of risk. These risk assessments are monitored on a regular basis to ensure that each business continually understands the risks it faces.

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.

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 is valuable as it contributes to management’s understanding of the risk and control environment across the organisation and enables informed and appropriate remediation (on an individual and pervasive basis) targeted at continuously improving the Group’s operational risk management process and the effectiveness with which the bank is managed.

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.

Key indicators

Key indicators (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.

Key risk scenarios

Key Risk Scenarios 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 Key Risk Scenario assessments are a key input to the Advanced Measurement Approach calculation of regulatory and economic capital requirements (see following section on Operational Risk Measurement) and is a management tool of the ORMF. The assessment is performed by business management with the Key Risk Officers providing expert input, review and challenge. The process takes into account the analysis of internal and external loss experience, key risk indicators, risk and control assessments and other risk information.

The 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.

Insurance

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

Reporting

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

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

In addition, business unit Control Review Committees (CRC) and Country Risk and Control Committees (CRCC) monitor risk management and control effectiveness. The Group implemented a process to align in-country governance and risk committees to mirror the requirements of the ORCC and the overarching principles of the ERMF.

Operational risk measurement

The Group assesses its operational risk capital requirements using an Advanced Measurement Approach. The approach involves estimating the potential range of losses that could be incurred in a year from operational risk events, using statistical distributions. Regulatory capital requirements are set to cover 99,9% of the estimated losses. The Group also assesses its economic capital requirements to cover 99,95% of the estimated losses that exceed the typical losses.

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

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

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

Conduct Risk management

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

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

The conduct of banks is under more rigorous scrutiny from regulators globally and the Group is committed to enhancing the measurement and management thereof. The Twin Peaks model to regulatory supervision is in the process of being implemented in South Africa. Part of this development will see the creation of two primary regulatory bodies, one of which will be the Market Conduct Regulator, with the purpose "to protect consumers of financial services and promote confidence in the financial system". The implementation of a Conduct Risk management framework will position the Group to meet any enhanced requirements that may result.

Strategy

The Group's conduct risk management objectives are to:

- embed conduct risk across the organisation;
- foresee and effectively mitigate 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.

Approach to conduct risk

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

- ***Governance and Culture:*** the risk that the organisation does not organise or govern itself in a way that effectively identifies and manages conduct risks.
- ***Strategy and Business Model:*** the risk that strategy and business models cause customer detriment or negatively impact market integrity.
- ***Product Design:*** the risk that products do not meet the needs of customers for whom they are intended both at launch and during the lifetime of the product.
- ***Transaction Services:*** the risk that introducing, promoting, offering, advising, managing, selling, executing and dealing of products cause detriment to clients or negatively impact market integrity. This includes wholesale and retail transactions and both advisory and non-advisory transactions.
- ***Customer Servicing:*** the risk that all customer-related and ancillary activities, not directly related to Product Design or Transaction Services that typically begins after each transaction is agreed with a customer can potentially cause customer detriment.
- ***Reputation Risk:*** the risk that in conducting business the Reputation of the Group is not uphold.
- ***Authorisations and Permissions:*** the risk that Barclays fail to obtain and maintain relevant regulatory authorisations, permissions and licence requirements.

The conduct principal risk framework comprises a number of elements that allow the Group to manage and measure its conduct risk profile. The minimum mandatory requirements for each of these elements are set out in seven key risk frameworks. These frameworks are implemented across the organisational structure with all businesses required to implement and operate a minimum set of controls and key risk indicators. During next year detailed control objectives are being implemented with the introduction of revised policies that directly relate to the seven key risk frameworks.

The prime responsibility for the management of conduct risk rests with the business units. The heads of the different business units are responsible for ensuring the implementation of, and compliance with, the conduct risk framework. In addition, business unit Control Review 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. The Conduct and Reputational Risk Committee (CRRC) is the senior executive body responsible for the oversight and challenge of conduct risk in the Group. The CRRC presents relevant risk profile information to the Social and Ethics Committee, GACC and GRCMC. The CRRC is chaired by the Head of Compliance.

The conduct principal risk framework has been designed to meet external and internal governance requirements and includes the following conduct risk outcomes which are guiding principles that articulate the Group's commitment to achieve positive and fair customer outcomes:

- The Group's culture places customers' interests at the heart of the Group's strategy, planning, decision making and judgements.

- 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.
- 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 the reputation of Barclays.

Conduct Material Risk assessments and forward looking conduct risk reporting

The Group performs conduct material risk assessments (CMRA) to ensure that when developing business models and strategy it fully considers customer/client outcomes and market integrity and identifies the management actions that need to be put in place to avoid customer detriment or damage to market integrity. This consideration includes the analysis of medium term financial plans. Accountable Executives produce quarterly conduct risk reporting. By using the strategy and business model key risk lens, conduct risk reporting is forward-looking and identifies conduct risks at the earliest stages of the Group's strategy formulation and decision making.

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 *de minimis* level of tolerance for customer detriment and conduct incidents. The Group recognises that from time to time conduct risks (including detriment) will crystallise and become conduct incidents. Thresholds are used to ensure that likely and probable conduct risks and realised conduct incidents are escalated to governance forums. Root cause analysis, of and lessons learnt from, events are key to the Group's understanding of its risk and control environment. It informs appropriate remediation targeted at continuously improving the Group's conduct risk management processes and considers customer restitution.

Key indicators

Key indicators (KIs) are used to monitor conduct risk against measurable targets. KIs are generally categorised between key risk indicator (KRI), key control indicator (KCI) or key performance indicator (KPI) each respectively designed to monitor identified risk exposures, control effectiveness, and other business performance. Prescribed KPIs have been drafted at a high level to allow businesses to identify underlying processes and data relevant to their business' or function's key risk profile. Individual Business Units are required to develop business specific KPIs to enable a more detailed assessment of Conduct Risk Management across Barclays Africa Group Limited. Predictive key indicators (PKIs) are used to measure forward looking risk exposures. KIs allow the Group to measure performance or achievement of objectives, which are the 10 conduct risk outcomes and the Barclays Way.

Analysis of risk exposure

Credit risk

Exposure per Basel III approach and asset class

	30 June 2015						30 June 2014	31 December 2014
	Utilised on-statement of financial position exposure	Off-statement of financial position exposure)	Repurchase and resale agreements	OTC derivative instru-ments	Total credit exposure	EAD	EAD	EAD
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
AIRB approach								
Banks	37 375	8 668	25 665	32 401	104 109	56 638	67 869	52 913
Corporate exposure	226 263	161 899	18 222	7 799	414 182	276 469	245 504	250 468
Corporate	151 437	131 614	18 222	7 630	308 902	184 690	185 126	162 746
SME Corporate	65 695	26 772	-	62	92 529	81 351	50 031	78 293
Specialised lending - income producing real estate	4 878	562	-	-	5 440	5 045	4 902	4 477
Specialised lending - project finance	4 253	2 951	-	107	7 311	5 383	5 445	4 952
Local government and municipalities	3 489	10 735	-	-	14 224	6 389	5 973	6 580
Public sector entities	6 210	9 404	-	403	16 017	10 169	8 132	11 208
Retail exposure	352 348	91 578	-	-	443 926	397 171	395 827	394 665
Mortgages (including any home loan equity lines of credit)	227 406	49 909	-	-	277 314	248 498	251 438	249 076
Other	75 195	938	-	-	76 134	76 115	74 403	75 696
Unsecured lending≤ 30 000	3 278	122	-	-	3 401	3 635	3 879	3 732
Unsecured lending > 30 000	13 834	816	-	-	14 650	14 394	13 897	13 672
Other	1 776	-	-	-	1 776	1 776	2 056	1 943
Vehicle and asset finance	56 307	-	-	-	56 307	56 310	54 571	56 349
Revolving credit	34 533	34 235	-	-	68 768	50 510	47 139	48 789
Credit cards	32 729	29 572	-	-	62 301	43 134	39 929	41 426
Non-credit cards	1 804	4 663	-	-	6 467	7 376	7 210	7 363
SME	15 214	6 496	-	-	21 710	22 048	22 847	21 104
Secured lending	8 622	717	-	-	9 338	8 903	8 445	7 736
Unsecured lending	6 592	5 779	-	-	12 372	13 145	14 402	13 368
Securities firms	804	1	394	706	1 904	1 762	5 294	4 516
Sovereigns	58 637	169	-	207	59 013	60 385	71 666	71 318
Standardised approach								
Banks	23 934	920	-	146	24 999	20 395	21 399	23 951
Corporate exposure	42 466	18 482	-	229	61 176	53 486	45 084	46 459
Retail exposure	43 622	14 640	-	-	58 263	43 134	40 621	43 660
Mortgages (including any home loan equity lines of credit)	5 853	-	-	-	5 853	5 714	4 815	5 878
Vehicle and asset finance	23 730	-	-	-	23 731	22 895	21 422	22 799
Revolving credit	13 404	14 635	-	-	28 039	13 923	13 724	14 338
Credit cards	11 057	13 584	-	-	24 641	11 720	11 981	12 212
Non credit cards	2 347	1 051	-	-	3 398	2 203	1 743	2 126
SME	636	5	-	-	641	602	660	645
Sovereigns	30 277	175	-	-	30 452	30 305	29 995	33 490
Total	825 425	316 671	44 281	41 891	1 228 265	956 303	937 364	939 228

Risk-weighted assets and minimum required capital [1]

Group	30 June 2015 RWAs Rm	30 June 2015 Required capital Rm	30 June 2014 RWAs Rm	30 June 2014 Required capital Rm	31 December 2014 RWAs Rm	31 December 2014 Required capital Rm
Banks	**16 111**	**1 692**	17 607	1 673	18 259	1 826
Corporate exposure	**168 340**	**17 677**	147 723	14 033	153 485	15 348
Corporate	**104 093**	**10 930**	109 896	10 440	94 203	9 420
SME Corporate	**59 064**	**6 202**	32 402	3 078	55 588	5 559
Specialised lending – income producing real estate	**2 853**	**300**	2 465	234	1 605	160
Specialised lending – project finance	**2 330**	**245**	2 960	281	2 089	209
Local governments and municipalities	**813**	**85**	897	85	858	86
Public sector entities	**2 944**	**309**	2 775	264	2 455	245
Retail exposure	**151 465**	**15 905**	149 418	14 194	145 084	14 508
Mortgages (incl. home equity line of credit)	**51 571**	**5 415**	55 389	5 262	52 829	5 283
Other	**54 746**	**5 749**	51 565	4 898	50 245	5 024
Unsecured lending ≤30 000	**3 599**	**378**	4 075	387	3 671	367
Unsecured lending >30 000	**14 713**	**1 545**	14 926	1 418	13 713	1 371
Other - other	**1 923**	**202**	2,203	209	2 085	208
Vehicle and asset finance	**34 511**	**3 624**	30 361	2 884	30 776	3 078
Revolving credit	**33 267**	**3 493**	30 558	2 903	30 087	3 009
Credit cards	**30 787**	**3 233**	28 574	2 715	27 891	2 789
Non-credit cards	**2 480**	**260**	1 984	188	2 196	220
SME	**11 881**	**1 248**	11 906	1 131	11 923	1 192
Secured lending	**3 206**	**337**	3 390	322	3 574	357
Unsecured lending	**8 675**	**911**	8 516	809	8 349	835
Securities firms	**795**	**83**	1 517	144	1 124	112
Sovereign	**4 160**	**437**	5 131	487	5 009	501
Securitisation	**532**	**56**	866	82	918	92
Standardised approach	**122 411**	**12 853**	109 602	10 412	118 916	11 892
Total	**467 571**	**49 097**	435 536	41 374	446 108	44 610

Notes
[1] The RWA in the above table exclude post model adjustments of R17.2bn for new models pre implementation. Standardised RWA excludes additional RWA of R8.5bn as per local regulator requirement.

Indicative mapping of DG to PD band, alphanumeric agency grades and regulatory bands

DG to PD mapping					Alphanumeric scale mapping		Regulatory PD band to PD mapping		
Default grade bucket	Note	Min PD (>) %	Max PD (<) %	PD Midpoint %	Standard & Poor's	Moody's	PD band	Lower bound %	Upper bound %
1	1	-	0.0200	0.0100	AAA	Aaa	1	0.0001	0.0120
2		0.0200	0.0300	0.0250	AA-	Aa3/A1	2	0.0121	0.0170
3		0.0300	0.0500	0.0400	A+	A2	3	0.0171	0.0240
4		0.0500	0.1000	0.0750	A/A–	A3/Baa1	4	0.0241	0.0340
5		0.1000	0.1500	0.1250	BBB+	Baa2	5	0.0341	0.0480
6		0.1500	0.2000	0.1750	BBB	Baa2	6	0.0481	0.0670
7		0.2000	0.2500	0.2250	BBB	Baa3	7	0.0671	0.0950
8		0.2500	0.3000	0.2750	BBB–	Baa3	8	0.0951	0.1350
9		0.3000	0.4000	0.3500	BBB–	Ba1	9	0.1351	0.1900
10		0.4000	0.5000	0.4500	BB+	Ba1	10	0.1901	0.2690
11	2	0.5000	0.6000	0.5500	BB+	Ba2	11	0.2691	0.3810
12		0.6000	1.2000	0.9000	BB	Ba3	12	0.3811	0.5380
13		1.2000	1.5500	1.3750	BB-	Ba3	13	0.5381	0.7610
14		1.5500	2.1500	1.8500	BB–	B1	14	0.7611	1.0760
15		2.1500	3.0500	2.6000	B+	B1	15	1.0761	1.5220
16		3.0500	4.4500	3.7500	B	B2	16	1.5221	2.1530
17		4.4500	6.3500	5.4000	B	B3	17	2.1531	3.0440
18		6.3500	8.6500	7.5000	B-	B3	18	3.0441	4.3050
19		8.6500	11.3500	10.0000	B-	Caa1	19	4.3051	6.0890
20	3	11.3500	18.6500	15.0000	CCC+	Caa2	20	6.0891	8.6110
							21	8.6111	12.177
							22	12.177	17.222
							23	17.222	24.355
							24	24.355	34.443
21		18.6500	100.0000	30.0000	CCC	Ca	25	34.443	100.000
Default		100.0000	100.0000	100.0000	D	D	Default	100.000	100.000

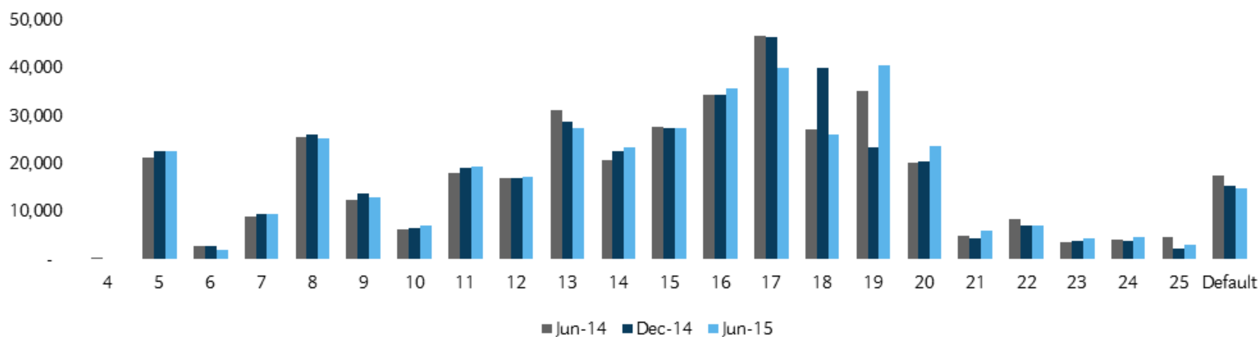
Notes

[1] Default grades 1 – 10: assets falling within these DG buckets are regarded as 'investment grade'.

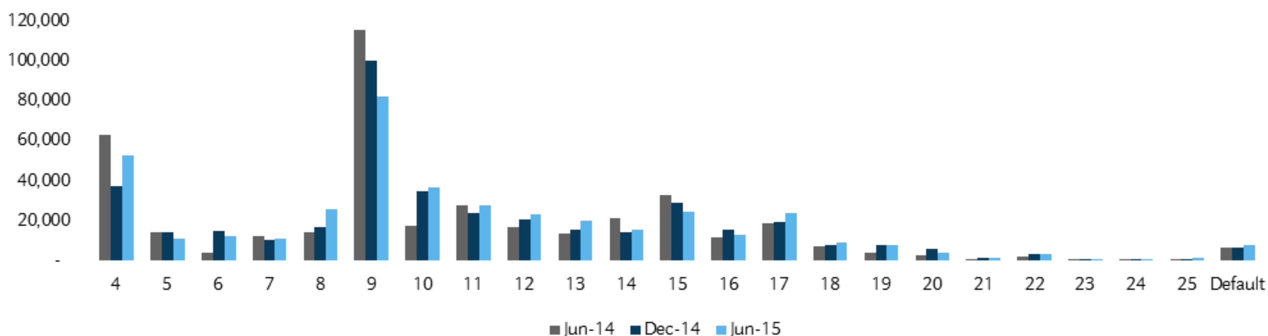
[2] Default grades 11 – 19: financial assets in these grades typically require more detailed management attention where clear evidence of financial deterioration or weakness exists. Assets in this category, although currently protected, are potentially weaker credits. These assets contain some credit deficiencies.

[3] Default grades 20 – 21: the PD of financial assets in these grades have deteriorated to such an extent that they are included for regular review. Assets so classified must have well defined weaknesses that exacerbate the PD. These assets are characterised by the distinct possibility that the borrower will default, and should the collateral pledged be insufficient to cover the asset, the Group will sustain some loss when default occurs.

The graphs below reflect the distribution of the bank's retail and wholesale exposure on the regulatory PD bands.



EAD weighted average PD (performing): June 2015: 3.24% (June 2014: 3.40%). During the period there has been further reduction in the default category. There has been a 3% increase in exposure in the last 12 months across the Retail Performing Portfolio with most of that growth due to growth in the Vehicle Finance and Card portfolios.



EAD weighted average PD (performing): June 2015: 1.09% (June 2014: 1.01%). The distribution of exposures across default bands within the wholesale credit portfolio was stable during the period. There is a marginal increase in the default bucket, in line with new regulatory reporting requirements, specific to restructured exposures.

