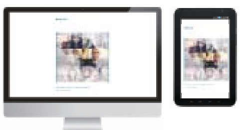
Barclays Africa Group Limited

Risk management (Pillar 3)

for the reporting period ended 31 December 2015

Contents

Our reporting suite



The risk management report forms part of our annual reporting suite. The following reports and fact sheets are available at barclaysafrica.com and on our report website at barclaysafrica2015ar.co.za

- Integrated Report 2015
- Annual financial statements
- Notice of annual general meeting
- Shareholders information leaflet
- Financial results booklet

Supplementary fact sheets:

- Citizenship
- Broad-Based Black Economic Empowerment (BBBEE) (South Africa)
- Global Reporting Initiative (GRI) index
- King III

Icons used in this report

Positive

Negative

Unchanged/ some improvement

Risk management overview

Risk management overview

Introduction

The role of risk management is to evaluate, respond to, and monitor risks in the execution of the Group's strategy. It is essential that 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 policies and 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 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.

Review of 2015

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

- Macroeconomic conditions deteriorated significantly towards the end of the year. The Group extended its framework of macroeconomic triggers and management actions in response.
- Loans and advances to customers increased 11%, driven by growth in Wholesale, Card and Rest of Africa portfolios. Excluding growth in repos and exchange rate movement, growth was 6.3%.
- The credit loss ratio increased to 105 basis points (2014: 102 basis points) and impairment charges increased to R6.9bn (2014: R6.3bn). Increases in the Wholesale and Card portfolios, and additional macroeconomic provisions (R418m) were offset by lower charges in the mortgages and Edcon portfolios.
- Overall coverage on performing loans increased to 73 basis points (2014: 70 basis points).
- Market risk exposures remained within overall risk appetite despite volatile market conditions.
- Total operational risk and fraud losses were lower than 2014, with fraud losses accounting for 71% of the total.
- The Group remained capitalised above the minimum regulatory limit and the Board-approved Common Equity Tier 1 (CET1) target range. The liquidity position remained healthy and supported the year-end dividend.
- The Group developed and implemented an approach to the management of conduct risk.
- Absa Financial Services submitted its first Own Risk and Solvency Assessment (ORSA) to the Financial Services Board.

Looking ahead

- Review and alter risk appetite to take account of global and local macroeconomic deterioration.
- Increase focus on model risk and governance across the Group.
- Continue to strengthen operational risk controls and infrastructure, specifically in the areas of information, technology, financial crime, and cybercrime, and hone our already-established early warning triggers and mechanisms.
- Enhance conduct risk management controls, tools and reporting.
- Increase focus on data initiatives, including those arising from regulation (e.g. BCBS 239, and IFRS 9).
- Continue to enhance our scenario development and stress testing processes in an increasingly uncertain and deteriorating macroeconomic environment.

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 process. The risk appetite statement describes and measures the amount and types of risk that the Group is prepared to take in executing its strategy. The Group's risk appetite framework combines a top-down view of capacity to take risk with a bottom-up view of the risk profile associated with each business area's plans.

Risk appetite key indicators and triggers

The Group manages its risk profile in a forward-looking manner through a trigger and management action framework. Key indicators and triggers have been developed to serve as an early warning system in the event of deteriorating circumstances. The indicators include, *inter alia*, economic indices directly correlated with risk measures and key financial indicators. The indicators and triggers have been implemented at Group, Business Unit, country, and product levels, and are routinely monitored by management and reported to the GRCMC on a quarterly basis.

Stress testing

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

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

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

Credit risk

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

Credit risk: Wholesale[1]

	Trend	2015	2014[2]
Growth in loans and advances (%)	▲	**22.9**	3.5
Risk-weighted assets (RWA) as a percentage of gross credit extended (%)[3,4]	▼	**29.2**	31.8
Non-performing loans as a percentage of gross loans and advance (%)	▼	**2.7**	3.0
Non-performing loans coverage ratio (%)	▲	**36.8**	35.0
Credit loss ratio (%)	▲	**0.6**	0.4

- **Loans and advances:** Growth was robust at 22.9%, with increases in banking, technology, media and telecommunications, agriculture and mining portfolios. Excluding growth in repos and exchange rate movement, growth was 12%. Geographic diversification across Africa continued.
- **Risk-weighted assets as a percentage of gross credit extended:** Decreased due to an increase in derivative instruments arising from an increase in gross credit extended.
- **Non-performing loans (NPLs)[5]:** Increased due to new defaults at higher coverage in Rest of Africa and Business Banking, although the NPLs as percentage of gross loans and advance decreased. NPL coverage ratio increased to 36.8% (2014: 35%).
- **Impairments:** The wholesale credit impairment charge increased to R1 434m (2014: R843m) due to new impairments in Rest of Africa and macroeconomic provisions of R228m.

Looking ahead

- Closely monitor risk trends arising as a result of macroeconomic uncertainty.
- Undertake regular portfolio reviews.
- Ensure continuing alignment of business strategy with risk appetite.
- Implement agreed management actions in response to changing economic conditions.
- Implement enhanced models and data management.

[1] Wholesale incorporates CIB, BB and WIMI for South Africa and Rest of Africa.
[2] Numbers (with the exception of credit loss ratio) have been restated to include Rest of Africa and WIMI.
[3] Gross credit extended includes off balance sheet exposures as well as exposures to banks and sovereigns.
[4] The percentages include only portfolios subject to the IRB approaches.
[5] 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.

Credit risk: Retail

	YoY trend	2015	2014[1]
Growth in loans and advances (%)	▼	**3.2**	5.5
RWA as a percentage of gross credit extended (%)[2, 3]	▲	**33.4**	32.6
Non-performing loans as a percentage of gross loans and advances (%)	▼	**4.7**	4.9
Non-performing loans coverage ratio (%)	▼	**45.6**	45.9
Credit loss ratio (%)	▼	**1.35**	1.41

- **Growth:** The net decrease of 0.5% in Home Loans was offset by 2% growth in Card, 3% growth in Absa Vehicle and Asset Finance (AVAF) and 19.5% growth in Rest of Africa.
- **Risk-weighted assets as a percentage of gross credit extended:** Increased to 33.4% (2014: 32.6%) due to the implementation of new regulatory models.
- **Non-performing loans (NPLs):** Coverage continued to decrease due to R1.6bn decline in the Home Loans legal book. The NPL coverage ratio decreased to 45.6% (2014: 45.9%) due to write-offs in mortgages, and AVAF. This was offset by an increase in the debt counselling (DC) legal book in Cards.
- **Impairments:** The impairment charge remained flat despite additional macroeconomic provisions of R150m. The credit loss ratio reduced to 1.35% from 1.41% reflecting improvements in the quality of the Home Loans and Edcon portfolios. The loss ratio decreased in Home Loans, AVAF, Edcon and Consumer Banking but increased in Card, in line with the expected default profile of new growth bookings.

Looking ahead

- Further enhance collection programmes to ensure appropriate management of customers in financial difficulty.
- Continue to focus on improvements to data sources, and models/analytics to improve the Group's risk profile, measurement and risk-adjusted returns.
- Continue to improve internal risk measurement models and processes as part of the internal capital adequacy assessment process (ICAAP).
- Closely monitor risk trends arising as a result of macroeconomic uncertainty.

Market risk

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

- **Traded market risk:** The risk of the Group being impacted by changes in the level or volatility of positions in trading books, primarily in investment banking.
- **Non-traded market risk:** The risk of the Group's earnings or capital being reduced due to 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 differ 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.

	YoY trend	2015	2014
Average traded market risk – daily value at risk (Rm)[4]	▲	**27.0**	22.3
Traded market risk regulatory capital (Rm)	▲	**2 501**	2 178
Banking book annual earnings at risk for a 2% interest rate shock (% of Group net interest income)	▲	**<6**	<5
Insurance short-term loss ratio (%) RSA only	▼	**69.4**	70.9
Life insurance new business margin (%) RSA only	▼	**5.5**	6.6

- **Traded market risk:** Trading exposures were managed within overall risk appetite and the trading business remained resilient despite macroeconomic conditions. The increase in average Daily Value at Risk (DVaR) and Regulatory Capital (RC) was a result of increased volatility in the markets, especially in the second half of the year.
- **Non-traded market risk:** The Group remained positively exposed to increases in interest rates after the impact of hedging. Interest rate risk management in Rest of Africa remains challenging due to the relative unavailability of appropriate derivative instruments to hedge.

[1] Numbers (with the exception of credit loss ratio) have been restated to include Rest of Africa.
[2] Gross credit extended includes off balance sheet exposures as well as exposures to banks and sovereigns.
[3] The percentages include only portfolios subject to the internal ratings-based approaches.
[4] Daily value at risk for Rest of Africa is based on a historical simulation model that uses sensitivity-based inputs rather than full revaluation as is done for South Africa.

- **Insurance risk:** The first Own Risk and Solvency Assessment (ORSA) report was submitted to the Financial Services Board, highlighting risk management process improvements.
- **Pension risk:** Pension plans and benefits are provided in all presence countries. The Absa Pension Fund remains the largest fund. The overall funding level of the schemes improved in the current year. A liability-driven investment strategy was implemented to mitigate inflation and interest rate risks and to ensure there are sufficient assets in the pension fund to meet current and future liabilities of the pension fund.

Looking ahead

- Respond to regulatory and capital change, specifically preparing for the adoption of the Fundamental Review of the Trading Book (FRTB).
- Continue to reduce margin volatility through the structural hedge programme in South Africa.
- Develop a pension risk appetite for all the Group's pension schemes.
- Continue to focus on improvements to data sources.

Funding risk

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

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

Funding risk: Capital risk

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 regulatory and economic capital requirements.
- Maintaining a sustainable dividend to enhance shareholder value.

	YoY trend	**2015**	2014
Cost of Equity (%)[1]	▲	**13.75**	13.50
Total RWA (Rm)	▲	**702 663**	619 705
Common Equity Tier 1 capital adequacy ratio (%)[2]	=	**11.9**	11.9
RoRWA (%)	▼	**2.18**	2.22
Return on average economic capital (%)	▼	**19.0**	20.4
RoE (%)	▲	**17.0**	16.7

- **Cost of equity:** Increased to 13.75% (2014: 13.50%) from January 2015 due to a higher risk-free rate.
- **Risk-weighted assets (RWA):** Increased 13.4% to R702.7bn (2014: R619.7bn) as a result of increased regulatory requirements and the negative impact of the economic environment on certain credit portfolios. This was partially offset by RWA precision initiatives.
- **Capital:** Remained above the minimum regulatory limit and the Board-approved CET1 target range.

Looking ahead

- Ensure all entities remain adequately capitalised relative to minimum regulatory requirements and Board-approved target capital ranges.
- Further improve the approach to capital management:
  - Continue to focus on RWA precision.
  - Enhance the economic capital framework.
  - Embed performance metrics such as positive net generation of equity and return on equity.
  - Maintain an optimal capital supply mix.
  - Allocate capital appropriately.
- Continue engagement with the South African Reserve Bank to finalise the total loss absorbing capacity requirements as part of the Resolution Framework for South African operations.

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

Funding risk: Liquidity risk

The liquidity risk management process includes:

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

	YoY trend	2015	2014
Sources of liquidity (Rm)		199 024	175 836
High quality liquid assets (Rm)	▲	105 332	88 537
Other liquid assets (Rm)[1]	▼	31 640	31 841
Other sources of liquidity (Rm)	▲	62 052	55 458
Long-term funding ratio (%)	▼	21.0	21.9
Loan-to-deposit ratio (%)	▼	86.1	87.1
Liquidity coverage ratio (%)[2]		69.9	

- **Liquidity risk position:** Remained healthy and within key limits and metrics. Since 1 January 2015, the Group continuously maintained a liquidity coverage ratio (LCR) in excess of the required 60%.
- **Loan-to-deposit ratio:** Decreased 1% to 86.1% (2014: 87.1%) primarily due to increased debt securities in issue.
- **The net stable funding ratio (NSFR):** Will become effective on 1 January 2018.

Looking ahead

- Manage the funding and high quality liquid asset position in line with the Board-approved liquidity risk appetite framework and regulatory liquidity requirements.
- Continue to grow and diversify the funding base to support asset growth and other strategic initiatives.
- Continue to work with regulatory authorities and other stakeholders on the Net Stable Funding Ratio (NSFR), Recovery and Resolution, and Deposit Guarantee Scheme.

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.

	YoY trend	2015	2014
Total losses as a percentage of gross income (%)	▼	0.8	1.1
Total losses (Rm)	▼	541	735
Operational RWA (Rm)	▲	98 668	92 942

- **Total operational risk losses:** Were within the Group's appetite and lower than 2014 Fraud losses continued to be the main contributor to operational risk losses, amounting to 71% of total losses, but were lower than 2014 and decreasing ahead of industry trends.
- **Operational Risk RWA:** Increased due to a rise in the Standardised Approach (TSA) capital, driven by higher operating income.
- **Technology risk:** Significant investments have been made in upgrading infrastructure and disaster recovery capabilities, resulting in improved system stability.

[1] Rest of Africa.
[2] The Group LCR represents the simple average of the relevant three month-end data points prior to year end. Surplus high quality liquid asset holdings in excess of the minimum requirement of 60% have been excluded from the aggregated high quality liquid asset number in the case of all Rest of Africa banking entities.

- **Fraud risk:** Card fraud losses remain the major contributor to overall fraud losses, but these have improved and stabilised across all Card portfolios. Lending fraud has increased and is being monitored closely.
- **Information risk:** Further progress has been made in enhancing protection of secret and confidential data by improving logical access controls.
- **Financial crime:** Satisfactory progress has been made on remediating customer identification and verification issues, customer on-boarding processes, customer document retrieval capability as well as improved suspicious transaction monitoring outside South Africa. Automated processes and controls are applied where possible.

Looking ahead

- Continue to invest in technology to improve and maintain technology resilience.
- Continue to focus on cyber risk management.
- Compliance with financial crime regulations will be strengthened through further investment in technology and transforming the customer on-boarding processes.
- Improve the Group's fraud capability with a focus on digital banking, branch network and operations in the Rest of Africa.
- Challenges to energy and water supply are being closely monitored, and plans developed.

Conduct risk

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

The key themes for the year were:

- resilience of technology; and
- continued levels of regulatory change.

The Group managed a number of conduct and reputation risks:

- A number of accounts deemed non-compliant with know your customer (KYC) regulations were blocked.
- The Bank closed several branches in line with a strategic drive to implement a multi-channel solution. Stakeholders' responses were monitored and used to inform the engagement strategy.
- The Group managed reputation risk associated with both internal and external fraud.

In addition, the required changes to respond to the amendments of the National Credit Act that came into effect in September 2015 were implemented. Significant events and issues were considered in the remuneration decisions of individuals and on bonus pools.

Looking ahead

- Increase focus on improving overall regulatory controls, particularly those related to know your client, anti-money laundering, and the National Credit Act.
- Embed risk assessments and forward-looking conduct risk reporting across the organisation.
- Enhance controls and key performance indicators to track and manage conduct risk.
- Maintain a robust awareness and understanding of drivers of political, regulatory and policy changes across the continent and manage changes to minimise customer impact.
- Assess the impact of Twin Peaks' regulations, specifically the Retail Distribution Review proposals.

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Basis of preparation

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 Barclays Africa Group Limited (the Group). The consolidation is similar to that used for reporting to the South African Reserve Bank (SARB).

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 that are financial in nature	Equity-accounted	Deducted from qualifying capital or proportionately consolidated
Associates, joint ventures and participation in businesses that are not financial in nature	Equity-accounted	Included in equity investment risk capital

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 the value of an asset. This approach takes account of contractual commitments related to undrawn amounts. In contrast, an asset in the Group's statement of financial position is reported as a drawn balance only. This is one of the reasons why exposure values in this report will differ from asset values as reported in the annual financial statements.