Analysis of risk

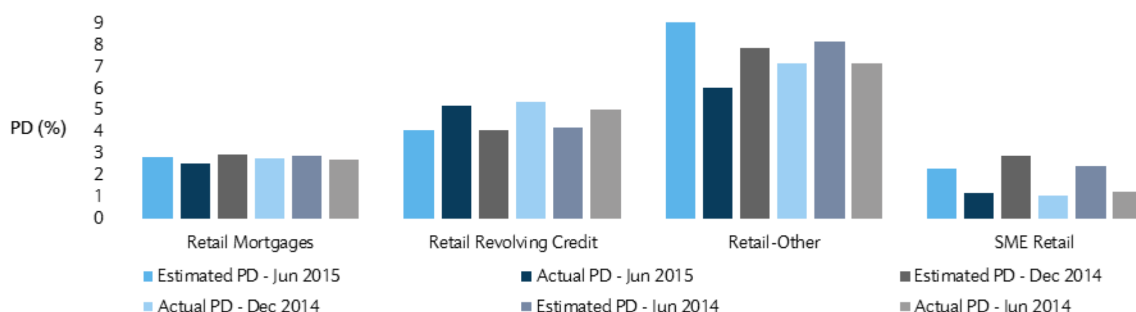
The principal objective of credit risk measurement is to produce the most accurate possible quantitative assessment of credit risk to which the Group is exposed from the level of individual facilities up to total portfolio. Integral to this is the calculation of internal ratings that are used in numerous aspects of credit risk management. The key building blocks of the process are:

- PD
- EAD
- LGD and
- Maturity

Comparison of probability of default estimates with actual default

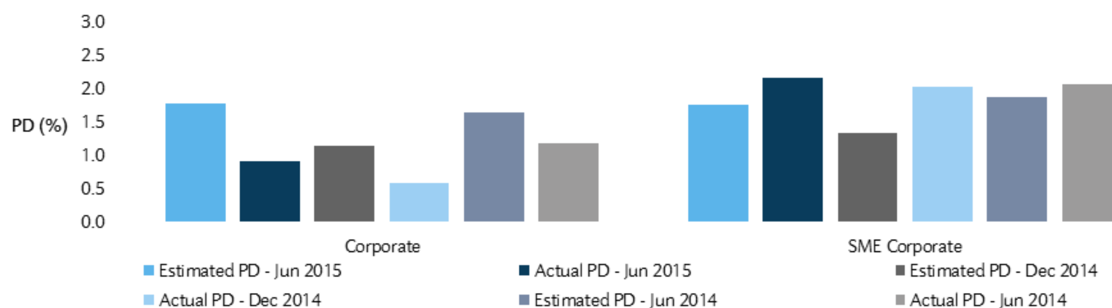
The objective of PD back testing is to compare the accuracy of the PD estimates for regulatory purposes with actual default data. For regulatory capital a through-the-cycle (TTC) PD is used. However in order to test the performance of the PD models, for each retail and wholesale Basel III asset class, the point-in-time (PIT) PD at the previous reporting date is compared to the actual default rate during the period.

Comparison of actual probability of default vs estimates (total book) for the performing book - retail operations (%)



Slight PD overestimation occurred within Mortgages and Retail other with underestimation present in Retail Revolving. These results are in line with internal monitoring which also considers the level of TTC PD estimates relative to experienced long run default rates. Based on this back testing and additional internal monitoring the Group is comfortable with the overall level of PD estimates within retail portfolios.

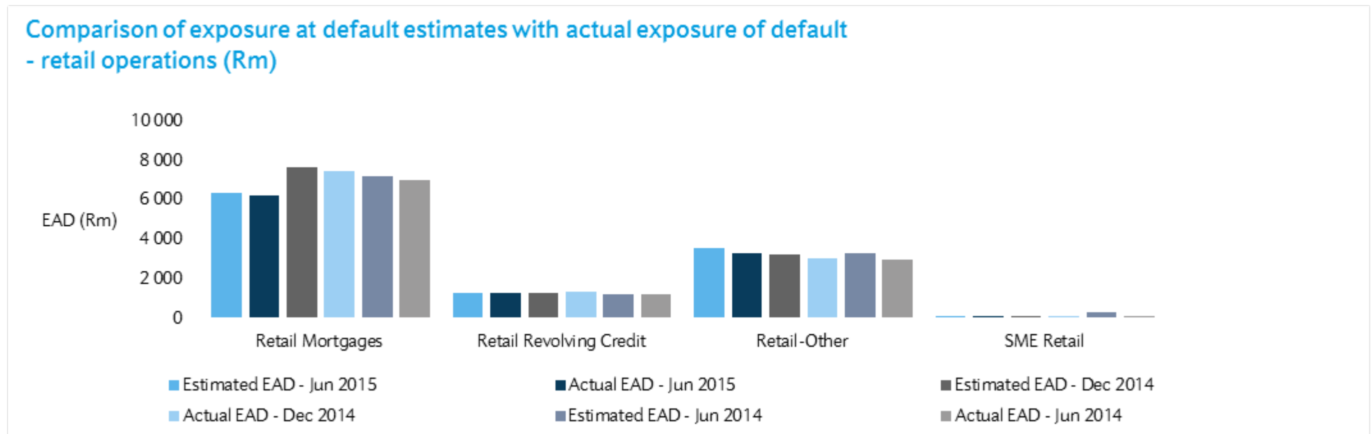
Comparison of actual probability of default vs estimates (total book) for the performing book - wholesale operations (%)



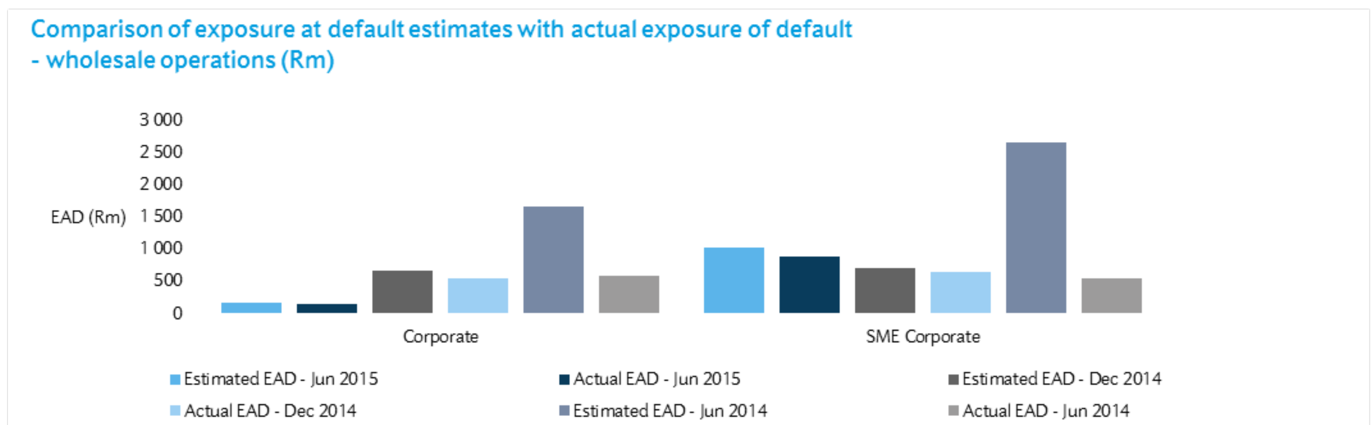
Back testing indicates the actual Corporate default rate has decreased year-on-year, although there is a slight increase from December 2014, furthermore, the PD model estimates remain conservative. The actual default rate and estimated PDs for SME Corporate remained stable year-on-year.

Comparison of exposure at default with actual exposure at default

The objective of EAD back testing is to compare the accuracy of EAD estimates for regulatory purposes with actual EAD. For each retail and wholesale Basel III asset class, the estimated EAD at the previous reporting date is compared to the actual EAD of those loans that defaulted during the period.



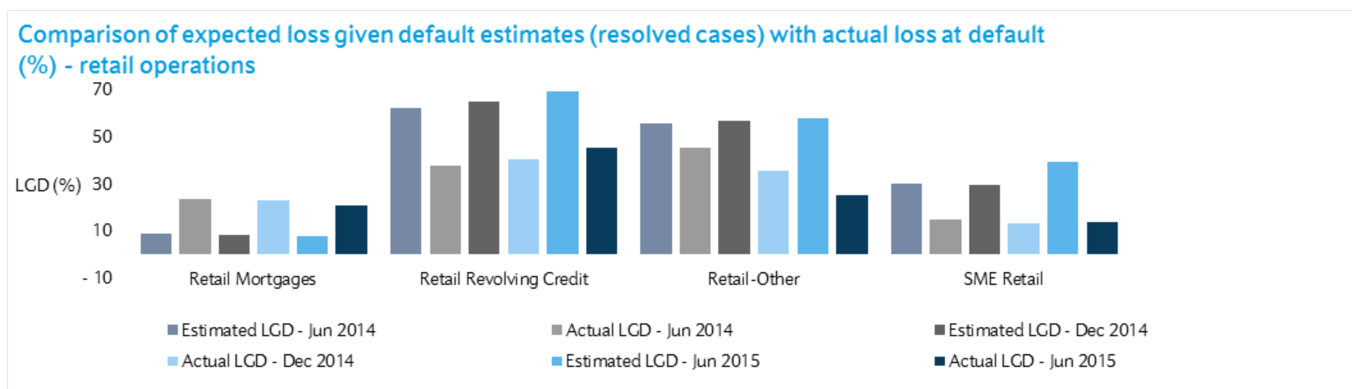
Across asset classes the level of accuracy of the EAD estimates is acceptable. There is some overestimation evident with the main driver in these instances being where the estimated EAD is floored at the balance at the time of conducting the estimate which is in line with regulatory requirements.



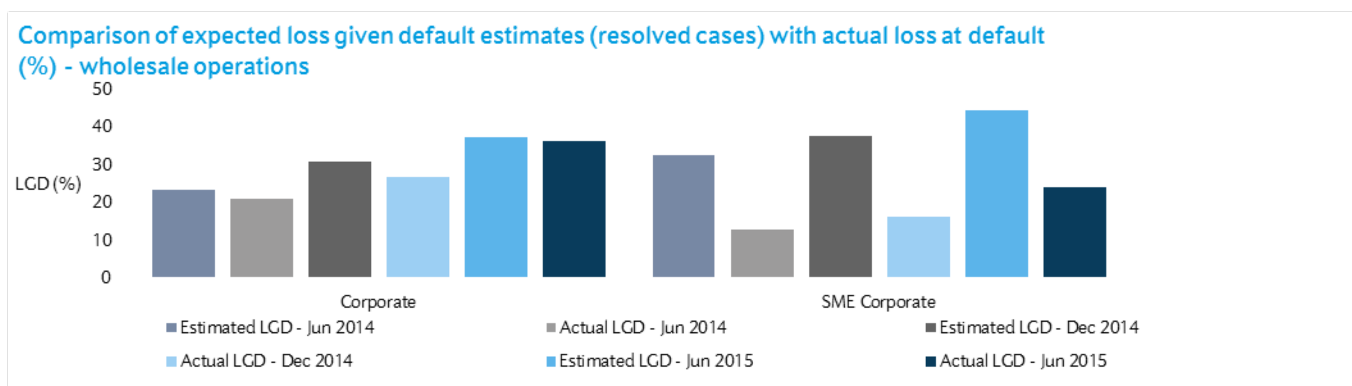
The EAD model in wholesale remains conservative; this was also corroborated by a calibration exercise using 7 years of internal loss data.

Comparison of loss given default estimates with actual loss given default

The EAD model in wholesale remains stable and conservative. There is some overestimation evident with the main driver in these instances being where the estimated EAD is floored at the balance at the time of conducting the estimate which is in line with regulatory requirements.



The results of this analysis are dependent on the nature of the workouts during the period. In the case of the mortgage portfolio there has been continued focus on working out the aged NPL portfolio which has led to losses greater than those estimated at the time of default. The adjustment of these loss estimates has already taken place through increased impairment and an RWA add on, however these adjustments are not reflected in the estimated LGD at the time of default. For the revolving portfolios there has been a significant improvement in collections over the past few years relative to the expectations at the time of default. The Group expects this to normalise into the future along with the trends observed within the portfolio performance. The estimates for the other portfolios are in line with the actual experience. Based on this analysis and taking into account the post model adjustment within the mortgage portfolio the Group is comfortable with the overall level of LGD estimates across Retail portfolios.



The LGD model in wholesale remains conservative for the period in line with comparisons in December 2014 as well as June 2014.

Credit risk mitigation

	30 June 2015						30 June 2014	31 December 2014
	Original credit and counter-party exposure Rm	Effects of netting agree-ments Rm	Net expo-sure after netting and redistribu-tion effects Rm	Eligible financial collateral Rm	Other eligible IRB collateral Rm	Credit risk mitigation affecting LGD estimates Rm	Credit risk mitigation affecting LGD estimates Rm	Credit risk mitigation affecting LGD estimates Rm
AIRB approach								
Banks	104 109	29 294	74 815	13 820	6	13 826	3 375	4 137
Corporate exposure	414 182	2 782	411 400	19 236	69 778	89 014	77 457	90 220
Corporate	308 902	2 782	306 120	17 361	10 128	27 489	31 339	27 503
SME Corporate	92 529	-	92 529	1 875	52 438	54 313	40 973	56 584
Specialised lending – income producing real estate	5 440	-	5 440	-	7 212	7 212	5 145	6 130
Specialised lending – project finance	7 311	-	7 311	-	-	-	-	3
Local governments and municipalities	14 224	-	14 224	-	95	95	103	94
Public sector entities	16 017	258	15 759	-	21	21	86	157
Retail	443 926	-	449 970	1 375	650 230	651 606	626 449	624 123
Mortgages (including home equity lines of credit)	277 314	-	277 314	-	586 063	586 063	563 626	570 381
Other	76 134	-	82 178	83	56 659	56 742	48 775	41 788
Unsecured lending ≤ 30 000	3 401	-	3 401	-	4	4	4	4
Unsecured lending > 30 000	14 650	-	14 650	83	81	164	86	185
Other	1 776	-	1 776	-	-	-	-	-
Vehicle and asset finance	56 307	-	62 351	-	56 574	56 574	48 685	41 599
SME	21 710	-	21 710	177	7 354	7 531	12 942	10 653
Secured lending	9 338	-	9 338	-	4 655	4 655	9 664	7 841
Unsecured lending	12 372	-	12 372	177	2 699	2 876	3 278	2 812
Revolving credit	68 768	-	68 768	1 115	154	1 270	1 106	1 301
Credit cards	62 301	-	62 301	-	-	-	-	-
Non-credit cards	6 467	-	6 467	1 115	154	1 270	1 106	1 301
Securities firms	1 904	270	1 634	357	-	357	340	431
Sovereign	59 013	207	58 806	-	-	-	20	9
	1 053 375	32 811	1 026 608	34 788	720 130	754 919	707 830	719 171

Derivative exposures

Credit derivatives

The following table provides an overview of the outstanding amount of exposure held in respect of the Group's credit derivative positions:

Exposure by instrument bought or sold

	30 June 2015				30 June 2014				31 December 2014			
	Intermediation portfolio				Intermediation portfolio				Intermediation portfolio			
	As protection buyer		As protection seller		As protection buyer		As protection seller		As protection buyer		As protection seller	
	Banking Rm	Trading Rm	Banking Rm	Trading Rm	Banking Rm	Trading Rm	Banking Rm	Trading Rm	Banking Rm	Trading Rm	Banking Rm	Trading Rm
Credit derivative product type												
Credit-default swaps	11 324	7 293	6 947	12 085	10 009	3 616	4 444	9 090	9 831	5 831	5 055	10 982
Other	1 837	57	0	4 213	459	3 239	-	-	601	-	-	3 240
Total notional exposure to Credit derivative transactions	13 161	7 350	6 947	16 298	10 468	6 855	4 444	9 090	10 432	5 831	5 055	14 222

Derivatives and securities financing exposure breakdown

Breakdown of OTC and credit derivative exposure

	30 June 2015						
	Gross positive fair value Rm	Current netting benefits Rm	Current exposure Rm	Expected positive exposure (CEM) Rm	Expected positive exposure netting (CEM) Rm	Exposure at default Rm	Notional value Rm
Commodities	175	15	160	58	2	215	576
Credit derivatives	73	64	9	1 097	584	510	13 626
Equity derivatives	1 595	1 296	299	2 573	1 272	1 355	41 933
Foreign exchange derivatives	24 681	19 434	4 622	17 383	9 115	11 062	867 619
Interest rate derivatives	23 270	19 900	3 369	15 217	8 296	8 655	4 719 672
	49 794	40 708	8 461	36 327	19 270	21 797	5 643 427

	30 June 2014						
	Gross positive fair value Rm	Current netting benefits Rm	Current exposure Rm	Expected positive exposure (CEM) Rm	Expected positive exposure netting (CEM) Rm	Exposure at default Rm	Notional value Rm
Commodities	294	27	266	176	34	407	1 738
Credit derivatives	99	95	4	1 195	671	417	15 267
Equity derivatives	1 117	963	154	2 031	915	1 206	32 195
Foreign exchange derivatives	15 720	11 943	3 126	17 734	9 235	10 167	843 521
Interest rate derivatives	25 438	22 215	3 223	15 214	8 281	8 743	4 687 292
	42 668	35 243	6 773	36 350	19 136	20 940	5 580 013

	31 December 2014						
	Gross positive fair value Rm	Current netting benefits Rm	Current exposure Rm	Expected positive exposure (CEM) Rm	Expected positive exposure netting (CEM) Rm	Exposure at default Rm	Notional value Rm
Commodities	**253**	**8**	**244**	**112**	**2**	**350**	**1 112**
Credit derivatives	**100**	**97**	**3**	**1 061**	**604**	**450**	**13 145**
Equity derivatives	**1 236**	**934**	**302**	**2 099**	**1 051**	**1 251**	**33 440**
Foreign exchange derivatives	**21 196**	**16 335**	**4 115**	**18 791**	**9 847**	**11 408**	**935 769**
Interest rate derivatives	**23 190**	**19 420**	**3 770**	**13 433**	**7 092**	**8 099**	**4 526 258**
	45 975	**36 794**	**8 434**	**35 496**	**18 596**	**21 558**	**5 509 724**