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

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

Approach	Standardised	AIRB
Reporting of balances	○ African operations ○ Edcon 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 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 materiality classification of High or Low. The model classification considers the model's materiality, i.e. the extent of model usage, and reliance on the model within the Group.

All models are subject to an inception validation and approved by the appropriate Model Approver. The most material models require 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 rule 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 15% (R323m) in 2015. The increase was predominantly as a result of an uptick in the internal model exposure driven by a more volatile time series (particularly driven by volatile market conditions toward the third quarter of 2015.

	YoY trend	**2015 %**	2014 %
Internal model based approach	▲	**1 578**	1 238
Value at risk	▲	**592**	470
Stressed value at risk	▲	**986**	768
Standardised approach	▼	**923**	940
Interest rate risk	▲	**805**	775
Equity risk	▼	**61**	109
Foreign exchange risk	▲	**57**	56
Total traded market risk capital requirement[1]	▲	**2 501**	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. The LCR is designed to promote short term resilience of a bank's liquidity risk profile by ensuring that it has sufficient high quality liquid resources to survive a significant stress scenario lasting for 30 days.

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.

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 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.

Notes
[1] At 9.5% of RWAs for 2014, and 10% of RWAs for 2015.

Capital management

Capital management

Review of 2015

- The Group maintained a strong capital adequacy position above the Board-approved CET1 target range.
- Regulated entities within the Group (including insurance entities and banking subsidiaries in the Rest of Africa) remained adequately capitalised above the minimum capital requirements during the period under review.
- R2.0bn call of the AB06 bond qualifying as Tier 2 on 27 March 2015.
- R2.5bn issuance of bonds qualifying as Tier 2 on 4 February 2015 at holding company and Absa Bank level.
- R2.0bn issuance of bonds qualifying as Tier 2 on 3 September 2015 at holding company and Absa Bank level.
- RWA precision and capital allocation remain key focus areas for the Group.
- The net generation of equity resulted in dividend growth and stable capital adequacy.
- The 2016 Board-approved CET 1 and Tier 1 capital target ranges remained unchanged from the prior year while the lower and upper end of the Capital Adequacy Ratio (CAR) capital target range was increased by 50bps.

Key performance indicators

	YoY trend	2015 %	2014 %
Common Equity Tier 1 capital adequacy ratio [1]	=	**11.9**	11.9
Return on average risk-weighted assets	▼	**2.18**	2.22
Return on average economic capital	▼	**19.0**	20.4
Cost of Equity[2]	▲	**13.75**	13.50

Absa Bank Limited[3]

	YoY trend	2015 %	2014 %
Common Equity Tier 1 capital adequacy ratio[1]	▼	**10.3**	10.6
Return on average risk-weighted assets	▼	**2.02**	2.05

Looking ahead

The Group's strategic focus is to maintain an optimal mix of high-quality capital, while continuing to generate sufficient capital to support profitable growth. As in the current reporting period, RWA precision, generation of equity 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 African markets in which the Group operates.

[1] Reported ratios include unappropriated profits.
[2] The average CoE is based on the capital asset pricing model.
[3] From a Capital Management perspective Absa Bank Limited excludes subsidiary undertakings, special-purpose entities, joint ventures, associates and offshore holdings.

Strategy

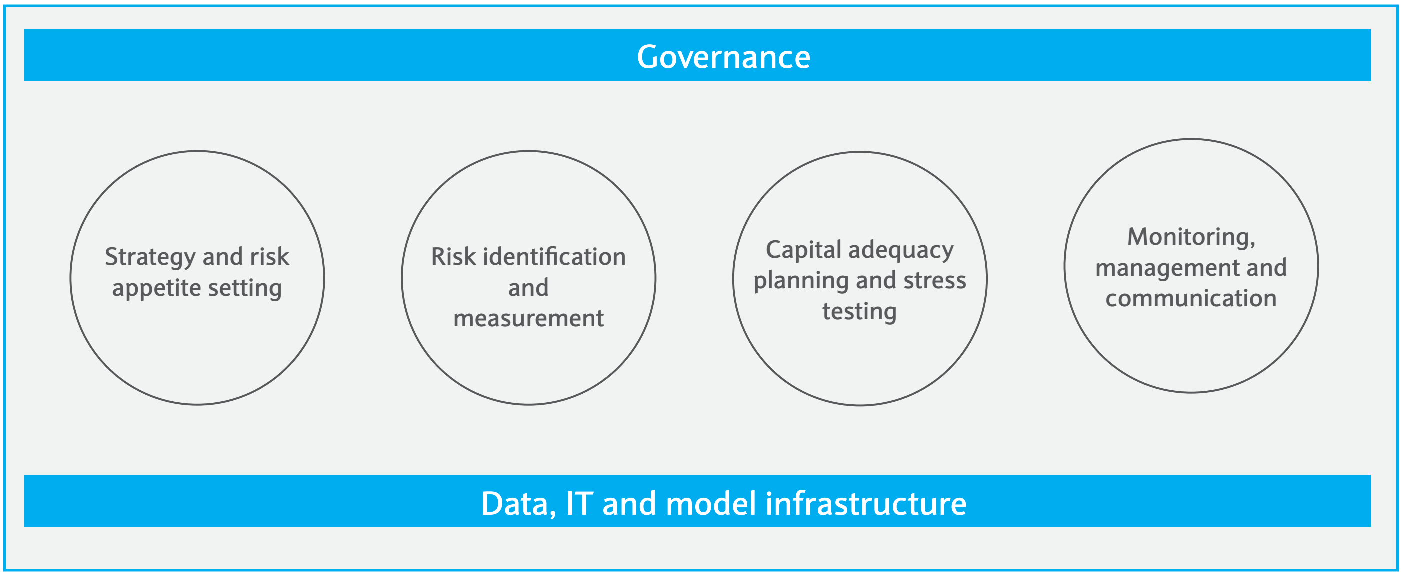
In alignment with and in support of the overall Group strategy, capital management objectives are to:

- Maximise shareholder value by optimising the level and mix of capital resources and the utilisation of those resources.
- Meet regulatory capital ratios and the Board-approved target ranges.
- Maintain an adequate level of capital resources in excess of both regulatory capital and economic capital requirements.
- Increase business and legal entity accountability for the use of capital and, where relevant, the use of capital per client or portfolio.
- Assess, manage and efficiently implement regulatory changes to optimise capital usage.
- Maintain a strong credit rating.

Internal capital adequacy assessment process (ICAAP)

The efficient use of capital is fundamental to enhance shareholder value through careful deployment of capital resources. 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. Furthermore, ICAAP reflects the level of capital required to be held against identified material risks the Group is, or may become exposed to, as a result of its strategy. From a Group consolidated perspective, capital adequacy is considered for each regulated entity as well as the Group. Capital management is an integral part of decision-making within the Group. Progress is measured against pre-determined targets in the balanced scorecard which incorporates capital metrics. Decisions on the allocation of capital resources, which are an integral part of the ICAAP and capital management process, are based on a number of factors including return on regulatory capital.

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



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

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

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

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

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

The Group's solid Basel III capital and leverage[1] ratios remain well in excess of the SARB's minimum requirements and are monitored continuously.

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

Recovery and resolution planning

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.

On 13 August 2015 the National Treasury, the SARB and the Financial Services Board published South Africa's Resolution Framework for Financial Institutions which is still in the process of being finalised. 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 above, the Group is not aware of any material impediments to the prompt transfer of capital resources or repayment of intra-group capital instruments when due.

Statutory capital adequacy

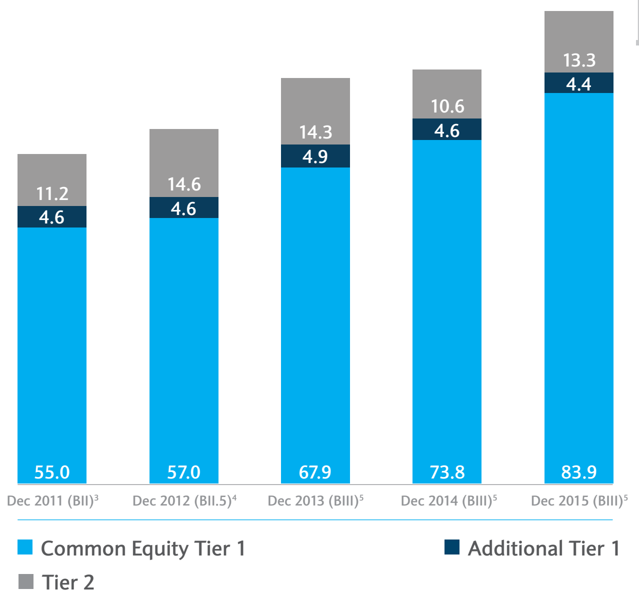
The capital management process in the Group encompasses all regulated entities within the Group (including insurance entities and banking subsidiaries in the Rest of Africa). Appropriate capital buffers, above the minimum regulatory requirements, are held at an entity level. The Group ensures that all regulated entities are adequately capitalised in terms of their respective minimum capital adequacy requirements. 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 loss absorbing capital;
- stress scenarios;
- Basel III amendments including capital conservation buffer, domestic-systemically important bank buffer; and
- peer analysis.

[1] 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.

Barclays Africa Group	Board target ranges %	Minimum regulatory capital requirements %	Trend	2015	2014
Capital adequacy ratios (%)[1]					
Common Equity Tier 1	9.5 – 11.5	6.5	=	**11.9**	11.9
Tier 1	10.5 – 12.5	8.0	▽	**12.6**	12.7
Total	12.5 – 14.5	10.0	△	**14.5**	14.4
Capital supply and demand for the reporting period (Rm)					
Net generated equity[2]			△	**1 261**	(487)
Qualifying capital			△	**101 628**	89 004
Total RWA			△	**702 663**	619 705

Barclays Africa Group capital adequacy (Rbn)



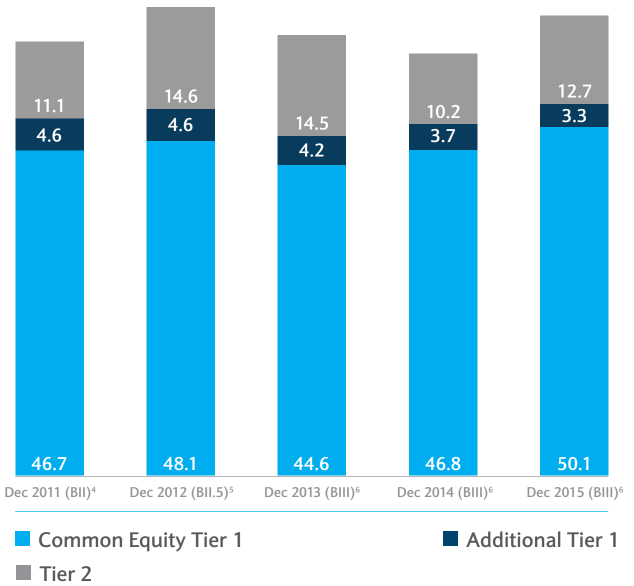
13.0	13.0	12.1	11.9	**11.9**	Common Equity Tier 1 Ratio (%)
16.7	17.4	15.5	14.4	**14.5**	Total Capital Adequacy Ratio (%)

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

Absa Bank Limited[1]	Board target ranges %	Minimum regulatory capital requirements %	Trend	2015	2014
Capital adequacy ratios (%)[2]					
Common Equity Tier 1	9.0 – 10.5	6.5	▼	**10.3**	10.6
Tier 1	10.0 – 11.5	8.0	▼	**11.0**	11.4
Total	12.0 – 13.5	10.0	▼	**13.6**	13.7
Capital supply and demand for the reporting period (Rm)					
Net generated equity[3]			▼	**(232)**	113
Qualifying capital			▲	**66 059**	60 763
Total RWA			▲	**484 399**	443 955

12.1	12.5	11.0	10.6	**10.3**	Common Equity Tier 1 Ratio (%)

Absa Bank Limited capital adequacy (Rbn)



16.2	17.5	15.6	13.7	**13.6**	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.

[1] From a Capital Management perspective Absa Bank Limited excludes subsidiary undertakings, special-purpose entities, joint ventures, associates and offshore holdings.
[2] Reported ratios include unappropriated profits.
[3] Net generated equity for December 2014 comparatives restated to reflect change in methodology.
[4] BII: Basel II.
[5] BII.5: Basel II.5.
6 BIII: Basel III.

Operations	Regulator	2015 Total qualifying capital Rm	 Tier 1 ratio %	 Total capital adequacy %	2015 Total qualifying capital Rm	 Tier 1 ratio %	 Total capital adequacy %	2015 Total target capital adequacy ratio Regulatory minimum %	 Board Target %
Local entities (South Africa)									
Group	SARB								
Including unappropriated profits		**101 628**	**12.6**	**14.5**	89 004	12.7	14.4		**12.5 – 14.5**
Excluding unappropriated profits		**95 355**	**11.7**	**13.6**	80 889	11.4	13.1	**10.0**	
Absa Bank	SARB								
Including unappropriated profits		**66 059**	**11.0**	**13.6**	60 763	11.4	13.7		**12.0 – 13.5**
Excluding unappropriated profits		**64 669**	**10.7**	**13.3**	56 499	10.4	12.7	**10.0**	
Foreign banking entities[1]									
Barclays Bank of Mozambique	Banco de Mozambique	**1 225**	**16.50**	**24.70**	1 395	18.2	27.3	**8.0**	**15.0**
Barclays Bank of Botswana	Bank of Botswana	**2 556**	**15.50**	**20.40**	1 789	15.6	18.6	**15.0**	**16.5**
Barclays Bank of Ghana	Bank of Ghana	**2 022**	**11.20**	**18.10**	1 569	10.8	18.2	**10.0**	**13.0**
Barclays Bank of Kenya	Central Bank of Kenya	**6 314**	**15.78**	**18.36**	4 216	15.7	18.4	**14.5**	**16.5**
Barclays Bank of Mauritius	Bank of Mauritius	**5 172**	**18.24**	**18.94**	4 521	16.9	17.7	**10.0**	**11.6**
National Bank of Commerce	Bank of Tanzania	**1 435**	**14.35**	**17.03**	1 282	16.1	19.2	**12.0**	**13.5**
Barclays Bank of Tanzania	Bank of Tanzania	**356**	**12.40**	**14.40**	321	15.4	15.4	**12.0**	**14.0**
Barclays Bank of Uganda	Bank of Uganda	**1 239**	**19.50**	**22.00**	980	20.8	24.1	**15.5**	**19.2**
Barclays Bank of Seychelles	Bank of Seychelles	**625**	**17.70**	**24.50**	496	16.4	22.3	**12.0**	**17.0**
Barclays Bank of Zambia	Bank of Zambia	**1 047**	**13.30**	**13.30**	1 087	14.5	14.7	**10.0**	**12.0**
Insurance entities									
Absa Life Limited	FSB[2]	**1 083**	**n/a**	**3.5xCAR**[3]	1 008	n/a	2.9xCAR[3]	**1.0xCAR**[3]	**2.0xCAR**[4]
Absa Insurance Company Limited	FSB[2]	**1 018**	**n/a**	**43.5%xNWP**[4]	1 440	n/a	55.95%xNWP[4]	**28.3%xNWP**[4]	**36%xNWP**[5]

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 determined by Absa Life Limited.
4 NWP: Net Written Premiums, 45% (2014: 45%) of NWP being the required capital level determined by Absa Insurance Company Limited.
5 NWP: Net Written Premiums – In July 2015 the Board approved an internal required capital target of 36%xNWP for Absa Insurance Company Limited.