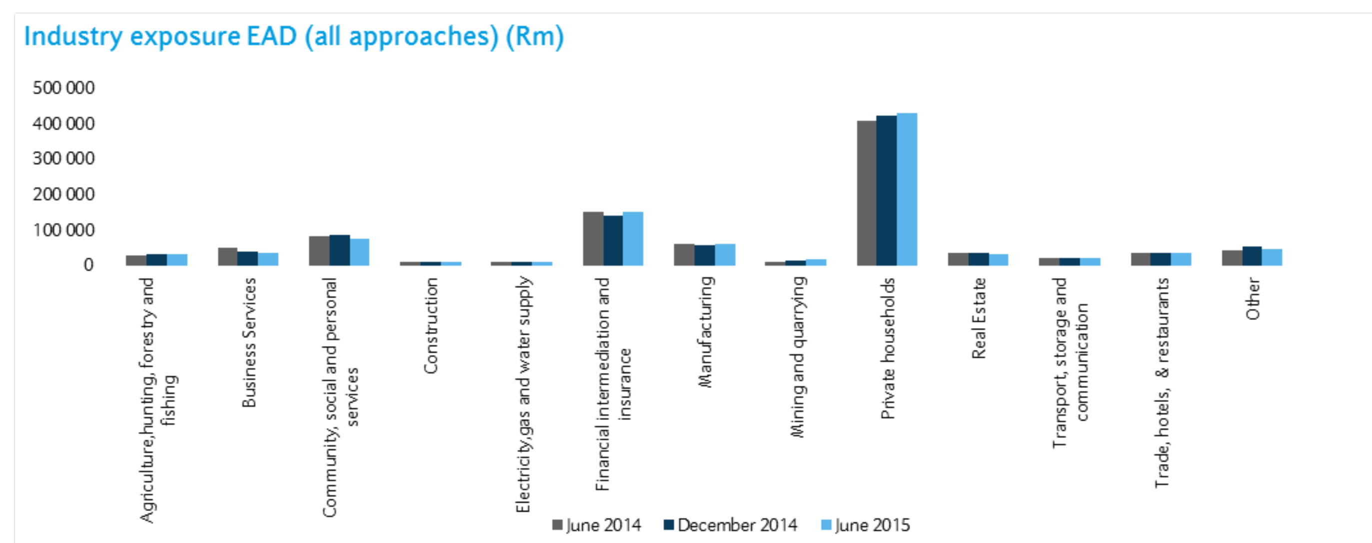
Residual contractual maturity of exposures

	30 June 2015				
	EAD				
	Current to 6 months Rm	6 months to 1 year Rm	1 year to 5 years Rm	More than 5 years Rm	Total Rm
Banks	29 709	34 806	11 852	666	77 033
Corporate exposure	1 813	133 569	147 201	47 370	329 953
Corporate	688	99 920	63 939	20 143	184 690
SME Corporate	777	30 755	81 264	22 040	134 836
Specialised lending - income producing real estate	348	204	1 624	2 868	5 044
Specialised lending - project finance	-	2,690	374	2,319	5 383
Local governments and municipalities	3	2 999	1 211	2 176	6 389
Public sector entities	0	3 767	4 099	2 303	10 169
Retail exposures	116 655	6 833	102 931	213 886	440 305
Mortgages (including any home loan equity line of credit)	39 617	1 385	12 772	200 438	254 212
Other	4 659	1 677	84 107	8 567	99 010
Unsecured lending ≤ 30 000	669	67	1 671	1 229	3 636
Unsecured lending > 30 000	2 278	409	6 429	5 278	14 394
Other	300	65	1 150	261	1 776
Vehicle and asset finance	1 412	1 136	74 857	1,799.00	79 204
Revolving credit	63 960	473	0	0	64 433
Credit cards	54 854	-	-	-	54 854
Non credit cards	9 106	473.00	-	-	9 579
SME	8 419	3 298	6 052	4 881	22 650
Secured lending	86	182	4 708	3 927	8 903
Unsecured lending	8 333	3 116	1 344	954	13 747
Securities firms	46	386	1 323	8	1 763
Sovereigns	15 153	15 828	59 709	0	90 690
	163 379	198 188	328 326	266 409	956 302

	30 June 2014				
	EAD				
	Current to 6 months Rm	6 months to 1 year Rm	1 year to 5 years Rm	More than 5 years Rm	Total Rm
Banks	30 046	38 523	18 163	2 536	89 268
Corporate Exposure	1 792	87 818	162 195	38 784	290 589
Corporate	1 207	65 576	96 868	21 475	185 126
SME Corporate	442	21 115	61 309	12 251	95 116
Specialised lending - income producing real estate	143	6	2 017	2 735	4 902
Specialised lending - project finance	-	1,121	2,001	2,323	5 445
Local governments and municipalities	12	2 632	2 836	493	5 973
Public sector entities	2	3 503	1 947	2 680	8 132
Retail	111 947	10 284	104 396	209 822	436 448
Mortgages (including any home loan equity line of credit)	39 792	4 136	12 277	200 048	256 253
Other	4 228	1 556	83 115	6 926	95 825
Unsecured lending ≤ 30000	651	65	1 917	1 246	3 879
Unsecured lending > 30000	1 952	400	6 383	5 162	13 897
Vehicle and asset finance	377	34	1 127	518	2 056
Revolving credit	1 248	1 057	73 688	-	75 993
Credit cards	60 398	465	0	0	60 863
Non credit cards	51 910	-	-	-	51 910
SME	8 488	465.00	-	-	8 953
Secured lending	7 529	4 127	9 004	2 848	23 507
Unsecured lending	33	238	6 332	1 842	8 445
	7 496	3 889	2 672	1 006	15 062
Securities firms	157	1 048	3 888	201	5 294
Sovereign	29 289	10 852	34 620	26 899	101 660
	173 245	154 660	328 045	281 415	937 364

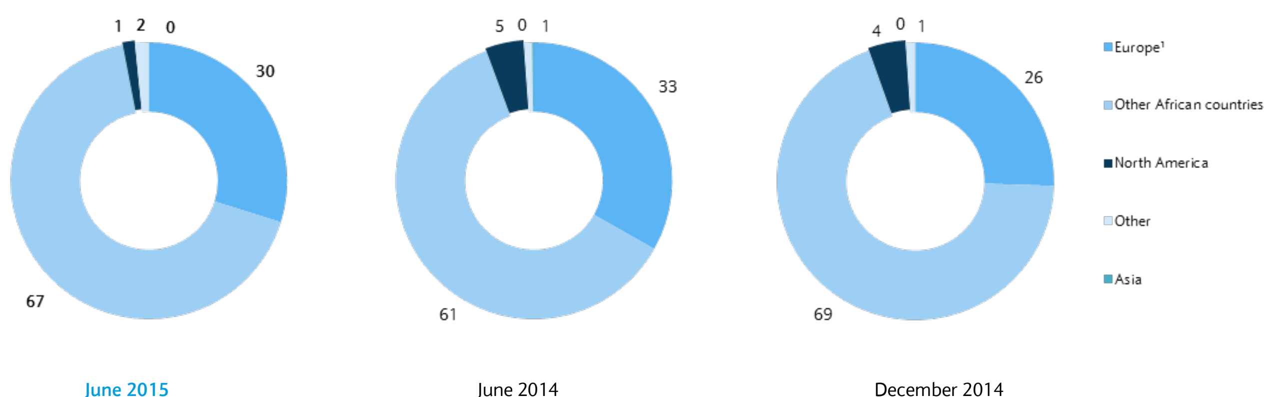
	31 December 2014				
	EAD				
	Current to 6 months Rm	6 months to 1 year Rm	1 year to 5 years Rm	More than 5 years Rm	Total Rm
Banks	38 371	17 047	18 309	3 138	76 865
Corporate Exposure	1 684	103 108	154 772	37 361	296 925
Corporate	1 007	71 163	78 111	12 465	162 746
SME Corporate	647	29 689	74 302	20 113	124 751
Specialised lending - income producing real estate	30	362	1 648	2 437	4 477
Specialised lending - project finance	0	1 894	711	2 346	4 951
Local governments and municipalities	1	3 712	2 407	461	6 581
Public sector entities	92	6 618	3 465	1 034	11 209
Retail	114 727	8 691	107 417	207 489	438 324
Mortgages (including any home loan equity line of credit)	39 926	3 360	12 951	198 717	254 954
Other	4 430	1 625	85 918	6 522	98 495
Unsecured lending ≤ 30000	696	49	1 772	1 215	3 732
Unsecured lending > 30000	2 093	256	6 380	4 943	13 672
Other	323	58	1 199	364	1 944
Vehicle and asset finance	1 318	1 262	76 567	0	79 147
Revolving credit	62 571	556	0	0	63 127
Credit cards	53 638	0	0	0	53 638
Non credit cards	8 933	556	0	0	9 489
SME	7 800	3 150	8 548	2 250	21 748
Secured lending	28	195	6 122	1 390	7 735
Unsecured lending	7 772	2 955	2 426	860	14 013
Securities firms	755	490	3 141	130	4 516
Sovereign	31 495	4 497	30 989	37 827	104 808
	187 125	144 163	320 500	287 440	939 228

Breakdown of exposure per industry



Breakdown of exposure per geography

Breakdown of gross exposure by geography – outside of South Africa (%)



Breakdown of gross exposure by geographical area

	30 June 2015							
	Asia Rm	Europe[1] Rm	North America Rm	Other African Countries Rm	Other Rm	South Africa Rm	South America Rm	Total Rm
AIRB approach	82	71,351	3,437	9,871	3,758	964,876	-	1,053,375
Standardised approach				150,575		24,315	-	174,890
	82	71,351	3,437	160,446	3,758	989,191	-	1,228,265

	30 June 2014							
	Asia	Europe[1]	North America	Other African Countries	Other	South Africa	South America	Total
AIRB approach	466	76 689	10 401	7 347	2 178	876 558	-	973 639
Standardised approach	-	-	-	133 931	-	23 389	-	157 320
	466	76 689	10 401	141 278	2 178	899 947	-	1 130 959

	31 December 2014							
	Asia	Europe[1]	North America	Other African Countries	Other	South Africa	South America	Total
AIRB approach	74	58 552	10 076	12 893	2 414	890 876	-	974 885
Standardised approach	-	-	-	145 498	-	23 635	-	169 133
	74	58 552	10 076	158 391	2 414	914 511	-	1 144 018

Notes

[1] The majority of the exposures under Europe relate to exposures to Barclays Bank Plc.

Securitisation

The Group's securitisation activities

Securitisation transactions have been used as a means of raising long-term funding. The IRB approach is applied in the assessment of the Group's securitisation exposures for RC purposes and use Moody's and Standard and Poor's as external credit assessment institutions (ECAIs).

Apart from originating and sponsoring securitisation transactions, the Group also acts as an investor, a liquidity provider and credit enhancer to a number of securitisation transactions. The Group invests directly in the securitisation schemes.

The following table provides a breakdown of the Group's role in each transaction during the current reporting period:

Roles played by the Group in securitisation schemes

	Originator	Sponsor	Investor (Absa)	Liquidity provider	Services provider	Credit enhancement /subordinated loan
Blue Granite 1 Proprietary Limited			√			
Home Obligors Mortgage Enhanced Securities Proprietary Limited	√	√	√		√	√
Nitro 4				√		
Nqaba Finance Proprietary Limited		√		√		

Portfolio securitised

The following table provides a breakdown of the total funding raised through securitisation at the reporting date as well as the ECAIs used in the various asset classes.

		30 June		31 December
	ECAI	2015 Amount securitised Rm	2014 Amount securitised Rm	2014 Amount securitised Rm
Mortgage advances	Moody's and Standard and Poor's	3 868	4 235	4 134

Investment Grades Notes Issued reduced due to notes that were repurchased.

No securitised assets existed at the reporting date which related to instalment finance.

The Group originated securitisation transactions performed according to expectations and no triggers were breached.

Outstanding securitisation balances

	30 June		31 December
IRB exposure	2015 Rm	2014 Rm	2014 Rm
On-statement of financial position			
Retail - mortgages	3 454	3 818	3 720
Total IRB exposures	3 454	3 818	3 720
Of which notes issued			
Investment grade	1 788	2 896	1 949
Sub-investment grade[1]	0	922	153

Notes

[1] BBB and below.

	30 June				31 December	
	2015		2014		2014	
Originator	**Amount securitised originator Rm**	**Past due originator Rm**	Amount securitised originator Rm	Past due originator Rm	Amount securitised originator Rm	Past due originator Rm
Mortgage advances[1]	**3 433**	**20**	**3 808**	**2**	**3 696**	**2 1**

Retained or purchased securitisation exposures per asset class

	30 June						31 December		
	2015			2014			2014		
Exposure type - Retail	**Retained Rm**	**Purchased Rm**	**Total Rm**	Retained Rm	Purchased Rm	Total Rm	Retained Rm	Purchased Rm	Total Rm
Mortgages	-	-	-	922	-	922	-	-	-
Other	-	-	-	-	-	-	-	230	230
	-	-	-	922	-	922	-	230	230

Retained or purchased securitisation exposure by risk weight band (%)

	30 June				31 December	
	2015		2014		2014	
Risk-weighted band (%)	**Retained Rm**	**Purchased Rm**	Retained Rm	Purchased Rm	Retained Rm	Purchased Rm
11 – 19	-	-	-	-	-	-
20 – 49	-	-	-	-	-	230
50 – 75	-	-	-	-	-	-
250	-	-	-	-	-	-
1 250 or deducted	-	-	922	-	-	-
	-	-	922	-	-	230

Rated securitised exposures (Ratings based approach)

(Excluding deductions and investors interest in respect of schemes with early amortisation features)

	30 June						31 December		
	2015			2014			2014		
Exposures	**Total senior exposure rated BBB or better Rm**	**Total base risk weight exposure rated BBB or better Rm**	**Total exposure rated BBB or below Rm**	Total senior exposure rated BBB or better Rm	Total base risk weight exposure rated BBB or better Rm	Total exposure rated BBB or below Rm	Total senior exposure rated BBB or better Rm	Total base risk weight exposure rated BBB or better Rm	Total exposure rated BBB or below Rm
Instalments sales and leasing	39	-	-	39	-	-	39	-	-
Mortgages	414	21	-	429	15	10	414	24	-
Other	-	-	-	-	-	-	-	-	-
	453	21	-	468	15	10	453	24	-

Notes

[1] No recognised losses were recorded in the current or previous reporting period.

Retail risk-weighted assets and capital deductions (Look-Through approach)

	30 June				31 December	
	2015		2014		2014	
	RWAs	Required capital	RWAs	Required capital	RWAs	Required capital
Exposures - Retail	**Rm**	**Rm**	Rm	Rm	Rm	Rm
Instalment sales and leasing	**-[1]**	**-**	234	19	352	28
Mortgages	**437**	**35**	514	41	470	38
Other	**-**	**-**	-	-	-	-
	437	**35**	748	60	822	66

Equity investment risk: analysis of risk exposure

To address the specific Pillar 3 disclosure requirements of the SARB relating to unrealised gains or losses for equity risk in the banking book, it should be noted that:

- The Group does not have any latent revaluation gains or losses, i.e. unrealised gains or losses which are not recognised in the statement of comprehensive income; and
- The Group does not have unrealised gains or losses that are recognised in primary or secondary capital and reserve funds without being recognised in the statement of comprehensive income. This is due to an IFRS principle that we have adopted, i.e. all unrealised gains or losses that are not recognised in the statement of comprehensive income cannot be recognised in primary or secondary capital and reserve funds.

Realised and unrealised gains for equity investments in the banking book as per the specific pillar 3 disclosure requirements of the SARB are reflected in the following table:

Analysis of equity investment risk in the banking book (regulatory definition)

The equity portfolio falling within the ambit of the Regulation 31 of the Regulations to the Banks, excludes third-party equity investments under management for which the Group does not bear the risk, selected associates treated under the pro rata consolidation methodology, and equity investments held by insurance entities (as these entities are regulated separately, and addressed in the insurance risk management section of this report).

The size, composition, RWA component and EC requirement of the Group's equity investments in the banking book are reflected in the following table.. As at the reporting date, the statement of financial position value of such investments amounted to R 3 322 million (June 2014: R4 030 million). Of the R3 322 million investment exposure at the reporting date, R3 070 million is held for capital gains purposes and the remainder for strategic and other purposes.

The decrease in the equity exposure is due to realisations in line with the long term reduction strategy.

Notes

[1] This decrease was caused by Mmela, which was decommissioned as a securitisation Scheme at the regulator's instruction, now reported as a Credit Risk exposure to a Corporate. This had RWA of R352m as at December 2014.

Equity investments in the banking book	30 June 2015 Rm	30 June 2014 Rm	31 December 2014 Rm
Statement of financial position	**3 322**	4 030	3 742
Exchange traded investments, associates and joint ventures	**251**	592	292
Privately held traded investments, associates and joint ventures	**3 070**	3 438	3 450
Fair value of exchange traded investments, associates and joint ventures	**251**	592	292
Risk-weighted assets	**10 416**	14 871	13 865
Exchange traded investments, associates and joint ventures	**553**	350	629
Privately held traded investments, associates and joint ventures	**9 863**	14 521	13 236
Economic capital	**1 768**	2 251	1 981
Exchange traded investments, associates and joint ventures	**209**	117	236
Privately held traded investments, associates and joint ventures	**1 559**	2 134	1 745

Realised and unrealised gains for equity investments in the banking book as per specific SARB Pillar 3 disclosure requirements are reflected in the following table:

Realised and unrealised gains on equity investments	30 June 2015 Rm	30 June 2014 Rm	31 December 2014 Rm
Cumulative realised gains/(losses) arising from sales and liquidations	**49**	47	62
Total unrealised gains/(losses) recognised directly in the statement of financial position	**1**	1	2

Market risk

In line with regulatory requirements for public disclosures on the internal models approach, the sections below specifically relate to the trading books for which internal models approval has been in place for the previous and current reporting period. Disclosures relate to the standardised approach, which include the Group's issuer-specific risk exposures, any instruments traded by South Africa for which internal model approach approval has not yet been obtained, as well as general market risk for the Rest of Africa, are provided under the Basis of Preparation and Capital Management sections.

Analysis of market risk exposure

The following table reflects the DVaR and expected shortfall statistics for the trading book activities as measured by the internal models approach (IMA) for general trading position risk. Traded market risk exposure, as measured by average total DVaR, increased to R24,19 million for the current reporting period, which is up 28% compared to the previous reporting period (R18,86 million) and up 24% compared to the full 2014 financial year (R19,46 million). This was driven mainly by select large client trades during the first quarter that primarily affected the interest rate profile.