Capital demand

Barclays Africa Group	2015 RWA Rm	2015 Minimum required capital Rm	2014 RWA Rm	2014 Minimum required capital Rm
Basel measurement approach				
Credit risk	539 778	53 978	468 705	46 870
Portfolios subject to the AIRB approach	353 052	35 305	325 213	32 521
Portfolios subject to the standardised approach	162 161	16 216	130 491	13 049
Securitisation	482	48	918	92
Counterparty credit risk[1]	24 083	2 409	12 083	1 208
Equity investment risk				
Market-based approach (simple risk-weight approach)	9 574	957	13 737	1 374
Market risk	25 012	2 501	21 781	2 178
Standardised approach	9 232	923	9 399	940
IMA	15 780	1 578	12 382	1 238
Operational risk	98 668	9 867	92 942	9 294
BIA	4 288	429	4 180	418
TSA	26 115	2 611	21 341	2 134
AMA	68 265	6 827	67 421	6 742
Non-customer assets	29 631	2 963	22 540	2 254
	702 663	70 266	619 705	61 970
Pillar 1 requirement (8%)		56 213		49 576
Pillar 2a requirement (2%)		14 053		12 394

Absa Bank Limited[2]	2015 RWA Rm	2015 Minimum required capital Rm	2014 RWA Rm	2014 Minimum required capital Rm
Basel measurement approach				
Credit risk	375 718	37 572	338 910	33 891
Portfolios subject to the AIRB approach	335 064	33 507	308 191	30 819
Portfolios subject to the standardised approach	16 833	1 683	17 847	1 785
Securitisation	482	48	918	92
Counterparty credit risk[1]	23 339	2 334	11 954	1 195
Equity investment risk				
Market-based approach (simple risk-weight approach)	5 603	560	7 650	765
Market risk	20 539	2 054	18 260	1 826
Standardised approach	4 759	476	5 878	588
IMA	15 780	1 578	12 382	1 238
Operational risk	66 423	6 642	65 339	6 534
BIA	3 872	387	3 755	376
AMA	62 551	6 255	61 584	6 158
Non-customer assets	16 116	1 612	13 796	1 380
	484 399	48 440	443 955	44 396
Pillar 1 requirement (8%)		38 752		35 517
Pillar 2a requirement (2%)		9 688		8 879

[1] Counterparty credit risk amount as at 31 December 2014 and December 2015 reflects the net amount after applying the SARB's transitional exclusion of credit valuation adjustment emanating from Rand over-the-counter derivatives.
[2] From a Capital Management perspective Absa Bank Limited excludes subsidiary undertakings, special-purpose entities, joint ventures, associates and offshore holdings.

Capital supply

The Group's total qualifying capital supply for the reporting period increased by R12.6bn from 2014.

Movements in qualifying capital

	Group 2015 Rm	Group 2014 Rm	Absa Bank Limited 2015 Rm	Absa Bank Limited 2014 Rm
Balance at the beginning of the reporting period (excluding unappropriated profits)	**80 889**	76 014	**56 499**	57 890
Share capital, premium and reserves	**8 713**	8 225	**4 723**	2 681
Non-controlling interest	**306**	150	**–**	–
Regulatory deductions – CET1	**2 907**	510	**1 462**	641
Regulatory changes in Additional Tier 1	**(159)**	(283)	**(464)**	(465)
Tier 2 subordinated debt issued	**4 500**	500	**4 500**	500
Tier 2 subordinated debt matured	**(2 351)**	(4 725)	**(2 000)**	(4 725)
Regulatory changes in Tier 2	**425**	494	**–**	–
General allowances for impairment losses on loans and advances: Standardised Approached – SA	**125**	4	**(51)**	(23)
Balance at the end of the reporting period (excluding unappropriated profits)	**95 355**	80 889	**64 669**	56 499
Add: unappropriated profits	**6 273**	8 115	**1 390**	4 264
Qualifying capital including unappropriated profit	**101 628**	89 004	**66 059**	60 763

Breakdown of qualifying capital

Group	2015 Rm	2015 %[1]	2014 Rm	2014 %[1]
Common Equity Tier 1	**77 640**	**11.0**	65 714	10.6
Ordinary share capital	**1 691**	**0.2**	1 694	0.3
Ordinary share premium	**4 250**	**0.6**	4 548	0.7
Reserves[2]	**72 568**	**10.3**	63 554	10.2
Non-controlling interest	**2 556**	**0.4**	2 250	0.4
Deductions	**(3 425)**	**(0.5)**	(6 332)	(1.0)
Goodwill	**(783)**	**(0.1)**	(762)	(0.1)
Amount by which expected loss exceeds eligible provisions	**(1 176)**	**(0.2)**	(1 326)	(0.2)
Other deductions	**(1 466)**	**(0.2)**	(4 244)	(0.7)
Additional Tier 1 capital	**4 413**	**0.7**	4 572	0.8
Tier 1 capital	**82 053**	**11.7**	70 286	11.4
Tier 2 capital	**13 302**	**1.9**	10 603	1.7
Instruments recognised as Tier 2 capital	**12 760**	**1.8**	10 186	1.6
General allowance for impairment losses on loans and advances – standardised approach	**542**	**0.1**	417	0.1
Total qualifying capital (excluding unappropriated profits)	**95 355**	**13.6**	80 889	13.1
Qualifying capital (including unappropriated profits)				
Tier 1 capital	**88 326**	**12.6**	78 401	12.7
Common Equity Tier 1 (excluding unappropriated profits)	**77 640**	**11.0**	65 714	10.6
Unappropriated profits	**6 273**	**0.9**	8 115	1.3
Additional Tier 1	**4 413**	**0.7**	4 572	0.8
Tier 2 capital	**13 302**	**1.9**	10 603	1.7
Total qualifying capital (including unappropriated profits)	**101 628**	**14.5**	89 004	14.4

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

Leverage[1]

Barclays Africa Group	2015
Leverage ratio exposure (Rm)	1 318 677
Leverage ratio (excluding unappropriated profit) (%)	6.2
Leverage ratio (including unappropriated profit) (%)	6.7
Board target leverage ratio (%)	≥4.5
Minimum required leverage ratio (%)	4

Capital supply

Absa Bank Limited[2]	2015 Rm	2015 %[3]	2014 Rm	2014 %[3]
Common Equity Tier 1	48 741	10.1	42 556	9.6
Ordinary share capital	303	0.1	303	0.1
Ordinary share premium	21 456	4.4	16 465	3.7
Reserves[4]	29 463	6.1	29 731	6.7
Deductions	(2 481)	(0.5)	(3 943)	(0.9)
Amount by which expected loss exceeds eligible provisions	(1 969)	(0.4)	(1 816)	(0.4)
Other deductions	(512)	(0.1)	(2 127)	(0.5)
Additional Tier 1 capital	3 251	0.6	3 715	0.8
Tier 1 capital	51 992	10.7	46 271	10.4
Tier 2 capital	12 677	2.6	10 228	2.3
Instruments recognised as Tier 2 capital	12 500	2.6	10 000	2.2
General allowance for impairment losses on loans and advances – standardised approach	177	0.0	228	0.1
Total qualifying capital (excluding unappropriated profits)	64 669	13.3	56 499	12.7
Qualifying capital (including unappropriated profits)				
Tier 1 capital	53 382	11.0	50 535	11.4
Common Equity Tier 1 (excluding unappropriated profits)	48 741	10.1	42 556	9.6
Unappropriated profits	1 390	0.2	4 264	1.0
Additional Tier 1	3 251	0.7	3 715	0.8
Tier 2 capital	12 677	2.6	10 228	2.3
Total qualifying capital (including unappropriated profits)	66 059	13.6	60 763	13.7

Leverage[1]

Absa Bank Limited[2]	2015
Leverage ratio exposure (Rm)	1 095 421
Leverage ratio (excluding unappropriated profit) (%)	4.7
Leverage ratio (including unappropriated profit) (%)	4.9
Board target leverage ratio (%)	≥4.5
Minimum required leverage ratio (%)	4

1 This publication represents the first full year public disclosure of the leverage ratio; therefore no comparative information is disclosed.
2 From a Capital Management perspective Absa Bank Limited excludes subsidiary undertakings, special-purpose entities, joint ventures, associates and offshore holdings.
3 Percentage of capital to RWAs.
4 Reserves exclude unappropriated profits.