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

Trading book DVaR summary

	30 June								31 December			
	2015				2014				2014			
	Average	High[1]	Low[1]	At the reporting date	Average	High[1]	Low[1]	At the reporting date	Average	High[1]	Low[1]	At the reporting date
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Interest rate risk	19.24	33.61	13.42	14.54	13.87	27.12	9.18	18.47	14.62	27.12	7.79	17.86
Foreign exchange risk	6.33	18.01	2.69	3.85	7.73	22.68	1.68	4.34	7.59	22.68	1.68	4.42
Equity risk	7.14	14.46	2.90	8.00	3.56	7.50	1.37	1.83	3.63	11.03	1.37	3.76
Commodity risk	0.57	1.76	0.18	0.22	0.33	3.23	0.13	0.25	0.44	3.23	0.12	0.18
Inflation risk	7.20	12.37	3.14	7.07	9.69	19.33	4.34	8.93	8.51	19.33	2.53	9.26
Credit spread risk	9.69	13.69	7.27	11.82	5.01	5.80	4.04	5.64	5.82	8.26	4.04	7.70
Diversification effect	(25.98)	n/a	n/a	(23.36)	(21.33)	n/a	n/a	(17.37)	(21.14)	n/a	n/a	(23.43)
Total DVaR[2]	24.19	39.65	18.45	22.14	18.86	33.01	12.50	22.09	19.46	37.83	10.49	19.75
Expected shortfall	46.02	26.75	80.40	49.21	27.82	42.77	17.75	29.88	28.90	49.85	17.75	34.56
Regulatory VaR[3]	41.01	81.15	26.67	37.25	32.32	60.04	19.45	32.07	32.69	63.42	19.45	37.36
Regulatory sVaR[3]	56.64	91.95	31.36	56.95	42.28	81.24	22.95	63.61	49.72	96.43	22.95	59.10

The following graph indicates the daily history of the trading book DVaR, along with the period averages, highs and lows. The increased risk in Q1 2015 is clearly evident, and was driven mainly by select large client trades that primarily affected the interest rate profile. Subsequent to that however, the DVaR trend demonstrates much lower variability compared to previous reporting periods, as low levels of risk were maintained for the remainder of the reporting period.

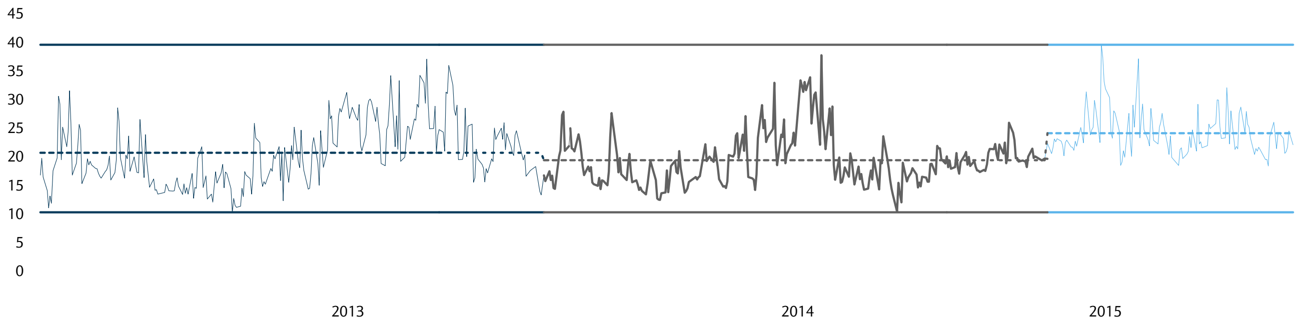
Notes

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

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

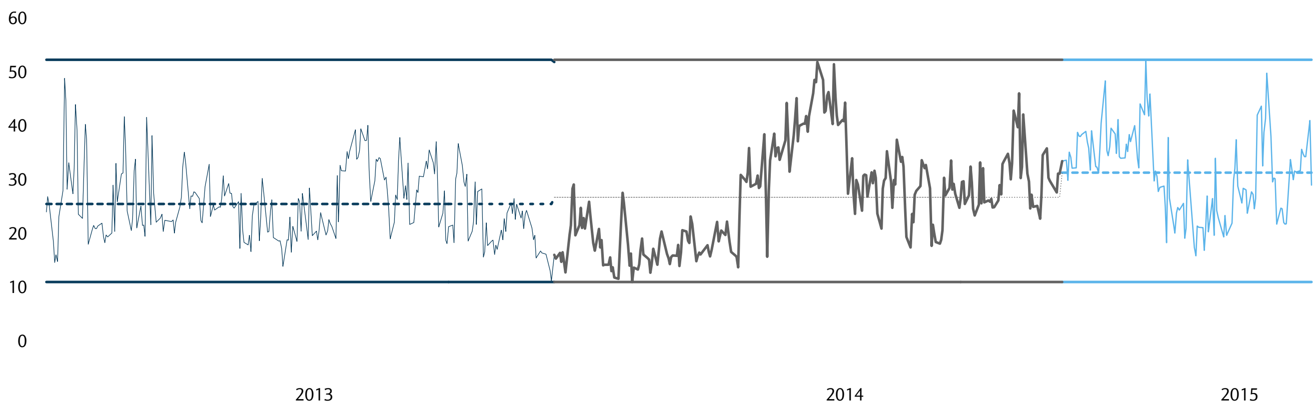
[3] Regulatory VaR and sVaR are reported with a 1-day holding period at a 99% confidence level. Consequently, these figures are not directly comparable to the 95% risk metrics reported in the rest of the table. The sVaR period is subject to on-going review for appropriateness.

Trading book management daily value at risk (daily values, period average, high and low) (Rm)



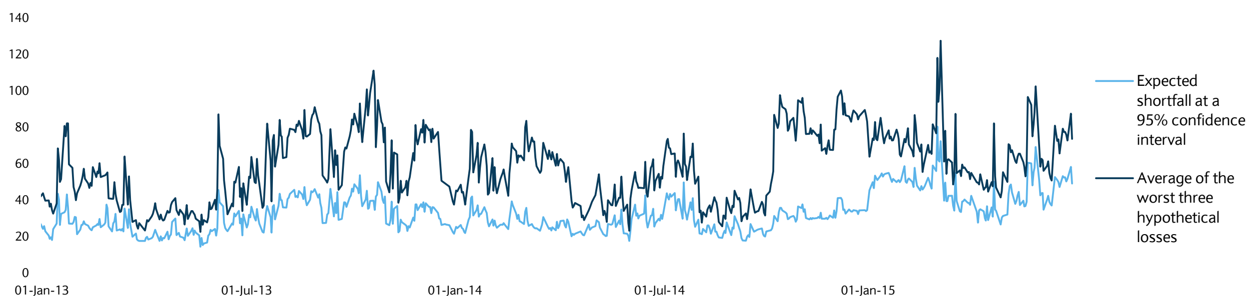
The following graph shows the daily history of the trading book sVaR. The increase in the level of risk in the first quarter as seen in the DVaR is also evident in the sVaR. There were also increases in the second quarter driven by temporary Foreign Exchange positions.

Trading book management stressed value at risk (daily values, period average, high and low) (Rm)



The following graph shows the daily history of the trading book tail metrics, which show similar trends to DVaR and sVaR above.

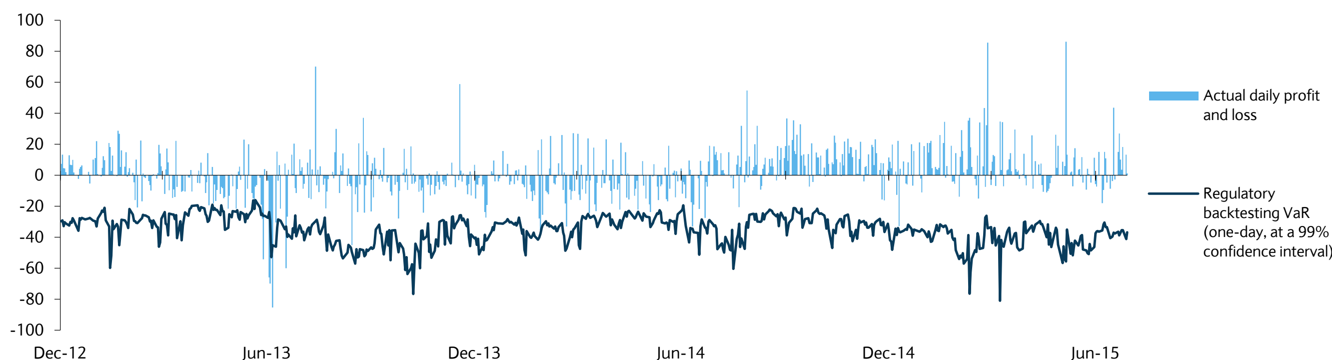
Trading book tail metrics (daily values) (Rm)



Comparison of value at risk estimates with trading revenues

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

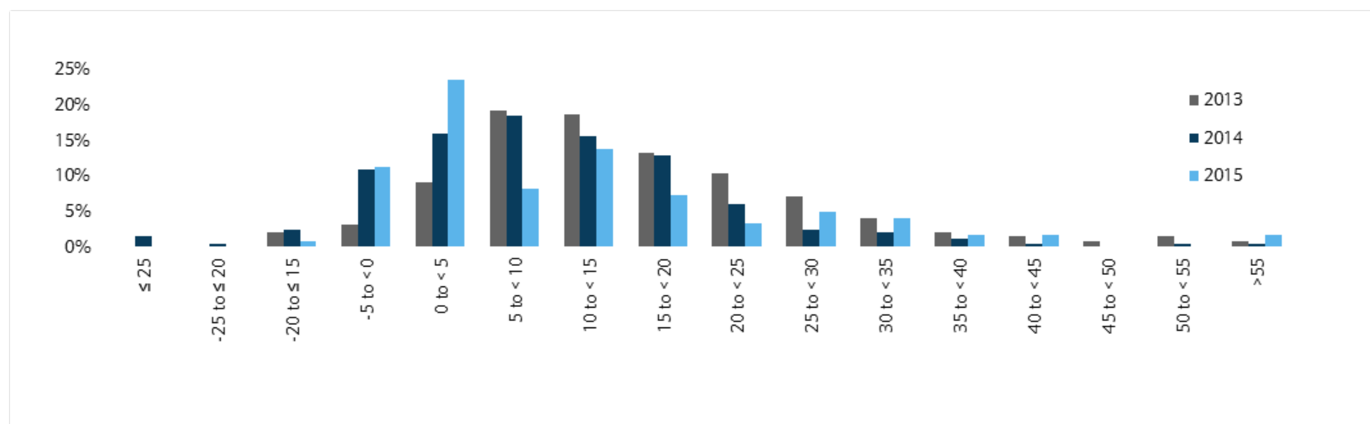
The Group's trading book revenue backtested against regulatory value at risk (Rm)



Analysis of trading revenue

The following histogram depicts the distribution of daily trading revenue of the trading book for the previous period and the reporting period. Revenue includes net trading book income, excluding net fees and commissions. The distributions are skewed to the profit side. The average daily trading revenue for the reporting period increased compared to that of the previous reporting period. The percentage of positive revenue days decreased slightly to 70% in the current period compared to 76% during the previous period.

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



Interest rate risk in the banking book

Impact on earnings

The following table shows the AEaR from impacts to net interest income 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 net interest income of R1,84 billion (30 June 2014: R1.50bn). This increase was mainly driven by enhanced risk measurement across the Rest of Africa businesses. A similar sustained parallel increase in interest rates would result in an increase in projected 12-month net interest income of R1.79 billion (30 June 2014: R1.37bn). AEaR increased by 0.7% to 5.1% of the net interest income (30 June 2014: 4.4%). A sensitivity analysis by major currency market interest rates indicates that earnings sensitivity to South African rand (ZAR) market interest rates constitutes 74% of the total earnings at risk at the reporting date (30 June 2014: 84%), 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 2015			
	200 bps decrease	**100 bps decrease**	**100 bps increase**	**200 bps increase**
Domestic bank book[1] (Rm)	**(1 369)**	**(682)**	**642**	**1 315**
Foreign subsidiaries[1] banks books[2](Rm)	**(473)**	**(237)**	**237**	**473**
Total (Rm)	**(1 842)**	**(919)**	**879**	**1 789**
Percentage of the Group's net interest income (%)	**(5.1)**	**(2.5)**	**2.4**	**4.9**
Percentage of the Group's equity (%)	**(2.0)**	**(1.0)**	**1.0**	**1.9**

	30 June 2014			
	200 bps decrease	100 bps decrease	100 bps increase	200 bps increase
Domestic bank book[1] (Rm)	(1 261)	(577)	554	1 134
Foreign subsidiaries[1] banks books[2] (Rm)	(236)	(118)	118	236
Total (Rm)	(1 497)	(695)	672	1 370
Percentage of the Group's net interest income (%)	(4,4)	(2,1)	2,0	4,0
Percentage of the Group's equity (%)	(1,7)	(0,8)	0,8	1,6

	30 December2014			
	200 bps decrease	100 bps decrease	100 bps increase	200 bps increase
Domestic bank book[1] (Rm)	(1 416)	(713)	701	1 427
Foreign subsidiaries[1] banks books[2](Rm)	(235)	(117)	117	235
Total (Rm)	(1 651)	(830)	818	1 661
Percentage of the Group's net interest income (%)	(4.6)	(2.3)	2.3	4.7
Percentage of the Group's equity (%)	(1.8)	(0.9)	0.9	1.8

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

Interest return on average balances

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

Group average statement of financial position

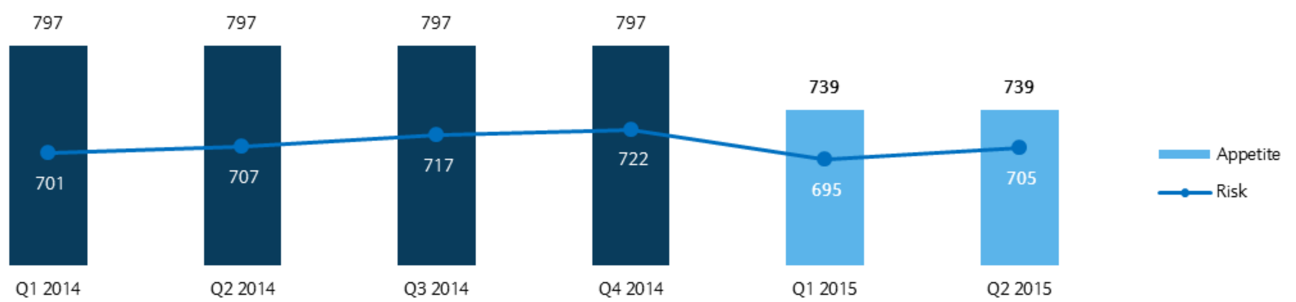
	30 June						30 December		
	2015			2014[1]			2014		
Group average statement of financial position	Average balance[2] Rm	Average rate %	Interest income/ (expense) Rm	Average Balance[2] Rm	Average Rate %	Interest income/ (expense) Rm	Average Balance[2] Rm	Average Rate %	Interest income/ (expense)[5] Rm
Assets									
Cash, cash balances and balances with central banks	**11 636**	**1.91**	**110**	14 073	2.25	157	12 968	2.76	358
Investment securities	**74 788**	**11.32**	**4 197**	72 155	9.08	3 248	74 379	8.78	6 533
Loans and advances to banks and customers	**706 071**	**8.63**	**30 211**	674 660	8.29	27 737	678 098	8.46	57 389
Other interest[3]	**-**	**-**	**33**	-	-	708	-	-	1 366
Interest-bearing assets	**792 495**	**8.79**	**34 551**	760 888	8.44	31 850	765 445	8.58	65 646
Non-interest-bearing assets	**234 773**	**-**	**-**	209 801	-	-	216 444	-	-
Total assets	**1 027 268**	**6.78**	**34 551**	970 689	6.62	31 850	981 889	6.69	65 646
Liabilities									
Deposits from banks and due to customers	**621 334**	**(4.02)**	**(12 386)**	600 557	(3.77)	(11 234)	610 205	(4.00)	(24 407)
Debt securities in issue	**114 184**	**(6.91)**	**(3 911)**	106 055	(6.33)	(3 329)	106 310	(6.38)	(6 785)
Borrowed funds	**11 476**	**(8.19)**	**(466)**	13 489	(10.93)	(731)	12 674	(10.04)	(1 272)
Other interest[3]	**-**	**-**	**675**	-		641	-	-	2 419
Interest-bearing liabilities	**746 994**	**(4.34)**	**(16 088)**	720 101	(4.10)	(14 653)	729 189	(4.12)	(30 045)
Non-interest-bearing liabilities	**186 544**	**-**	**-**	164 990	-	-	165 583	-	-
Total liabilities	**933 538**	**(3.48)**	**(16 088)**	885 091	(3.34)	(14 653)	894 772	(3.36)	(30 045)
Total equity	**93 730**	**-**	**-**	85 598	-	-	87 117	-	-
Total liabilities and equity	**1 027 268**	**(3.56)**	**(16 088)**	970 689	(3.04)	(14 653)	981 889	(3.06)	(30 045)
Net interest margin on average interest-bearing assets	**-**	**4.70**	**-**	-	4.56	-	-	4.65	-

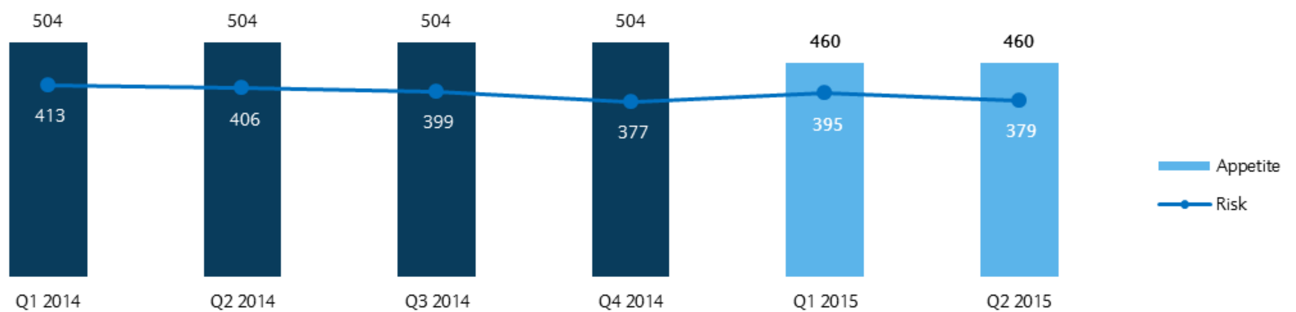
Notes
[1] Restated, refer to the inside front cover page of the booklet for reporting changes overview. Additional disclosures for 30 June 2014 have been restated where applicable.
2 Average balances are calculated based on daily and monthly weighted average balances.
3 'Other interest' on assets and liabilities includes fair value adjustments on hedging instruments and hedged items.

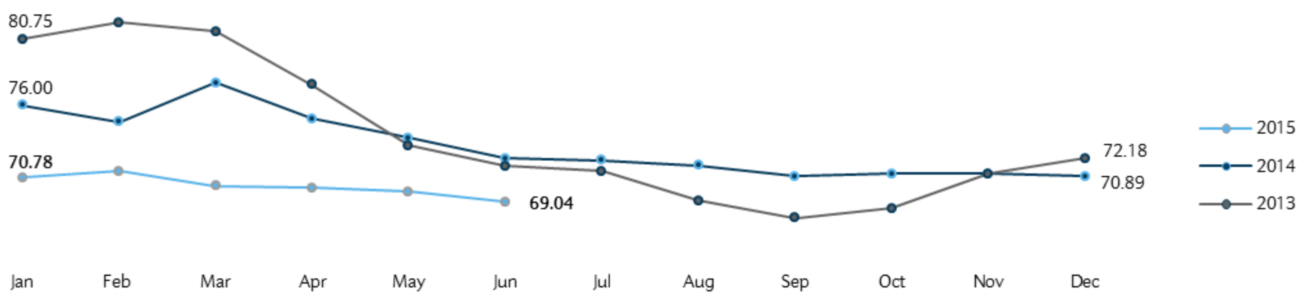
Insurance risk

The insurance risk appetite figures for 2015 were approved by the entity Actuarial Review Committees in November 2014, and the utilisation compared to appetite indicated below. The figures are based on economic capital principles and refer to 1 in 250 event levels. Absa Life extrapolates the underwriting Capital Adequacy Requirement (CAR) by assuming that life underwriting risk follows Student's t-distribution with four degrees of freedom. The underwriting risk appetite for Short Term insurance was calculated based on the projected Net Written Premium for 2015.

The following graphs show detailed matrices in the Group's insurance business:

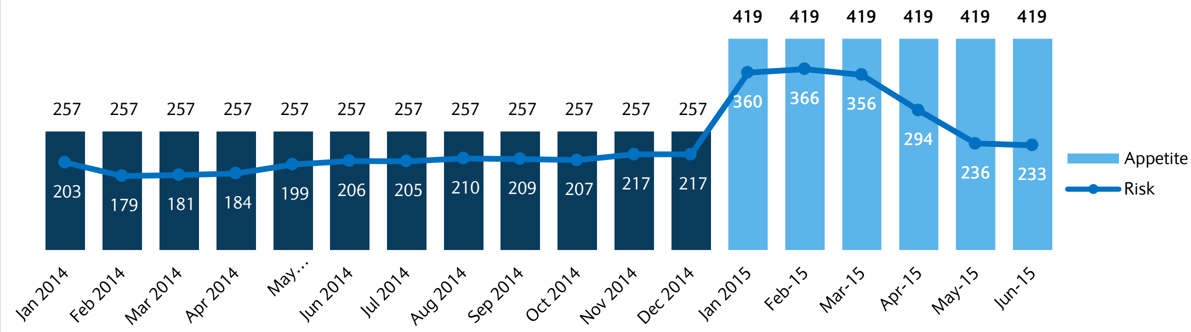




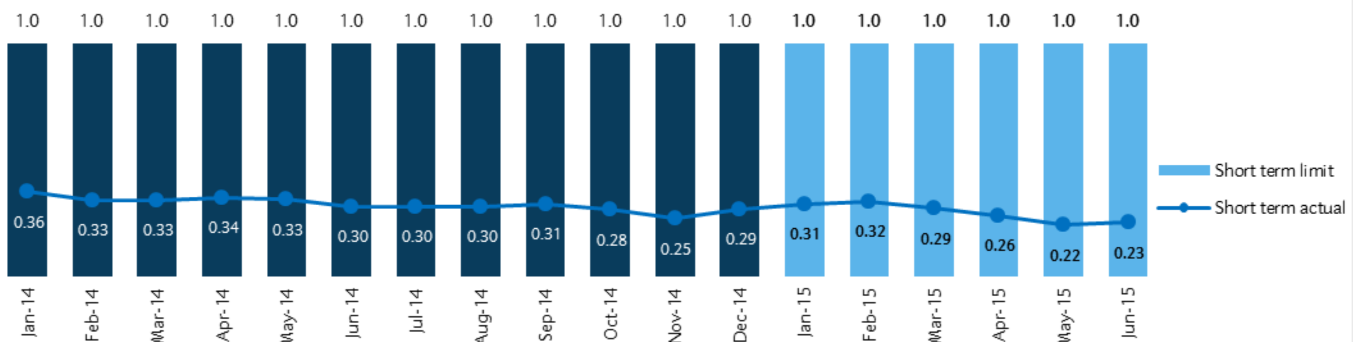


The short-term insurance loss ratios reduced slightly over the reporting period.

Life insurance mismatch risk remained well within appetite over the reporting period.



The duration of the interest-bearing investments backing short-term insurance policy liabilities remained within the limit set. The reduction in utilisation is mainly due to a decrease in short-term investment risk which reflects a change in calculation methodology i.e. based on the Solvency Assessment Management methodology.



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

Funding Risk

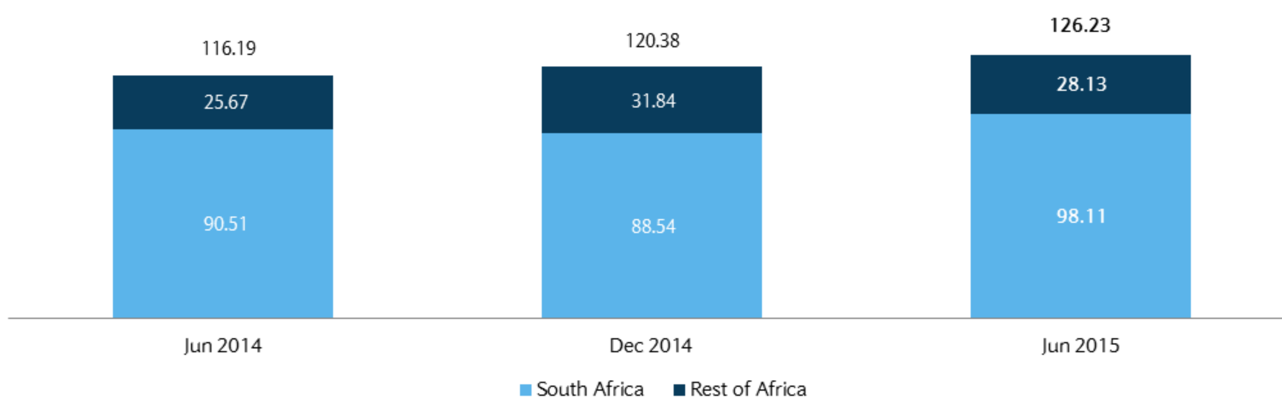
The Group sources of liquidity (Rm)

	30 June		31 December
	2015	2014	2014
The Group sources of liquidity (Rm)	**202 007**	180 700	175 836
High quality liquid assets	**98 106**	90 514	88 537
Other liquid assets (outside South Africa)	**28 126**	25 672	31 841
Other sources of liquidity	**75 775**	64 514	55 458

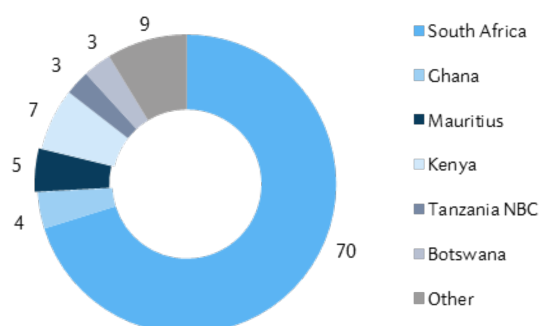
Liquid assets

Each bank holds a stock of highly liquid assets to meet any unexpected liquidity drains. HQLA consists of cash equivalents, deposits with central banks, government debt, and other qualifying instruments under the Basel III framework.

Summary liquid assets position (Rbn)

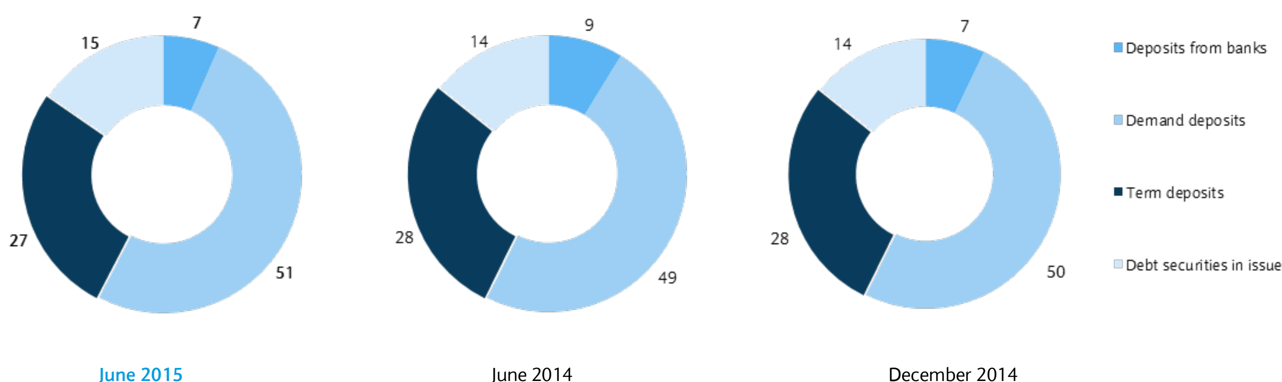


Composition of high quality liquid assets (%)



Funding Structure (%)

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

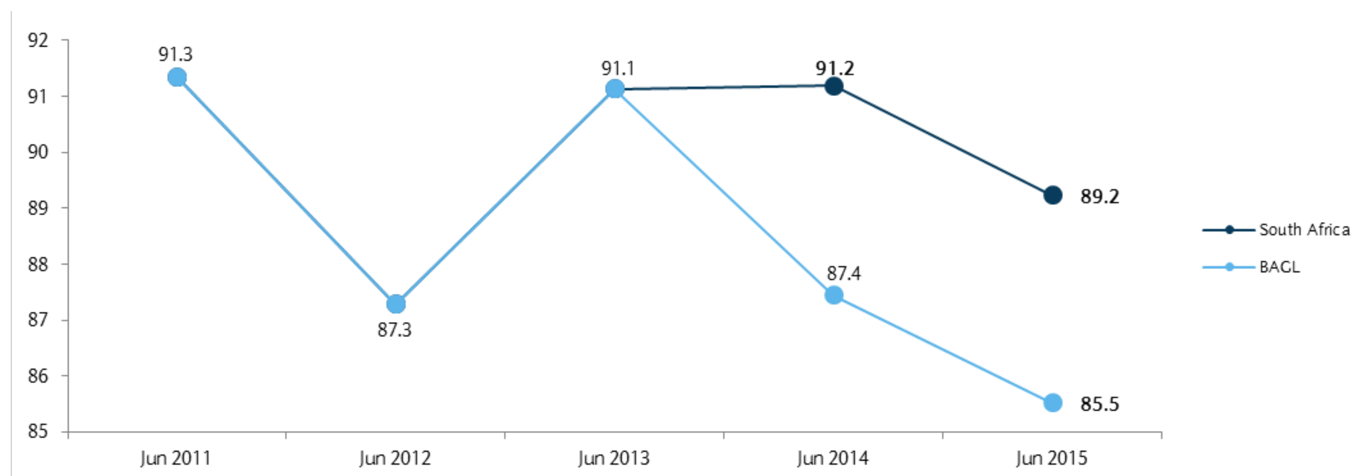


June 2015 | June 2014 | December 2014

Loan–to-deposits ratio

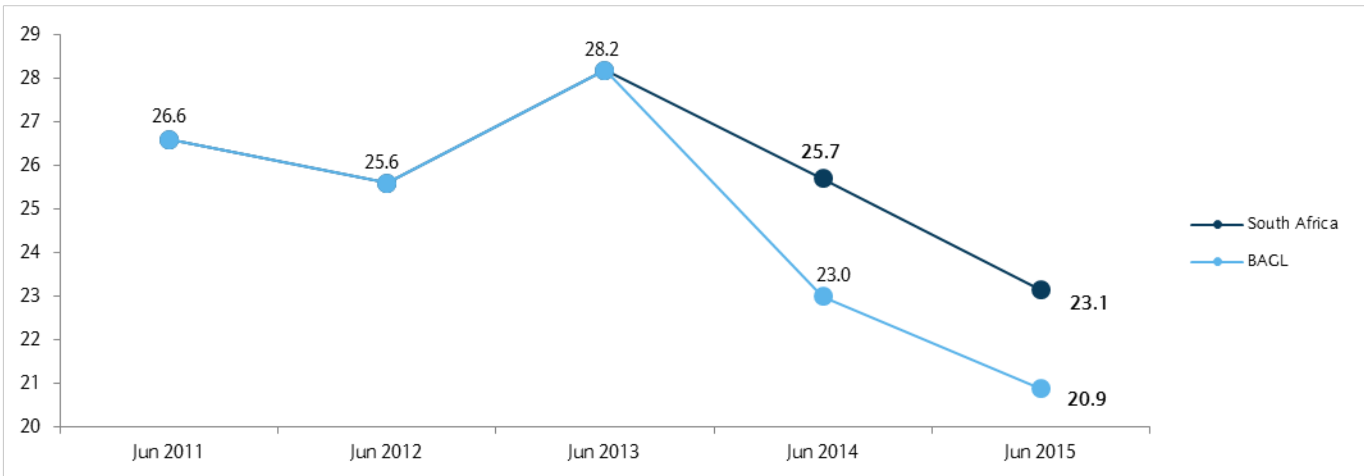
	30 June 2015	30 June 2014	31 December 2014
Advances			
Loans and advances to customers	**657 412**	615 540	636 326
Deposits	**768 770**	703 962	730 984
Deposits due to customers	**649 226**	598 453	624 886
Debt securities in issue	**119 544**	105 509	106 098
Loan-to-deposit ratio (%)	**85,5**	87,4	87,1

The progression of the loan-to-deposit ratio is summarised in the graph below. From June 2014 to June 2015 the South African loan-to-deposit ratio reduced to 89.2%. The Group ratio of 85.5% is 3.7% lower as at 30 June 2015.



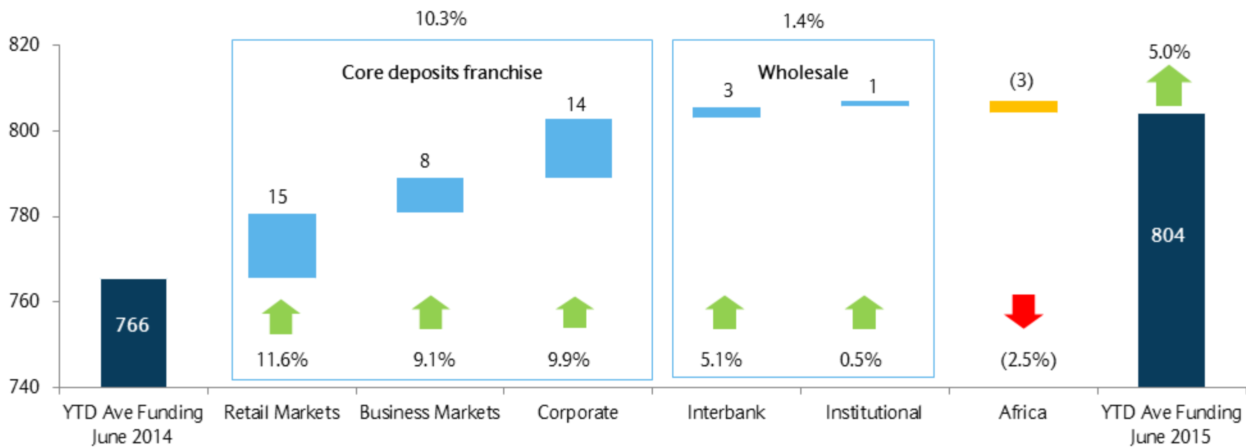
Long-term funding ratio

A key metric used to track the funding structure is the average long-term funding ratio. This ratio reflects the proportion of total funding with an outstanding term in excess of six months. The progression in the South African average long-term funding ratio is shown below. Between June 2014 and June 2015 the South African average long-term funding ratio decreased to 23.1% due to an increase in shorter-term funding raised in our core deposit franchise (retail, business bank and corporate businesses). The Rest of Africa entities reduced the Group ratio by 2.2% to 20.9%. These Rest of Africa entities are predominantly deposit-led banks funded through retail and corporate deposits. Whilst these deposits are very stable they are generally short term.



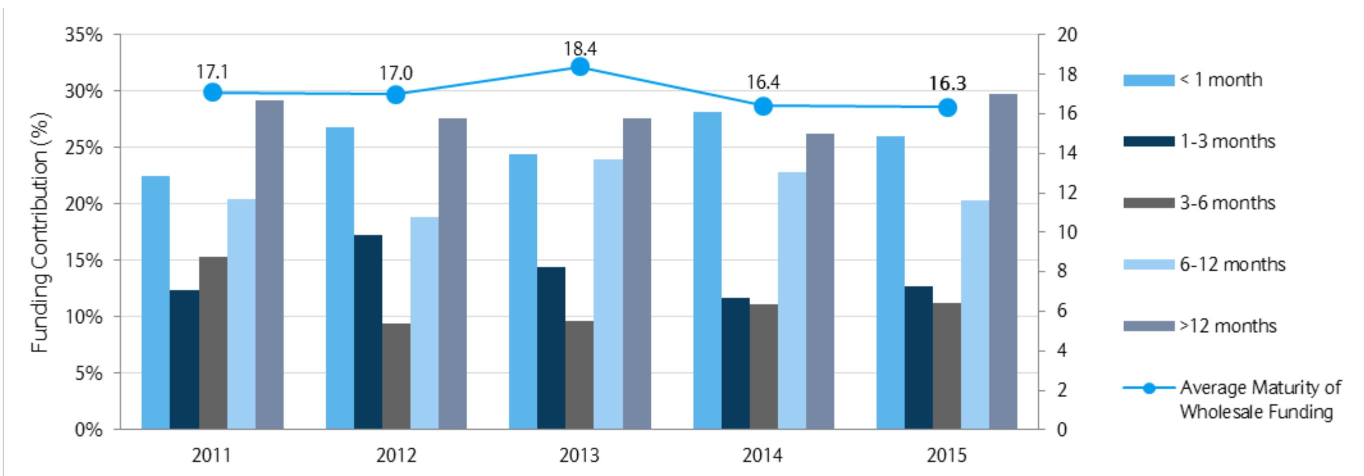
Funding growth by franchise

The majority of the growth in the bank's funding came from its core deposit franchises. These franchises grew by 10.3% year on year.