Economic capital adequacy

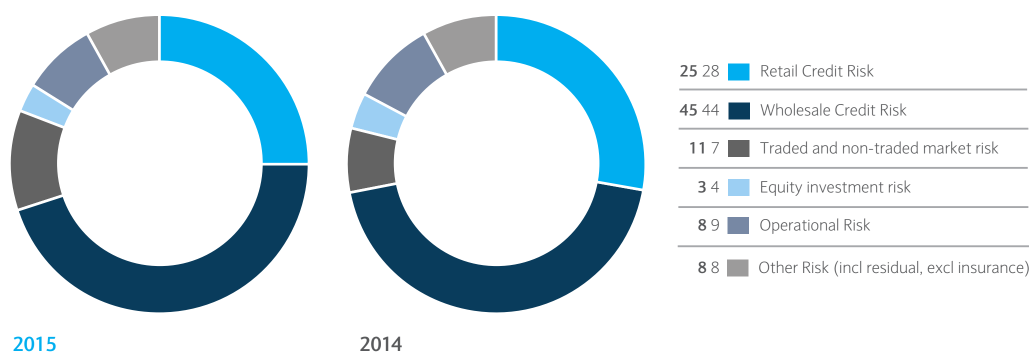
The economic capital (EC) framework covers Basel III Pillar 1 risks as well as additional risks such as interest rate risk in the banking book. EC is an internal measure of the risk profile of the Group expressed as the estimated stress loss at a given confidence.

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

Economic capital demand

	2015		2014	
Capital demand	**RWA Rm**	**Economic capital[1] Rm**	RWA Rm	Economic capital[1] Rm
Credit risk	**539 778**	**52 296**	468 705	44 705
RBB	**344 698**	**33 265**	318 581	30 468
CIB	**172 117**	**17 791**	125 766	13 355
WIMI	**6 566**	**391**	6 006	328
Other	**16 397**	**849**	18 352	554
Equity investment risk	**9 574**	**1 830**	13 737	2 187
Market risk	**25 012**	**8 349**	21 781	4 364
Operational risk	**98 668**	**5 872**	92 942	5 646
Non-customer assets	**29 631**	**6 850**	22 540	6 544
	702 663	**75 197**	619 705	63 446

Economic capital demand[2] (%)



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.

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

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.
- Other perpetual debt, preference shares and subordinated debt.

The following are deducted from EC supply:

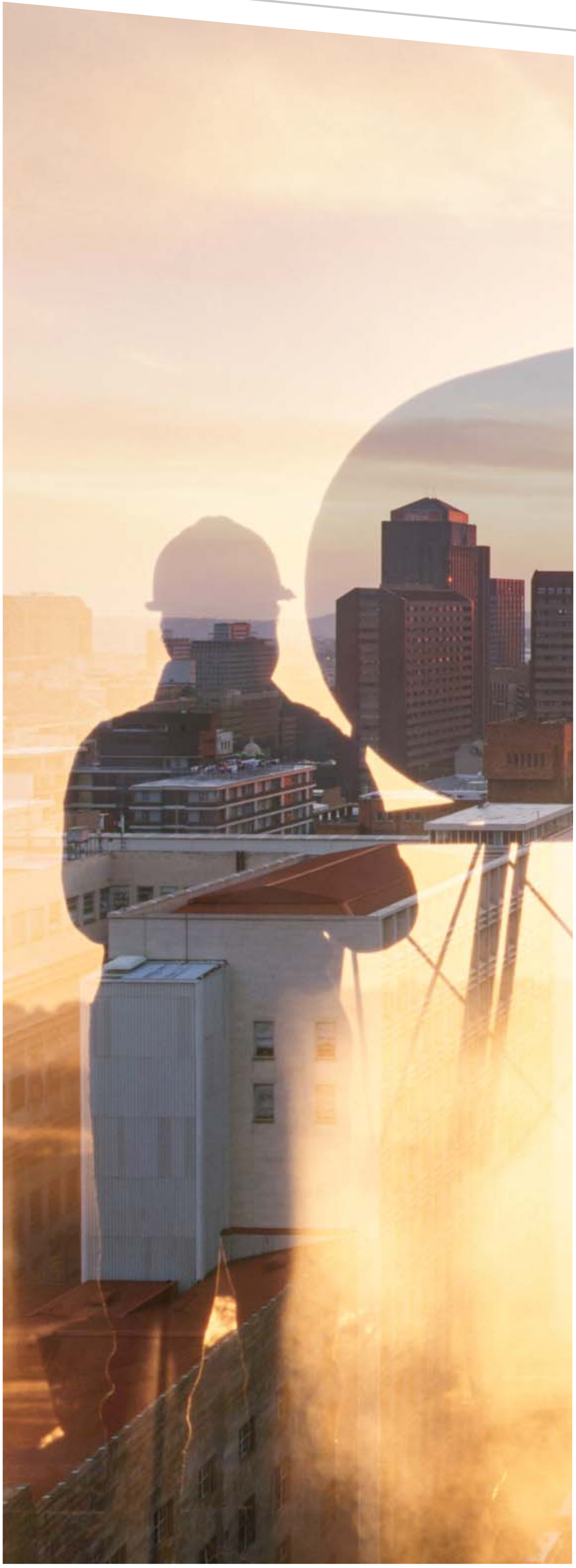
- goodwill; and
- intangible assets.

Total qualifying capital	2015 Shareholders' equity Rm	2015 Economic capital Rm	2015 Tier 1 regulatory capital Rm	2014 Shareholders' equity Rm	2014 Economic capital Rm	2014 Tier 1 regulatory capital Rm
Ordinary share capital and share premium	5 941	5 941	5 941	6 242	6 242	6 242
Preference share capital and share premium	–	4 644	4 413	–	4 644	4 572
Retained earnings	75 785	75 785	73 026	70 237	70 237	66 931
Other reserves	7 567	9 438	5 815	6 211	5 859	4 738
Non-controlling interest	–	4 710	2 556	–	3 611	2 250
Expected loss adjustment	–	–	(1 176)	–	–	(1 326)
Other deductions	–	(3 772)	(2 249)	–	(3 219)	(5 006)
	89 293	96 746	88 326	82 690	87 374	78 401
Average capital for the reporting period	84 163	88 902	80 285	78 009	82 414	74 690

Credit ratings

Credit ratings	Dec 2015 Standard and Poor's Absa Bank	Dec 2015 Standard and Poor's Barclays Africa Group	Dec 2015 Moody's Absa Bank	Dec 2015 Fitch ratings Absa Bank	Dec 2015 Fitch ratings Barclays Africa Group
National					
Short-term	zaA-1	zaA-1	Prime-1.za	F1+ (zaf)	F1+ (zaf)
Long-term	zaAA-	zaAA-	A1.za	AAA (zaf)	AAA (zaf)
Local currency					
Short-term	–	–	Prime-2	–	–
Long-term	–	–	Baa2	BBB+	BBB+
Outlook	–	–	Negative	Stable	Stable
Foreign currency					
Short-term	–	–	Prime-2	F3	F3
Long-term	–	–	Baa2	BBB	BBB
Outlook	–	–	Negative	Stable	Stable
Bank's financial strength	–	–	C-	–	–
Baseline credit assessment	–	–	baa2	–	–
Viability rating	–	–	–	bbb-	bbb-
Group credit profile	bbb-	bbb-	–	–	–
Outlook	–	–	Negative	–	–
Support	–	–	–	2	2
Counterparty risk[1]	–	–	Baa1 (cr)/P-2 (cr)	–	–

[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

Risk management strategy

The Group's approach to risk management

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

This three step risk management process:

- can be applied to every objective at every level in the Bank, both top-down or bottom-up;
- is embedded into the business decision-making process;
- guides the Group's response to changes in the external or internal environment 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, concentrations, and aggregations. ○ 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.