Weighted average maturity of South African wholesale funding

The graph below summarises the extent to which the Group has been able to extend the South African wholesale funding profile. The weighted average remaining term of wholesale funding has remained broadly flat since June 2014 with 16.3 months at June 2015.



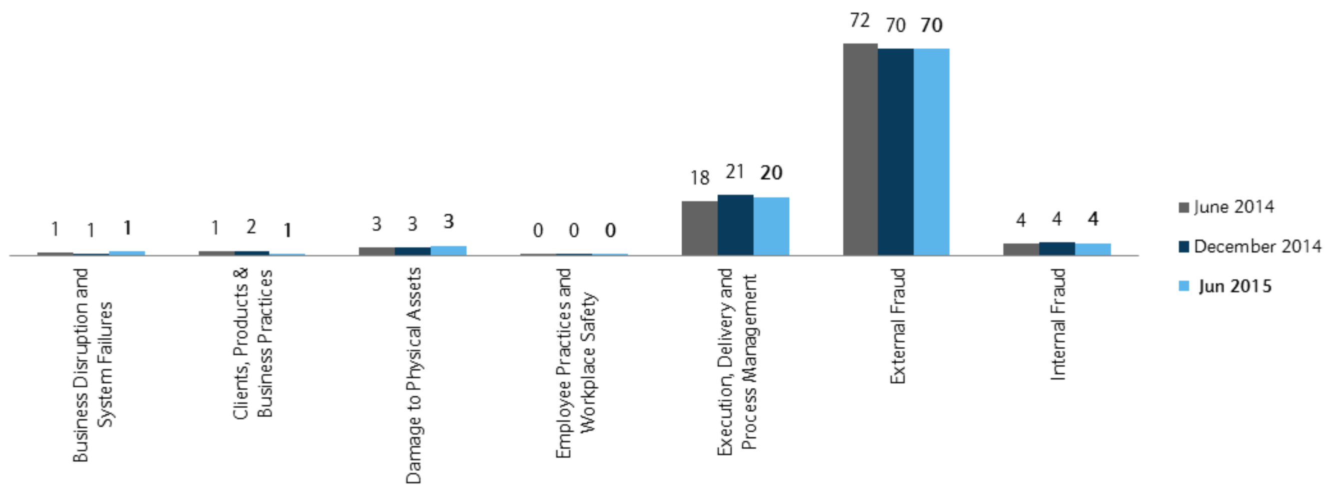
Operational risk

The South African Reserve Bank (SARB) expects Barclays Africa Group to record all single events that exceed a ZAR10k threshold. Processes are implemented to monitor compliance to this requirement.

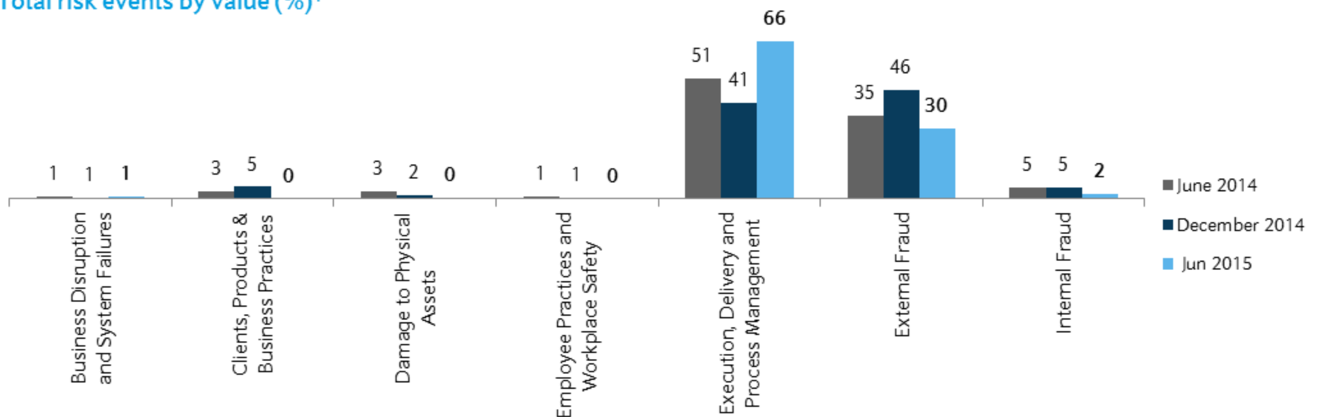
The Group monitors trends in operational risk events by size (count and value), product line and internal risk categories (including Key Risk). For comparative purposes, the analysis below presents the operational risk events by Basel II category. The highest frequency of events for the period occurred in external fraud (70%). 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 2015 occurred in Execution, Delivery and Process Management (66%) and External fraud (30%). There has been a significant improvement is noted for the reduction in external fraud compared to the previous periods. Plastic fraud losses remain the key driver behind the overall fraud losses.

Total risk events by count (%)[1]



Total risk events by value (%)[1]



Notes

[1] The numbers in the analysis have been restated to reflect change in methodology.

Annexures

Annexure A: Probability of default, exposure at default and loss given analysis – Retail portfolio

Annexure B: Probability of default, exposure at default and loss given analysis – Wholesale portfolio

Annexure C: Capital management disclosure

- → Reconciliation of accounting capital to regulatory capital (Group and Bank)
- → Capital disclosure(Group and Bank)
- → Leverage ratio common dis closure template and summary (Group and Bank)
- → Main features (Group and Bank)

Annexure D: Liquidity Risk: LCR Common disclosure template

Probability of default, exposure at default and loss given default analysis in terms of regulatory disclosure requirements - AIRB approach

Retail portfolio[1]

	June 2014	June 2015																				
			Mortgages *(including home equity line of credit)*				SME: Secured lending				SME: Unsecured lending				Revolving: Credit cards				Revolving: Non-credit cards			
Risk Grade	Average PD	Average PD	LGD	Exposure Weighted average Risk weight	Expected loss	EAD	LGD	Exposure weighted average risk weight	Expected loss	EAD	LGD	Exposure weighted average risk weight	Expected loss	EAD	LGD	Exposure weighted average risk weight	Expected loss	EAD	LGD	Exposure weighted average risk weight	Expected loss	EAD
	%	%	%	%	Rm	Rm	%	%	Rm	Rm	%	%	Rm	Rm	%	%	Rm	Rm	%	%	Rm	Rm
Non-default	3.40	3.40	12.8	21.6	619	239 053	24.2	35.7	47	8 743	68.7	66.4	324	13 006	74.6	70.4	1 390	41 252	81.9	23.6	92	7 244
4	0.03	0.03	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	0.03	0.03	10.7	1.2	0	17 209	14.4	1.7	0	19	78.4	2.2	0	1 215	74.2	1.9	0	15	82.1	2.6	2	3 125
6	0.05	0.05	10.3	1.6	0	1 776	11.0	2.0	0	50	42.0	6.7	0	2	-	-	-	-	82.7	3.7	0	21
7	0.09	0.09	10.3	2.4	1	8 662	28.6	6.2	0	8	82.0	4.0	0	0	75.6	4.3	0	53	82.0	3.9	0	150
8	0.10	0.10	10.4	2.7	2	18 669	10.0	2.6	0	1	78.5	8.2	0	27	71.3	4.9	4	4 808	78.6	5.9	0	8
9	0.16	0.16	13.0	4.7	2	9 721	21.3	7.3	0	12	81.5	8.0	0	4	69.9	6.4	3	3 036	78.4	7.2	0	12
10	0.22	0.22	14.6	6.8	3	6 461	10.0	4.5	0	4	43.8	16.3	0	9	76.7	8.7	0	3	82.2	9.2	2	501
11	0.30	0.30	17.3	9.7	10	16 864	10.0	5.9	0	4	77.6	18.3	1	467	77.2	13.3	0	163	82.0	14.9	5	622
12	0.46	0.46	12.0	9.3	6	12 048	12.5	8.6	0	412	80.6	19.0	1	464	74.9	17.0	0	22	80.7	17.3	0	62
13	0.65	0.65	13.0	13.0	22	24 856	14.1	13.2	0	5	78.6	30.9	3	563	75.1	20.6	0	1	81.5	22.8	5	410
14	0.88	0.88	12.2	14.8	12	14 213	11.1	12.9	1	1 030	77.8	38.8	2	358	75.2	27.4	27	3 494	81.6	30.8	8	440
15	1.24	1.24	14.3	21.5	26	15 532	16.3	19.9	1	1 132	70.5	49.6	15	1 765	75.3	36.3	9	1 110	81.7	40.6	15	840
16	1.84	1.84	12.4	24.7	39	21 366	17.4	26.3	3	1 680	68.2	56.7	19	1 771	76.1	45.5	21	1 362	81.2	53.8	7	228
17	2.57	2.57	13.4	32.4	54	21 768	31.0	44.9	11	2 047	58.4	70.8	34	2 335	76.4	59.0	55	2 637	81.7	67.2	11	232
18	3.64	3.64	12.3	36.4	43	12 738	36.7	55.6	11	1 255	61.6	79.9	28	1 530	75.1	76.0	109	3 501	81.7	88.4	17	363
19	4.82	4.82	13.4	47.3	67	14 233	37.9	59.5	4	358	66.7	95.5	33	997	74.9	89.0	556	16 472	81.7	105.2	7	105
20	7.42	7.42	13.7	56.7	87	12 350	33.6	55.8	4	256	66.2	113.1	32	633	77.4	125.5	108	1 686	81.5	133.3	5	68
21	9.95	9.95	13.0	63.1	22	2 349	39.7	71.0	5	246	71.2	131.9	18	274	78.0	155.0	81	901	82.0	165.1	6	51
22	15.50	15.50	12.4	69.5	22	1 326	28.6	58.1	2	80	76.0	178.1	24	187	78.4	187.1	119	909	80.5	187.6	0	1
23	20.84	20.84	12.1	72.6	52	2 550	16.0	67.2	0	11	79.5	218.7	7	45	78.7	219.4	96	527	81.0	227.1	1	6
24	29.92	29.92	13.1	80.9	86	2 872	13.7	67.6	0	13	79.4	237.4	30	128	79.4	245.3	70	274	81.2	248.6	0	0
25	48.84	48.84	12.6	68.5	64	1 490	12.9	58.2	5	121	81.0	257.4	77	231	78.7	236.0	133	278	78.1	250.6	0	0
Default	100.00	100.00	14.7	-	2 363	9 445	14.3	54.3	105	161	81.6	22.9	45	139	74.7	-	1 280	1 882	97.8	22.0	98	131
Total	7.66	7.66	12.9	20.8	2 982	248 498	24.0	36.0	152	8 903	68.9	65.9	368	13 145	74.7	67.3	2 670	43 134	82.2	23.6	190	7 376

Notes

[1] Amounts indicated as zero in the above table, reflect values smaller than R1 million.

Probability of default, exposure at default and loss given default analysis in terms of regulatory disclosure requirements - AIRB approach

Retail portfolio (continued)[1]

	June 2015																				June 2014
	Other: Vehicle and asset finance				Other: Unsecured lending ≤30 000				Other: Unsecured lending >30 000				Other				Total				Total
Risk Grade	LGD	Exposure Weighted average Risk weight	Expected loss	EAD	LGD	Exposure weighted average risk weight	Expected loss	EAD	LGD	Exposure weighted average risk weight	Expected loss	EAD	LGD	Exposure weighted average risk weight	Expected loss	EAD	LGD	Exposure weighted average risk weight	Expected loss	EAD	EAD
	%	%	Rm	Rm	%	%	Rm	Rm	%	%	Rm	Rm	%	%	Rm	Rm	%	%	Rm	Rm	Rm
Non-default	38.6	54.2	1,357	54,958	75.4	96.1	158	3,295	78.0	100.6	645	13,163	50.0	108.3	240	1,760	29.6	37.2	4,872	382,474	378,370
4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	288
5	40.6	4.7	0	230	73.0	8.5	0	236	76.5	8.9	0	480	50.0	5.8	0	0	26.6	1.7	3	22,529	21,236
6	-	-	-	-	-	-	-	-	83.1	16.1	0	11	-	-	-	-	11.6	1.7	0	1,859	2,668
7	37.7	9.2	0	518	82.0	16.5	0	1	-	-	-	-	-	-	-	-	13.4	2.8	1	9,392	8,818
8	38.4	10.2	1	1,196	74.5	23.6	0	98	78.0	24.8	1	447	-	-	-	-	24.9	3.9	8	25,252	25,387
9	-	-	-	-	71.0	27.4	0	32	73.6	28.4	0	99	-	-	-	-	27.1	5.3	5	12,916	12,232
10	39.4	20.0	0	4	82.0	35.9	0	1	80.4	34.3	0	33	-	-	-	-	19.9	7.1	5	7,017	6,275
11	37.8	21.9	0	100	74.0	41.6	1	207	77.6	44.4	3	853	50.0	26.8	0	0	24.7	12.0	20	19,279	17,947
12	38.3	28.4	10	3,845	71.1	48.8	0	36	74.1	50.8	0	107	-	-	-	-	20.7	14.2	18	16,996	16,727
13	38.1	32.9	1	272	73.7	62.5	1	214	77.4	64.5	6	976	50.0	44.9	0	0	18.4	16.0	38	27,297	30,892
14	38.2	39.9	15	2,910	75.0	75.3	1	130	78.5	78.7	8	738	-	-	-	-	29.6	22.8	74	23,313	20,609
15	38.1	45.5	23	3,442	78.6	92.2	8	644	79.7	93.0	37	2,742	50.0	57.7	0	0	33.7	36.4	136	27,208	27,459
16	38.6	51.7	81	8,185	74.4	98.9	3	175	77.6	102.6	16	800	50.0	65.8	0	0	26.1	35.7	189	35,569	34,233
17	39.7	55.4	143	9,355	74.6	106.3	6	238	77.6	110.8	30	1,169	50.0	72.1	0	6	29.9	45.4	344	39,788	46,397
18	38.2	57.8	94	5,025	75.8	114.4	11	298	78.5	118.8	47	1,222	50.0	74.3	0	0	34.7	54.9	361	25,932	26,938
19	38.3	57.9	175	7,293	74.2	115.5	10	203	76.8	119.8	34	634	50.0	78.3	0	0	46.0	69.2	885	40,296	35,008
20	38.3	63.8	319	7,487	75.3	123.2	18	232	77.1	126.1	62	761	50.0	82.1	0	0	30.6	68.6	634	23,474	19,972
21	38.1	67.1	82	1,604	73.9	130.0	9	99	76.1	133.9	27	272	50.0	90.1	0	0	38.5	87.4	248	5,796	4,886
22	38.9	79.5	90	1,177	76.7	161.1	57	317	78.6	166.2	247	1,293	50.0	108.4	239	1,752	51.6	120.7	800	7,042	8,232
23	39.1	93.4	93	817	72.1	173.8	6	36	76.0	182.8	30	158	50.0	117.8	0	0	29.7	102.2	285	4,150	3,495
24	38.5	102.7	112	794	74.0	198.2	17	66	76.8	208.3	71	279	50.0	138.3	0	1	28.6	109.2	386	4,426	4,062
25	38.9	109.4	117	701	72.6	197.2	9	33	75.4	205.6	26	88	50.0	130.9	0	0	33.1	114.0	431	2,943	4,609
Default	63.9	-	581	1,352	76.5	-	260	340	76.7	3.7	667	1,231	76.5	-	-	16	35.0	1.3	5,400	14,697	17,459
Total	39.2	52.9	1,938	56,310	75.5	87.1	418	3,635	77.9	92.3	1,313	14,394	50.2	107.3	240	1,776	29.8	35.8	10,271	397,171	395,829

Notes
[1] Amounts indicated as zero in the above table, reflect values smaller than R1 million.

Probability of default, exposure at default and loss given default analysis in terms of regulatory disclosure requirements - AIRB approach

Wholesale portfolio[1]

	June 2014	June 2015																				
			Corporate exposure																Public sector entities			
			Corporate				SME				Income producing real estate				Project finance							
Risk Grade	Average PD	Average PD	LGD	Exposure Weighted average Risk weight	Expected loss	EAD	LGD	Exposure weighted average risk weight	Expected loss	EAD	LGD	Exposure weighted average risk weight	Expected loss	EAD	LGD	Exposure weighted average risk weight	Expected loss	EAD	LGD	Exposure weighted average risk weight	Expected loss	EAD
	%	%	%	%	Rm	Rm	%	%	Rm	Rm	%	%	Rm	Rm	%	%	Rm	Rm	%	%	Rm	Rm
Non-default	0.77	1.07	38.4	50.37	252	182 077	36.1	72.63	395	76 629	18.5	46.62	15	4 644	19.4	43.28	11	5 383	19.5	28.95	10	10 169
4	0.03	0.03	39.8	11.01	2	13 071	51.3	11.10	0	342	-	-	-	-	-	-	-	-	-	-	-	-
5	0.04	0.04	43.9	14.31	1	9 738	36.3	12.28	0	155	-	-	-	-	-	-	-	-	43.9	31.07	0	13
6	0.05	0.06	43.8	17.28	1	4 895	15.9	7.84	0	155	-	-	-	-	-	-	-	-	43.9	29.45	0	18
7	0.08	0.08	39.9	23.43	2	9 363	41.5	30.20	0	69	10.1	9.79	0	9	-	-	-	-	43.9	17.56	0	27
8	0.12	0.12	38.3	23.28	6	21 579	21.4	12.51	0	1 364	10.0	7.57	0	138	10.0	12.86	0	649	21.6	23.72	0	4
9	0.18	0.18	40.6	39.40	10	21 776	40.7	33.15	0	295	27.8	29.97	0	33	43.9	41.68	0	82	17.6	19.82	1	2 905
10	0.22	0.23	34.9	39.53	9	17 715	35.6	30.75	3	3 297	10.0	8.26	0	236	43.9	35.40	-	0	25.1	24.43	1	3 928
11	0.32	0.32	32.2	38.95	7	17 228	37.6	40.43	2	6 812	21.1	38.49	0	182	15.0	30.25	0	232	17.1	33.89	0	247
12	0.46	0.46	34.6	54.73	9	11 331	34.6	48.18	5	9 014	15.8	25.05	0	230	15.0	25.50	1	2 512	13.0	14.67	0	106
13	0.61	0.60	41.3	65.68	19	13 133	36.4	54.36	6	6 060	29.3	43.70	0	467	20.0	26.35	-	0	14.0	42.63	0	1
14	0.91	0.91	39.1	77.73	17	8 985	34.4	59.93	9	6 079	11.9	26.95	0	544	-	-	-	-	43.9	129.06	0	2
15	1.33	1.30	38.0	96.31	45	14 065	31.8	65.52	12	7 623	17.8	44.91	1	955	27.7	84.01	1	829	34.6	98.66	3	995
16	1.81	1.82	38.0	97.26	14	4 798	35.3	74.36	18	6 038	19.7	55.05	1	422	-	-	-	-	43.9	149.21	0	1
17	2.68	2.65	38.5	115.67	33	8 048	39.2	93.93	55	12 534	10.0	29.06	2	631	43.9	106.60	2	621	5.0	16.65	0	1
18	3.68	3.69	40.3	133.22	17	3 223	37.7	94.40	40	5 635	17.9	53.65	0	163	43.9	122.74	0	17	43.9	176.17	1	21
19	5.16	5.19	38.2	131.94	17	1 798	39.2	109.65	58	5 347	19.3	62.69	0	8	-	-	-	-	15.0	61.36	0	15
20	7.37	7.44	39.4	150.18	5	386	37.9	119.70	44	2 754	34.0	127.90	7	518	-	-	-	-	43.9	209.62	0	0
21	9.77	10.30	37.3	164.76	4	253	39.2	140.00	16	858	-	-	-	-	-	-	-	-	-	-	-	-
22	14.94	15.89	43.2	229.07	5	233	35.8	150.11	40	1 239	10.0	45.51	1	62	-	-	-	-	2.6	13.90	5	1 885
23	19.20	19.64	44.7	244.29	3	93	43.0	195.02	7	144	-	-	-	-	-	-	-	-	-	-	-	-
24	29.63	29.34	32.6	191.35	12	179	33.8	150.82	14	232	-	-	-	-	-	-	-	-	-	-	-	-
25	40.85	46.48	41.8	223.12	16	190	33.1	140.89	65	583	10.0	40.88	3	48	5.0	27.70	7	442	-	-	-	-
Default	100.00	100.00	45.1	474.08	430	2 613	27.3	72.13	1 167	4 723	31.6	171.61	74	401	-	-	-	-	-	-	-	-
Total	2.39	2.93	38.5	56.36	683	184 690	35.6	72.60	1 562	81 351	19.5	56.55	89	5 045	19.4	43.28	11	5 383	19.5	28.95	10	10 169

Notes
[1] Amounts indicated as zero in the above table, reflect values smaller than R1 million.

Probability of default, exposure at default and loss given default analysis in terms of regulatory disclosure requirements - AIRB approach

Wholesale portfolio (continued)[1]

	June 2015																				June 2014
	Local governments and municipalities				Sovereigns				Banks				Securities firms				Total				Total
Risk Grade	LGD	Exposure Weighted average Risk weight	Expected loss	EAD	LGD	Exposure weighted average risk weight	Expected loss	EAD	LGD	Exposure weighted average risk weight	Expected loss	EAD	LGD	Exposure weighted average risk weight	Expected loss	EAD	LGD	Exposure weighted average risk weight	Expected loss	EAD	EAD
	%	%	Rm	Rm	%	%	Rm	Rm	%	%	Rm	Rm	%	%	Rm	Rm	%	%	Rm	Rm	Rm
Non-default	14.1	12.73	1	6 389	7.0	6.89	11	60 385	43.6	28.45	31	56 638	43.9	45.12	1	1 762	32.7	43.73	726	404 076	397 828
4	-	-	-	-	23.1	4.12	0	4 567	43.4	15.59	3	34 386	43.9	19.60	0	442	40.8	13.47	5	52 808	62 868
5	-	-	-	-	-	-	-	-	43.9	54.05	0	670	43.9	70.80	0	110	43.8	17.38	1	10 686	14 131
6	45.0	20.14	0	14	-	-	-	-	43.9	17.84	1	6 801	43.9	132.21	0	2	43.5	17.52	1	11 884	3 617
7	38.4	24.02	0	5	-	-	-	-	43.9	10.80	0	1 130	-	-	-	-	40.3	22.10	2	10 604	12 327
8	18.6	12.45	0	1 942	-	-	-	-	-	-	-	-	-	-	-	-	35.0	21.54	7	25 677	14 388
9	13.9	15.77	1	2 390	5.0	5.98	5	54 318	43.9	61.05	0	15	43.9	56.92	0	115	15.4	15.86	16	81 928	115 224
10	9.3	7.67	0	1 705	25.0	20.71	0	1 140	43.9	49.55	3	7 410	43.9	47.05	0	1 011	34.3	37.07	17	36 440	17 177
11	9.5	12.16	0	306	-	-	-	-	43.9	62.53	1	2 646	43.9	108.06	0	42	34.1	41.26	11	27 695	27 559
12	36.8	58.44	0	16	15.0	16.82	0	8	43.9	62.72	0	1	-	-	-	-	32.2	48.54	15	23 217	16 784
13	34.3	81.87	0	2	-	-	-	-	43.9	106.75	0	5	43.9	44.62	0	6	39.5	61.67	25	19 673	13 392
14	42.8	91.52	0	3	-	-	-	-	43.9	92.78	0	0	-	-	-	-	36.3	69.04	26	15 612	21 258
15	45.0	106.26	0	0	-	-	-	-	43.9	105.36	1	130	43.9	113.50	0	34	34.9	84.54	63	24 630	32 710
16	45.0	116.02	0	0	-	-	-	-	43.9	103.39	9	1 770	-	-	-	-	36.9	86.12	42	13 028	11 295
17	47.0	161.56	0	5	5.0	9.54	0	5	43.9	100.42	12	1 601	-	-	-	-	38.6	100.42	104	23 446	18 432
18	-	-	-	-	-	-	-	-	43.9	151.56	0	19	-	-	-	-	38.3	107.81	58	9 078	6 747
19	57.8	185.69	0	0	43.9	140.61	5	347	43.9	149.41	0	4	-	-	-	-	39.1	116.28	81	7 520	4 081
20	-	-	-	-	-	-	-	-	43.9	192	0	20	-	-	-	-	37.6	124.45	56	3 679	2 540
21	-	-	-	-	-	-	-	-	43.9	207.31	1	31	-	-	-	-	38.9	147.30	20	1 142	567
22	-	-	-	-	-	-	-	-	43.9	246.24	0	0	-	-	-	-	17.5	78.49	51	3 419	2 114
23	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	43.7	214.28	10	237	92
24	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	33.2	168.46	26	411	445
25	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	23.7	109.81	90	1 262	79
Default	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	33.5	213.04	1 671	7 737	6 609
Total	14.1	12.73	1	6 389	7.0	6.89	11	60 385	43.6	28.45	31	56 638	43.9	45.12	1	1 762	32.7	46.91	2 397	411 812	404 437

Notes

[1] Amounts indicated as zero in the above table, reflect values smaller than R1 million.

Reconciliation of accounting capital to regulatory capital

	June 2015	
	Group Rm	Bank Rm
Ordinary share capital and premium	6 224	16 768
Other reserves	4 876	2 418
Retained earnings	72 399	33 975
Non - controlling interest - ordinary shares	3 708	-
Non - controlling interest - preference shares	4 644	4 644
Total Equity per IFRS	**91 851**	**57 805**
Less: Non qualifying reserve funds	**(5 717)**	**(1 607)**
Non - controlling interest - ordinary shares	(1 322)	-
Share of associated companies earnings	(882)	-
Additional regulatory general reserve (from DR)	(500)	-
Reserves related to financial and insurance entities not consolidated for regulatory purposes	(3 013)	(1 607)
Less: Regulatory deductions (CET1)	(5 998)	(4 276)
Regulatory adjustments (AT1)	(379)	(1 393)
Tier 1 capital	**79 757**	**50 529**
Add: Borrowed Funds (Tier 2)	11 226	10 738
Total regulatory capital including unappropriated profits	**90 983**	**61 267**
Less: Unappropriated profits	(5 794)	(5 635)
Total regulatory capital excluding unappropriated profits	**85 189**	**55 632**

Composition of capital disclosure

Barclays Africa Group Limited

		Amount subject to Basel III Rm	Amount subject to Pre-Basel III treatment Rm
	Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	6,224	
2	Retained earnings	63,651	
3	Accumulated other comprehensive income (and other reserves)	3,435	
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	-	
	Public sector capital injections grandfathered until 1 January 2018	-	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	2,386	3,712
6	**Common Equity Tier 1 capital before regulatory adjustments**	75,696	
	Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustments	-	-
8	Goodwill (net of related tax liability)	749	-
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	2,055	-
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	297	-
11	Cash-flow hedge reserve	(265)	-
12	Shortfall of provisions to expected losses	1,443	-
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	603	-
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	1,116	-
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	-	
	OF WHICH: [INSERT NAME OF ADJUSTMENT]	-	
	OF WHICH	-	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
28	**Total regulatory adjustment to Common equity Tier 1**	5,998	
29	Common Equity Tier 1 capital (CET1)	69,698	
	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	-	

Annexure C

		Amount subject to Basel III Rm	Amount subject to Pre-Basel III treatment Rm
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)	4,333	
35	of which: instruments issued by subsidiaries subject to phase out	4,644	
36	**Additional Tier 1 capital before regulatory adjustments**	4,333	
	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)	68	-
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-
41	National specific regulatory adjustments	-	
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	-	
	OF WHICH: [INSERT NAME OF ADJUSTMENT]	-	
	OF WHICH	-	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
43	**Total regulatory adjustments to Additional Tier 1 capital**	68	
44	**Additional Tier 1 capital (AT1)**	4,265	
45	**Tier 1 capital (T1 = CET1 + AT1)**	73,963	
	Tier 2 capital and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	3,000	
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)	7,807	
49	of which: instruments issued by subsidiaries subject to phase out	7,500	
50	Provisions	419	
51	Tier 2 capital before regulatory adjustments	11,226	
	Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments	-	-
53	Reciprocal cross-holdings in Tier 2 instruments	-	-
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-	-
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-
56	National specific regulatory adjustments	-	
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 2 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	-	
	OF WHICH: [INSERT NAME OF ADJUSTMENT]	-	
	OF WHICH	-	
57	**Total regulatory adjustments to Tier 2 capital**	-	
58	**Tier 2 capital (T2)**	11,226	
59	**Total capital (TC = T1 + T2)**	85,189	

		Amount subject to Basel III Rm	Amount subject to Pre-Basel III treatment Rm
	RISK WEIGHTED ASSETS IN REPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	634,715	
	of which: Basel III amendments	12,757	
60	**Total risk weighted assets**	647,472	
	Capital ratios		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	10.8	
62	Tier 1 (as a percentage of risk weighted assets)	11.4	
63	Total capital (as a percentage of risk weighted assets)	13.2	
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 risk weighted assets)	6.5	
65	of which: capital conservation buffer requirement	-	
66	of which: bank specific countercyclical buffer requirement	-	
67	of which: G-SIB buffer requirement	-	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	10.8	
	National minima (if different from Basel 3)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)	6.5	
70	National Tier 1 minimum ratio (if different from Basel 3 minimum)	8.0	
71	National total capital minimum ratio (if different from Basel 3 minimum)	10.0	
	Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investments in the capital of other financials	-	
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)	531	
	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)	419	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	419	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements	-	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	
82	Current cap on AT1 instruments subject to phase out arrangements	-	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	
84	Current cap on T2 instruments subject to phase out arrangements	-	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	

Composition of capital disclosure

Absa Bank

		Amount subject to Basel III Rm	Amount subject to Pre-Basel III treatment Rm
	Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	16,768	
2	Retained earnings	27,029	
3	Accumulated other comprehensive income (and other reserves)	2,122	
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	**Common Equity Tier 1 capital before regulatory adjustments**	45,919	
	Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustments	-	-
8	Goodwill (net of related tax liability)	-	-
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	1,412	-
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	(265)	-
12	Shortfall of provisions to expected losses	2,134	-
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	529	-
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	-	
	OF WHICH: [INSERT NAME OF ADJUSTMENT]	-	
	OF WHICH	-	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
28	**Total regulatory adjustment to Common equity Tier 1**	4,276	
29	Common Equity Tier 1 capital (CET1)	41,643	
	Additional Tier 1 capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	3,251	
31	of which: classified as equity under applicable accounting standards	3,251	

		Amount subject to Basel III Rm	Amount subject to Pre-Basel III treatment Rm
32	of which: classified as liabilities under applicable accounting standards	-	
33	Directly issued capital instruments subject to phase out from Additional Tier 1	4,644	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-	
35	of which: instruments issued by subsidiaries subject to phase out	-	
36	**Additional Tier 1 capital before regulatory adjustments**	3,251	
	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)	-	-
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-
41	National specific regulatory adjustments	-	
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	-	
	OF WHICH: [INSERT NAME OF ADJUSTMENT]	-	
	OF WHICH	-	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
43	**Total regulatory adjustments to Additional Tier 1 capital**	-	
44	**Additional Tier 1 capital (AT1)**	3,251	
45	**Tier 1 capital (T1 = CET1 + AT1)**	44,894	
	Tier 2 capital and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	10,500	
47	Directly issued capital instruments subject to phase out from Tier 2	7,500	
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-	
49	of which: instruments issued by subsidiaries subject to phase out	-	
50	Provisions	238	
51	Tier 2 capital before regulatory adjustments	10,738	
	Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments	-	-
53	Reciprocal cross-holdings in Tier 2 instruments	-	-
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-	-
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-
56	National specific regulatory adjustments	-	
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 2 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	-	
	OF WHICH: [INSERT NAME OF ADJUSTMENT]	-	
	OF WHICH	-	
57	**Total regulatory adjustments to Tier 2 capital**	-	

		Amount subject to Basel III Rm	Amount subject to Pre-Basel III treatment Rm
58	**Tier 2 capital (T2)**	10,738	
59	**Total capital (TC = T1 + T2)**	55,632	
	RISK WEIGHTED ASSETS IN REPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	459,841	
	of which: Basel III amendments	12,757	
60	**Total risk weighted assets**	472,598	
	Capital ratios		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	8.8	
62	Tier 1 (as a percentage of risk weighted assets)	9.5	
63	Total capital (as a percentage of risk weighted assets)	11.8	
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 risk weighted assets)	6.5	
65	of which: capital conservation buffer requirement	-	
66	of which: bank specific countercyclical buffer requirement	-	
67	of which: G-SIB buffer requirement	-	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	8.8	
	National minima (if different from Basel 3)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)	6.5	
70	National Tier 1 minimum ratio (if different from Basel 3 minimum)	8.0	
71	National total capital minimum ratio (if different from Basel 3 minimum)	10.0	
	Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investments in the capital of other financials	-	
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)	-	
	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)	238	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	238	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements	-	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	
82	Current cap on AT1 instruments subject to phase out arrangements	-	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	
84	Current cap on T2 instruments subject to phase out arrangements	-	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	

Leverage ratio common disclosure template & Summary

Barclays Africa Group Limited

Summary comparison of accounting assets vs leverage ratio exposure **Table 1**

	Item	R'million
1	Total consolidated assets as per published financial statements	1 385 389
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulator consolidation	(28 629)
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant t the operative accounting framework but excluded from the leverage ratio exposure measure	0
4	Adjustments for derivative financial instruments	(11 428)
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)	(132 614)
7	Other adjustments	(5 998)
8	**Leverage ratio exposure**	**1 206 720**

Table 2

	Item	**Leverage ratio framework**
	On-balance sheet exposures	
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	936 606
2	(Assets amounts deducted in determining Basel III Tier 1 capital)	(5 998)
3	**Total on-balance sheet exposures** (excluding derivatives and SFTs (sum of lines 1 and 2)	930 607
	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	7 121
5	Add-on amounts for PFE associated with **all** derivatives transactions	13 283
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)	(133)
9	Adjusted effective notional amount of written credit derivatives	9 314
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0
11	**Total derivative exposures (sum of lines 4 to 10)**	29 585
	Security financing transaction exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	32 697
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)**	32 697
	Other off-balance sheet exposures	
17	Off-balance sheet exposures at gross notional amount	346 444
18	(Adjustments for conversion to credit equivalent amounts)	(132 614)
19	**Off-balance sheet items (sum of lines 17 to 18)**	213 830
	Capital and total exposure	
20	**Tier 1 capital**	**73 963**
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**1 206 720**
	Leverage ratio	
22	**Basel III leverage ratio**	**6.13%**

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
3	**Sum of lines 1 and 2.**
4	Replacement cost (RC) associated with all derivatives transactions (including exposures resulting from transactions
5	Add-on amount for all derivative exposures according to paragraphs 19–21.
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
8	Exempted trade exposures associated with the CCP leg of derivatives transactions resulting from client-cleared
9	Adjusted effective notional amount (ie the effective notional amount reduced by any negative change in fair value) for
10	Adjusted effective notional offsets of written credit derivatives according to paragraph 30 and deducted add- on
11	**Sum of lines 4–10.**
12	Gross SFT assets with no recognition of any netting other than novation with QCCPs as set out in footnote 19, removing
13	Cash payables and cash receivables of gross SFT assets netted according to paragraph 33 (i), reported as negative
14	Measure of counterparty credit risk for SFTs as determined by paragraph 33 (ii).
15	Agent transaction exposure amount determined according to paragraphs 35 to 37.
16	**Sum of lines 12–15.**
17	Total off-balance sheet exposure amounts on a gross notional basis, before any adjustment for credit conversion
18	Reduction in gross amount of off-balance sheet exposures due to the application of credit conversion factors in
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 & Summary

Absa Bank

Summary comparison of accounting assets versus leverage ratio exposure — **Table 1**

	Item	R'million
1	Total consolidated assets as per published financial statements	1 173 142
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 t the operative accounting framework but excluded from the leverage ratio exposure measure	0
4	Adjustments for derivative financial instruments	(10 597)
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)	(126 307)
7	Other adjustments	(4 275)
8	**Leverage ratio exposure**	**1 031 963**

Table 2

	Item	Leverage ratio framework
	On-balance sheet exposures	
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	776 854
2	(Assets amounts deducted in determining Basel III Tier 1 capital)	(4 275)
3	**Total on-balance sheet exposures** (excluding derivatives and SFTs (sum of lines 1 and 2)	772 579
	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	6 982
5	Add-on amounts for PFE associated with **all** derivatives transactions	13 283
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)	(133)
9	Adjusted effective notional amount of written credit derivatives	9 314
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0
11	**Total derivative exposures (sum of lines 4 to 10)**	29 446
	Security financing transaction exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	32 309
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)**	32 309
	Other off-balance sheet exposures	
17	Off-balance sheet exposures at gross notional amount	323 936
18	(Adjustments for conversion to credit equivalent amounts)	(126 307)
19	**Off-balance sheet items (sum of lines 17 to 18)**	197 629
	Capital and total exposure	
20	**Tier 1 capital**	**44 894**
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**1 031 963**
	Leverage ratio	
22	**Basel III leverage ratio**	**4.35%**

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
3	**Sum of lines 1 and 2.**
4	Replacement cost (RC) associated with all derivatives transactions (including exposures resulting from transactions
5	Add-on amount for all derivative exposures according to paragraphs 19–21.
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
8	Exempted trade exposures associated with the CCP leg of derivatives transactions resulting from client-cleared
9	Adjusted effective notional amount (ie the effective notional amount reduced by any negative change in fair value) for
10	Adjusted effective notional offsets of written credit derivatives according to paragraph 30 and deducted add- on
11	**Sum of lines 4–10.**
12	Gross SFT assets with no recognition of any netting other than novation with QCCPs as set out in footnote 19, removing
13	Cash payables and cash receivables of gross SFT assets netted according to paragraph 33 (i), reported as negative
14	Measure of counterparty credit risk for SFTs as determined by paragraph 33 (ii).
15	Agent transaction exposure amount determined according to paragraphs 35 to 37.
16	**Sum of lines 12–15.**
17	Total off-balance sheet exposure amounts on a gross notional basis, before any adjustment for credit conversion
18	Reduction in gross amount of off-balance sheet exposures due to the application of credit conversion factors in
19	Sum of lines 17 and 18.
20	Tier 1 capital as determined by paragraph 10.
21	**Sum of lines 3, 11, 16 and 19.**
22	Basel III leverage ratio according to paragraph 54.