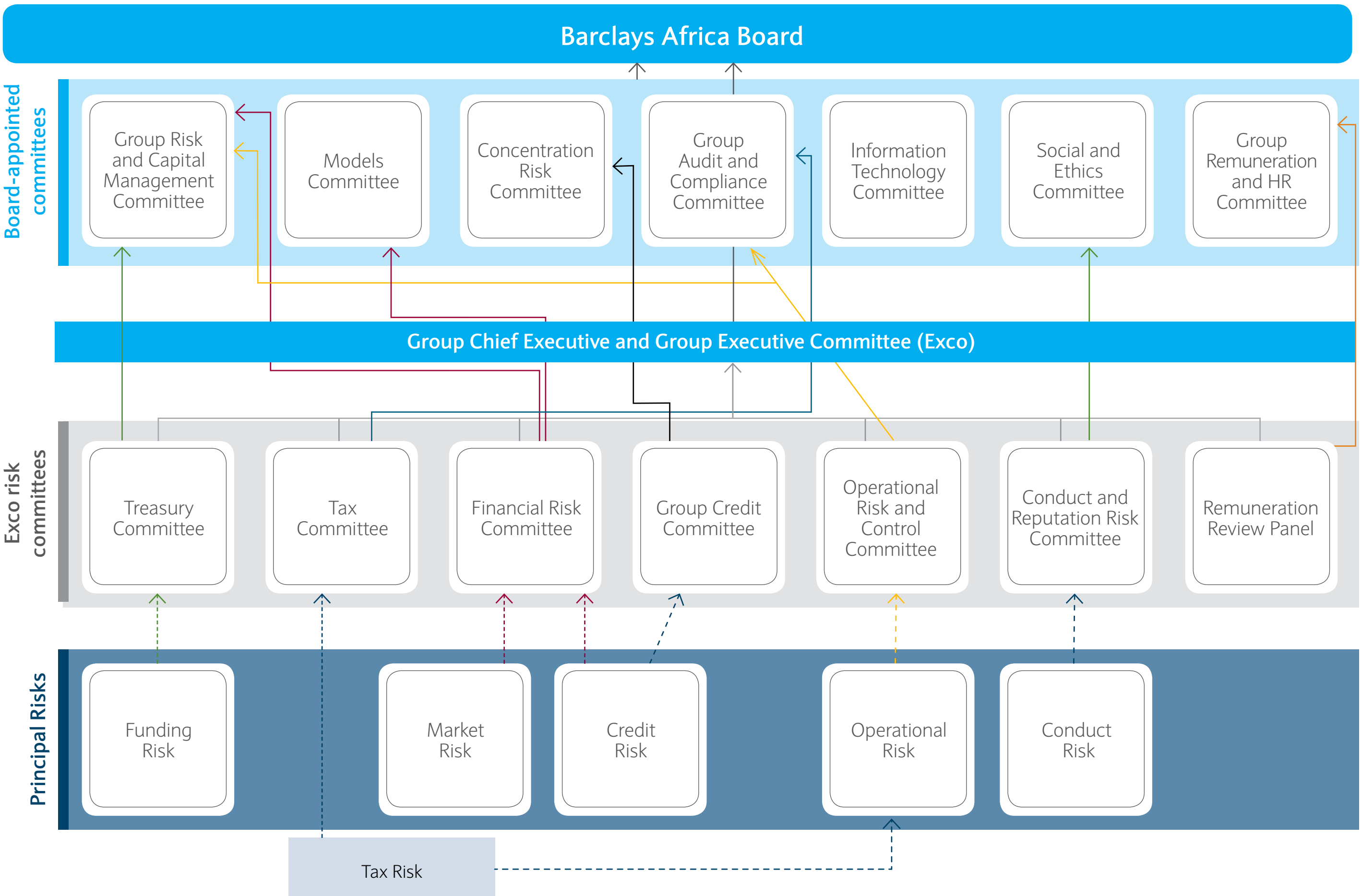
Risk management process	
Monitor	○ Focusing on progress towards objectives, using Key Performance Indicators (KPIs) to identify those objectives which require further attention. ○ Examining the current and evolving risk profile and risk trends, use Key Risk Indicators (KRIs) to examine changes in the 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 that the Group is adequately capitalised to support the execution of its 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 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 all principal risks, determines capital and liquidity target ranges and monitors capital and liquidity levels.

The GRCMC meets on a quarterly basis. GRCMC meetings during the reporting period were attended by the GCE, Deputy 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;
- 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 response, and then monitor the effectiveness of the response and any changes to the risk profile.

The E-R-M process:

- can be applied to every objective at every level in the Bank;
- is embedded into the business decision-making process;
- guides the Group's 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 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
Market risk	Traded market risk Non-traded market risk Pension risk Insurance risk	Financial Risk Committee
Funding risk	Liquidity risk Capital risk	Africa Treasury Committee (ATC)
Operational risk[2]	External Supplier risk Payment Process risk Technology risk (including cybersecurity) 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 and Control Committee (note: tax risk exposure is monitored via the Tax Risk Committee)
Conduct risk	Authorisations and Permissions risk Product Design risk Strategy and Business Model risk Governance and Culture risk Transaction Services risk Customer Servicing risk Reputation risk	Conduct and Reputational Risk Committee

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.

[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.

Strategy

The Group's credit risk objectives are:

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

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 credit parameters that are used for credit risk management purposes and in the calculation of regulatory capital (RC), economic capital (EC) and impairment requirements. The key credit parameters used in this process are:

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

PD, LGD and EAD estimates can be calculated to represent different views of the credit cycle, which are used in different applications:

- PD estimates can be calculated on a through-the-cycle (TTC) basis, reflecting the predicted default frequency in an average 12-month period across the credit cycle, or on a 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 credit parameters are used for the following purposes:

- **Credit approval:** PD models are used in the approval process in both retail and wholesale portfolios. In high-volume retail portfolios, application and behaviour scorecards are frequently used as decision-making tools. In wholesale and certain retail home loan portfolios, PD models are used to direct applications to an appropriate credit sanctioning level.
- **Credit grading:** to provide a common measure of risk across the Group, wholesale credit grading employs a 22-point internal default grade scale, which is mapped to a scale of default probabilities 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:** RC, EC and measures of stressed credit losses 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.
- **EC calculations:** EC calculations use the same PD, LGD and EAD inputs as the RC process. The EC process in addition uses correlation estimates.
- **Risk profile reporting:** Group Risk and the business units generate credit risk reports that make use of model outputs to describe the bank's credit risk profile.

Wholesale portfolio

The PD rating process relies both on internally developed rating models and vendor provided solutions. The rating process in the wholesale portfolio relies on quantitative and qualitative assessments at a customer level. Information used in the calculation of customer ratings includes:

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

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.

Regulatory models are independently validated on an annual basis and when new models have been developed or changes are made 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. The post model adjustment remains in place until the issue is corrected through a redevelopment of the model 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 the point of application and is updated monthly. The methodology and data employed in the risk estimation and the rating processes can be summarised as follows:

- Internal risk estimates of PD, EAD and LGD are derived from 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 approved by the Reserve Bank. 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 are made to models. In addition, post model adjustments are performed to adjust the outcome of the models until the model weakness is corrected.

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.

For communication and comparison purposes, the Group's 22 default grades (DG) were mapped to the SARB PD scale used for regulatory reporting purposes.

Exposure at default

The EAD denotes the total amount expected to 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 judgement 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).
- 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.
- 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

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

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.

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 and collateral agreements

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);
- International Securities Lending Association (ISLA) Global Master Securities Lending (GMSLA); and
- the International Capital Market Association (ICMA) Global Master Repurchase Agreement (GMRA) that provide standardised and commonly accepted processes for managing collateral and margin calls over the lifetime of the transaction.

These agreements may create an obligation on the Group unrelated to the underlying instruments in the event of a credit downgrade. 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 derivatives and securities financing transactions. The credit risk that relates to a derivative or securities financing transaction does not remain static over time, but changes due to movement in underlying market variables. In order to quantify the potential impact of these changes in market factors on counterparty exposures, the bank employs both Monte Carlo and MTM plus add-on techniques to estimate counterparties potential future exposure (PFE). The PFE is a measure of maximum replacement cost (MTM) over the life (uncollateralised portfolios) or closeout period (collateralised portfolios) of a counterparty portfolio. A confidence level of 98% is used to measure PFE. PFE is used for limit monitoring purposes. For regulatory capital and economic capital purposes, EAD is calculated through:

- the current exposure method (CEM) for over-the-counter (OTC) derivative exposures; and
- the comprehensive approach for securities financing transactions.