Main features disclosure

Barclays Africa Group

	Disclosure template for main features of regulatory capital instruments	1	2	3	4	5	6	7	8
1	Issuer	Barclays Africa Group Limited	Absa Bank Limited	Absa Bank Limited	Absa Bank Limited	Absa Bank Limited	Absa Bank Limited	Absa Bank Limited	Absa Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	ZAE000174124	ZAE000079810	ZAG000073669	ZAG000077074	ZAG000077082	ZAG000101221	ZAG000101239	ZAG000101254
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.
	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
5	Post-transitional Basel III rules	Common Equity Tier 1	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible
6	Eligible at solo/group/group&solo	Group	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Solo and Group
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares	Preference shares	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)	R 1 694	R 3 251	R 1 500	R 400	R 600	R 1 805	R 2 007	R 1 188
9	Par value of instrument	R 1 694	R 4 644	R 845	R 400	R 600	R 1 805	R 2 007	R 1 188
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
11	Original date of issuance	1986	2006 and 2007	10-Dec-09	03-May-10	03-May-10	21-Nov-12	21-Nov-12	21-Nov-12
12	Perpetual or dated	Perpetual	Perpetual	Dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	NA	NA	07-Dec-28	03-May-22	03-May-22	21-Nov-22	21-Nov-23	21-Nov-23
14	Issuer call subject to prior supervisory approval	NA	NA	Yes	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	NA	NA	07 Dec 2023, tax and regulatory contingent events call, nominal amount plus CPI adjustment if the amount is not less than R 845.283.052 otherwise redemption amount equal to Principal Amount issued.	03 May 2017, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	03 May 2017, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	21 Nov 2017, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	21 Nov 2018, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	21 Nov 2018, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.
16	Subsequent call dates, if applicable.	NA	NA	NA	NA	NA	Quarterly after the first optional call date until maturity.	Quarterly after the first optional call date until maturity.	Semiannualy after the first optional call date until maturity.
	Coupons / dividends								
17	Fixed or floating dividend/coupon	Floating	Fixed	Floating	Floating	Fixed to floating	Floating	Floating	Fixed
18	Coupon rate and any related index	NA	70% of the prime overdraft lending rate	5.5 % indexed to ZAR revised CPI	3M JIBAR+210bps	10.28%	3M JIBAR+195bps	3M JIBAR+205bps	8.2950%
19	Existence of a dividend stopper	No	No	No	No	No	No	No	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	NA	No	Yes	Yes	Yes	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	NA	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	NA	NA	NA	NA	NA	NA	NA	NA
25	If convertible, fully or partially	NA	NA	NA	NA	NA	NA	NA	NA
26	If convertible, conversion rate	NA	NA	NA	NA	NA	NA	NA	NA

	Disclosure template for main features of regulatory capital instruments	9	10	11	12	13	14	15
1	Issuer	Barclays Bank of Kenya Limited	Barclays Bank of Kenya Limited	Barclays Bank Zambia	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)	BBKTR02SBFL02	BBKTR02SBFL02	BBG0019JPQR2	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).	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	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional Basel III rules	Ineligible	Ineligible	Ineligible	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/group/group&solo	Group	Group	Group	Group	Group	Group	Group
7	Instrument type (types to be specified by each jurisdiction)	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)	R 0	R 0	R 0	R 370	R 130	R 1 693	R 807
9	Par value of instrument	R 90	R 153	R 102	R 370	R 130	R 1 693	R 807
10	Accounting classification	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	14-Jul-08	14-Jul-08	18-May-09	18-Nov-14	18-Nov-14	04-Feb-15	04-Feb-15
12	Perpetual or dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	14-Jul-15	14-Jul-15	18-May-16	19-Nov-24	19-Nov-24	05-Feb-25	05-Feb-25
14	Issuer call subject to prior supervisory approval	NA	NA	NA	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	NA	NA	NA	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.	NA	NA	NA	Quarterly after the first optional call date until maturity.	Semiannualy after the first optional call date until maturity.	Quarterly after the first optional call date until maturity.	Semiannualy after the first optional call date until maturity.
	Coupons / dividends							
17	Fixed or floating dividend/coupon	Floating	Fixed	Floating	Floating	Fixed	Floating	Fixed
18	Coupon rate and any related index	182 day T-bill +1%	11.50%	182-day T-bill+2.5%	3M JIBAR+330bps	10.835%	3M JIBAR+350bps	10.05%
19	Existence of a dividend stopper	No	No	No	No	No	No	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	NA	NA	NA	NA	NA	NA	NA
25	If convertible, fully or partially	NA	NA	NA	NA	NA	NA	NA
26	If convertible, conversion rate	NA	NA	NA	NA	NA	NA	NA

	Disclosure template for main features of regulatory capital instruments	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
27	If convertible, mandatory or optional conversion	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
30	Write-down feature	No	No	No	No	No	No	No	No	No	No	No	Yes	Yes	Yes	Yes
31	If write-down, write-down trigger(s)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	At SARBs discretion in accordance with Condition 11.12 of the Terms and Conditions and Regulation 38(14)(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 SARBs discretion in accordance with Condition 11.12 of the Terms and Conditions and Regulation 38(14)(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 SARBs discretion in accordance with Condition 11.12 of the Terms and Conditions and Regulation 38(14)(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 SARBs discretion in accordance with Condition 11.12 of the Terms and Conditions and Regulation 38(14)(a)(i) of the Tier 2 Capital Regulations, upon the receipt by the Issuer of written notice from the Registrar of Banks of the occurrence of a Non-Viability Trigger Event
32	If write-down, full or partial	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	The Principal Amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written-off permanently, in full or in part on a pro rata basis (in the case of a write off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks	The Principal Amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written-off permanently, in full or in part on a pro rata basis (in the case of a write off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks	The Principal Amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written-off permanently, in full or in part on a pro rata basis (in the case of a write off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks	The Principal Amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written-off permanently, in full or in part on a pro rata basis (in the case of a write off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks
33	If write-down, permanent or temporary	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	Permanent	Permanent	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Columns 3 to 15, then Column 2	Columns 3 to 15	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	Deposits and other general debits of the bank including non subordinated notes
36	Non-compliant transitioned features	NA	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	NA	NA	NA	NA
37	If yes, specify non-compliant features	NA	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability	NA	NA	NA	NA

Main features disclosure

Absa Bank

	Disclosure template for main features of regulatory capital instruments	1	2	3	4	5	6	7	8	9	10	11	12
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	Absa Bank Limited	Absa Bank Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	ZAE000079810	ZAE000079810	ZAG000073669	ZAG000077074	ZAG000077082	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). 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	Tier 2	Tier 2
5	Post-transitional Basel III rules	Common Equity Tier 1	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/group/group & solo	Solo	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Solo	Solo	Solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares	Preference shares	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
8	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	R303	R3 251	R1 500	R400	R600	R1 805	R2 007	R1 188	R370	R130	R 1 693	R 807
9	Par value of instrument	R303	R4 644	R845	R400	R600	R1 805	R2 007	R1 188	R370	R130	R 1 693	R 807
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	Liability – fair value option	Liability – fair value option
11	Original date of issuance	1986	2006 and 2007	10 Dec 2009	03 May 2010	03 May 2010	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	Dated	Dated
13	Original maturity date	NA	NA	07 Dec 2028	03 May 2022	03 May 2022	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	NA	NA	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	NA	NA	07 Dec 2023, tax and regulatory contingent events call, nominal amount plus CPI adjustment if the amount is not less than R 845.283.052 otherwise redemption amount equal to Principal Amount issued.	03 May 2017, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	03 May 2017, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	21 Nov 2017, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	21 Nov 2018, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	21 Nov 2018, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	19 Nov 2019, tax and regulatory contingent events call, however not applicable before 5-years as per regulations redemption amount equal to Principal Amount issued	19 Nov 2019, tax and regulatory contingent events call, however not applicable before 5-years as per regulations 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	NA	NA	NA	NA	NA	Quarterly after the first optional call date until maturity	Quarterly after the first optional call date until maturity	Semiannualy after the first optional call date until maturity	Quarterly after the first optional call date until maturity	Semiannualy after the first optional call date until maturity	Quarterly after the first optional call date until maturity.	Semiannualy after the first optional call date until maturity.
	Coupons / dividends												
17	Fixed or floating dividend/coupon	Floating	Fixed	Floating	Floating	Fixed to floating	Floating	Floating	Fixed	Floating	Fixed	Floating	Fixed
18	Coupon rate and any related index	NA	70% of the prime overdraft lending rate	5.5 % indexed to ZAR revised CPI	3M JIBAR+210bps	10.28%	3M JIBAR+195bps	3M JIBAR+205bps	8.295%	3M JIBAR+330bps	10.835%	3M JIBAR+350bps	10.05%
19	Existence of a dividend stopper	No	No	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	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	NA	No	Yes	Yes	Yes	No	No	No	No	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	NA	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

	Disclosure template for main features of regulatory capital instruments	1	2	3	4	5	6	7	8	9	10	11	12
25	If convertible, fully or partially	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
26	If convertible, conversion rate	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
30	Write-down feature	No	No	No	No	No	No	No	No	Yes	Yes	Yes	Yes
31	If write-down, write-down trigger(s)	NA	NA	NA	NA	NA	NA	NA	NA	At SARBs discretion in accordance with Condition 11.12 of the Terms and Conditions and Regulation 38(14)(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 SARBs discretion in accordance with Condition 11.12 of the Terms and Conditions and Regulation 38(14)(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 SARBs discretion in accordance with Condition 11.12 of the Terms and Conditions and Regulation 38(14)(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 SARBs discretion in accordance with Condition 11.12 of the Terms and Conditions and Regulation 38(14)(a)(i) of the Tier 2 Capital Regulations, upon the receipt by the Issuer of written notice from the Registrar of Banks of the occurrence of a Non-Viability Trigger Event
32	If write-down, full or partial	NA	NA	NA	NA	NA	NA	NA	NA	The Principal Amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written-off permanently, in full or in part on a pro rata basis (in the case of a write off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks	The Principal Amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written-off permanently, in full or in part on a pro rata basis (in the case of a write off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks	The Principal Amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written-off permanently, in full or in part on a pro rata basis (in the case of a write off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks	The Principal Amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written-off permanently, in full or in part on a pro rata basis (in the case of a write off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks
33	If write-down, permanent or temporary	NA	NA	NA	NA	NA	NA	NA	NA	Permanent	Permanent	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Columns 3 to 12, then Column 2	Columns 3 to 12	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
36	Non-compliant transitioned features	NA	Yes	Yes	Yes	Yes	Yes	Yes	Yes	NA	NA	NA	NA
37	If yes, specify non-compliant features	NA	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability	NA	NA	NA	NA

LCR Common disclosure template[1]

		Barclays Africa Group Limited		Absa Bank Limited	
		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)		115 431		97 476
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	271 638	21 619	211 820	16 348
3	Stable deposits	-	-	-	-
4	Less stable deposits	271 638	21 619	211 820	16 348
5	Unsecured wholesale funding, of which:	324 617	174 859	266 176	151 878
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	107 608	26 902	99 983	28 745
7	Non-operational deposits (all counterparties)	210 004	140 952	160 717	117 657
8	Unsecured debt	7 005	7 005	5 476	5 476
9	Secured wholesale funding		1 218		1 218
10	Additional requirements, of which:	241 694	25 501	194 530	21 649
11	Outflows related to derivative exposures and other collateral requirements	9 823	6 861	9 823	6 861
12	Outflows related to loss of funding on debt products	1 325	1 325	-	-
13	Credit and liquidity facilities	230 546	17 315	184 707	14 788
14	Other contractual funding obligations	943	943	84	84
15	Other contingent funding obligations	143 839	7 087	138 982	6 719
16	**TOTAL CASH OUTFLOWS**		231 227		197 896
CASH INFLOWS					
17	Secured lending (eg reverse repos)	14 011	3 759	14 011	3 759
18	Inflows from fully performing exposures	117 013	79 662	88 673	63 718
19	Other cash inflows	1 580	1 580	1 570	1 570
20	**TOTAL CASH INFLOWS**	132 604	85 001	104 254	69 047
			TOTAL ADJUSTED VALUE		TOTAL ADJUSTED VALUE
21	**TOTAL HQLA**		115 431		97 476
22	**TOTAL NET CASH OUTFLOWS**		146 226		128 849
23	**LIQUIDITY COVERAGE RATIO (%)**		78.9		75.7

Notes
[1] The values disclosed represent the simple average of the relevant 3 month-end data points

A

ABC	Anti-Bribery and Corruption
AEaR	annual earnings at risk
AFS	Absa Financial Services
AGL	Absa Group Limited
AIC	Absa Insurance Company
AIRB	advanced internal ratings-based approach
AllPay	AllPay Consolidated Investment Holdings Limited
AMA	advanced measurement approach
AML	Anti-Money Laundering
AMLS	Anti Money Laundering and Sanctions
MRC	Market Risk Committee
AOL	Absa Online (Retail Bank e-Channel)
ARMS	Arrears Management System
ATC	Africa Treasury Committee
ATM	automated teller machine
AVC	asset value correlation

B

Basel	Basel Capital Accord
BBM	Barclays Bank Mozambique
BBT	Barclays Bank of Tanzania
BCBS	Basel Committee on Banking Supervision
BIA	basic indicator approach
bps	basis points

C

CAF	Commercial Asset Finance
CAPM	capital asset pricing model
CAR	capital adequacy requirement
CEM	current exposure method
CET1	Common Equity Tier 1
CFP	contingency funding plan
CIB	Corporate and Investment Bank
CMRA	conduct material risk assessments
CODM	Chief Operating Decision Maker
CoE	cost of equity
CPF	Commercial Property Finance
CPRF	Conduct Principal Risk Framework
CRC	Control Review Committees
CRM	credit risk mitigation
CRRC	Conduct and Reputational Risk Committee
CSA(s)	collateral support annexure(s)
CVA	credit valuation adjustment

D

DG	default grade
DPS	dividend per share
DVaR	daily value at risk

E

EAD	Exposure at default
EC	economic capital
ECAI	external credit assessment institutions
Edcon portfolio	Edcon Store Card Portfolio
EL	expected loss
ERMF	Enterprise Risk Management Framework
ESP	electronic sales platform
ETF(s)	exchange-traded fund(s)
EV	embedded value
EVE	economic value of equity
EWI	early warning indicators

F

FIRB	foundation internal ratings-based approach
FRC	Financial Risk Committee

G

GACC	Group Audit and Compliance Committee
GCE	Group Chief Executive
GCRO	Group Chief Risk Officer
GRCMC	Group Risk and Capital Management Committee
Group	Barclays Africa Group Limited

H

HEPS	headline earnings per share

I

IAS	International Accounting Standard(s)
IAS 16	IAS 16 Property Plant and Equipment
IAS 19R	IAS 19R Employee Benefits (amended 211)
IAS 27	IAS 27 Consolidated and Separate Financial Statements
IAS 28	IAS 28 Investments in Associates
IAS 36	IAS 36 Impairment of Assets
IAS 38	IAS 38 Intangible Assets
IAS 39	IAS 39 Financial Instruments: Recognition and Measurement
IAS 40	IAS 40 Investment Property
ICAAP	internal capital adequacy assessment process
IFRS	International Financial Reporting Standard(s)
IFRS-IC	IFRS Interpretations Committee
FRS 3	Business Combinations
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations
IFRS 9	Financial Instruments
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IMA	internal models approach
IMM	internal model method
IRB	internal ratings-based approach

ISDA	International Swaps and Derivatives Association
IT	information technology

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 Ownerr
KRS	Key Risk Scenarios

L

LCR	liquidity coverage ratio
LGD	Loss Given Default
LIBOR	London Interbank Offered Rate
LLR	Loan Loss Rate
LTV	Loan-to-Value

M

MC	Absa Bank Models Committee
MTM	mark-to-market

N

NAAMSA	National Association of Automobile Manufacturers of South Africa
NAV	net asset value
NBC	National Bank of Commerce Limited (Tanzania)
NPL(s)	non-performing loan(s)
NSFR	net stable funding ratio

O

ORCC	Operational Risk and Control Committee
ORMF	Operational Risk Management Framework
ORSA	own risk an solvency assessment
ORX	operational risk data exchange
OTC	over-the-counter

P

PD	profitability of default
P/E	price-to-earnings
PIT	point-in-time
PRO	Principal Risk Owner

R

RBB	Retail and Business Banking
RC	regulatory capital
RCC	Risk and Control Committees
RCRC	Retail Credit Risk Committee
RCTRC	Retail Credit Technical Risk Committee
RoA	return on average assets
RoE	return on average equity
RoRC	return on average regulatory capital
RoRWA	return on average risk-weighted assets
RWA	risk-weighted assets

S

SA	South Africa
SAICA	South African Institute of Chartered Accountants
SAM	Solvency Assessment Management
SARB	South African Reserve Bank
SG	Singapore
SME	small and medium enterprises
STC	secondary tax on companies
sVaR	stressed value at risk

T

TRC	Trading Risk Committee
TSA	the standard approach
TTC	through-the-cycle

V

VAF	Vehicle and Asset Finance
VaR	value at risk
VaS	value at stake

W

WCRMC	Wholesale Credit Risk Committee