In terms of these approaches, EAD estimates are calculated as PFE estimates that are based on:

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

The Group relies mainly on cash, government bonds and negotiable certificates of deposits as collateral for derivative and securities financing contracts. Since collateral is taken into account in the EAD estimate of counterparty credit risk transactions, an unsecured LGD is used in capital formulas.

Concentrations of credit risk

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

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

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

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

Measuring and managing concentrations

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

Exposure to individual counterparties or groups of related counterparties is limited through the setting of maximum exposure guidelines. There is a regulatory requirement that limits designated as large exposures be approved and monitored by the Barclays Africa Concentration Risk Committee, which is a Board Risk Committee. Any exposure in excess of 10% of the Group's qualifying capital and reserves is designated a large exposure.

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

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

Mitigating concentration risk

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

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

Wrong-way risk

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

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

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

Monitoring weaknesses in portfolio

Corporate accounts deemed to contain heightened levels of risk are recorded on Watch Lists (WLs). These are updated monthly and circulated to relevant risk control points. Once an account is included on WL, 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 four categories of increasing concern. When an account becomes impaired, it would normally, but not necessarily, have passed through all four 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.

Retail account status

Performing (current) Arrear status 0

- Customer default on contractual payment and moves to collections function
- Customer pays total overdue payments and returns back into order position

Delinquent (Collections) Arrear status 1 – 3 (1 day – 90 days)

- The objective of collections is to resolve delinquency, reduce losses and return customers in financial difficulty to a regular position
- If a customer reaches late arrears status it becomes regulatory defaulted

Defaulted (Collections) Arrear status 4 – 6 (90 –180 days)

- Customer is moved to the Recovery function where legal action is considered
- Suspend interest

Charged-off (Recovery) Arrear status 6+ (180 days+)

- Asset is considered irrecoverable and is written-off

Wholesale account status

Performing Current and WL 1

- Relationship staff in liaison with credit staff identifies evidence of financial difficulties
- Customer's financial situation improves

Business Support WL 2 – 3

- Business support assists in restructuring or rehabilitating customers in financial difficulty
- Focus on turnaround strategies to maximise business profitability
- If a customer is assessed as unlikely to pay the bank in full, or is > 90 days past due, it is migrated to WL4 and considered regulatory defaulted

Defaulted (Recovery) WL 4

- Focus on recovery strategies to maximise cash flows for the bank
- Suspend interest
- Asset is considered irrecoverable and written-off

Write-off

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 Africa Market Risk Committee (AMRC) 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.
- 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 Commercial Property Finance (CPF) is 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
- 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 is the risk of the Group's earnings or capital being reduced due to the market risk exposure from banking book positions which may arise net of hedging activities.
- Insurance risk is the risk that future 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 Group Market Risk Committee (GMRC) meets monthly to review, challenge and make recommendations concerning the market risk profile, including risk appetite, policies, limits, risk utilisation, RWA and the associated regulatory capital, 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 sufficient degree of net interest margin stability in the Group's banking books.
- Understand risk sensitivity and volatility, take advantage of stress testing and empirical analytics. Use appropriate models to measure risk.
- Underwrite risks that are well diversified in terms of types of risk and the level of insured benefits. Develop strategies to reduce earnings volatility and increase potential profits under good claims experience conditions.
- Reduce exposures to insurance business lines where the risk-adjusted returns are low, and increase exposures to more attractive business lines to improve the risk-return outlook. Monitor and continuously reassess the inherent quality and risk profile of the insurance business book.
- Ensure pension risk is managed within outlined principles, objectives and governance, as well as country-specific regulations.
- Retain 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.

Market risk management: 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:

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

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;
- exposure at default risk monitoring;
- backtesting; and
- standardised general and specific risk, as relevant.

The standardised approach is used to quantify regulatory capital requirements for general risk for the Rest of Africa. Additional measures such as VaR, non-VaR stress testing and economic capital 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) provide an estimate of the potential losses, at a chosen confidence level, that may arise from unfavourable market movements if current positions were to be held unchanged for one business day.

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

The historical simulation methodology can be split into three parts:

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

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

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

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

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.
- The actual profit and loss representing the actual daily trading outcome from price moves only (excluding fees, commissions, provisions, net interest income and the time value of money), 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.
- 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, and issuer risk limits and concentration exposure where appropriate. All asset classes and product types have non-VaR reporting and limit monitoring. These limits are aligned to DVaR limits, but do not bear a direct linear relationship.

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

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

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.
- 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.) to arise from decisions based on incorrect or misused model outputs and reports. The Group has implemented a Model Risk Policy, which covers non-trivial quantitative methods, systems or approaches used for estimating risk, calculating 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 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, stresses, RWA and capital across all asset classes for the Trading Book. A risk summary is also presented at the GMRC and other governance committees, as required.

Market risk management: 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 earnings and economic value of the Group.

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 mainly timing considerations, interest rate risk may arise when some of the net position remains with Treasury. Therefore, there is a limit framework in place to ensure that the retained risk remains within approved risk appetite.

Risk management strategies considered include:

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

Where possible, hedge accounting is applied to derivatives that are used to hedge 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.

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

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

Market risk processes are in place to enable robust management of these additional forms of interest rate risk in the banking book.

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 (DVaR) 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 sensitive 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 GMRC. 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; and
- 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 forum, 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 quarterly 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 WIMI Financial 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 for implementing 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 local 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 a 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 the Group's depositors, preserving market confidence and maintaining the Group's brand. The Group considers sustainable access to appropriate liquidity for each of its entities to be extremely important. Liquidity risk is managed in line with the Liquidity Risk Framework/Policy, 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 price liquidity costs accurately, 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.
- 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	Liquidity policies	Liquidity buffers	Contingency planning	Reserving
Concentration risk	Liquidity risk appetite	Funding execution	Early warning indicators	Liquid assets
Client behaviour	Stress testing	Daily clearing and settlement	Liquidity simulations	Regulatory reporting
Pricing liquidity risk through funds transfer pricing	Limits and metrics	Contingent liquidity risks in transaction documentation	Recovery and Resolution planning	Liquidity coverage ratio
	Intraday liquidity risk monitoring			Net stable funding ratio
	Monitoring other contingent liquidity risks			
	New product review			
	Debt buyback monitoring			

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 its 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, and liquidity recovery plan. Stress-testing results are also taken into account when setting limits for the management of liquidity risk and the business planning process.

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

Liquidity Coverage ratio

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. A minimum LCR of 60% has been required since 1 January 2015.

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

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

Barclays Africa Group Limited 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 31 December 2015[1]:

	Barclays Africa Group Limited	Absa Bank Limited
High Quality Liquid Assets (Rm)[2]	110 009	101 578
Net Cash Outflows (Rm)	157 340	145 031
Liquidity Coverage Ratio (%)	69.9	70.0
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 entity within the Group maintains and demonstrates constant access to the relevant underlying asset market to avoid undue price movement if liquid assets need to be sold. Each operation ensures that its buffer can be liquidated at short notice.

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 plan. The CFPs set out the specific requirements to be undertaken locally in a crisis. This could include monetising the liquidity pool, slowing the extension of credit, increasing the tenor of funding and securitising or selling assets. The Group continues to build upon the Recovery Plan and work with the regulators and industry bodies in the formulation of Resolution Planning.

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 not possible to eliminate all operational risk exposure. Risk events of significance are not frequent and the organisation seeks to reduce the likelihood of these in accordance with its risk appetite.

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

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;

[1] The values disclosed represent the simple average of the relevant three month-end data points.
[2] Surplus high quality liquid asset holdings in excess of the minimum requirement of 60% have been excluded from the aggregated high quality liquid asset number in the case of all Rest of Africa banking entities.

- embedding a structured and disciplined approach to monitoring and assurance of the operational risk framework and its use in the businesses;
- enhancing controls using automated solutions as far as possible, specifically relating to fraud;
- strengthening follow-up and recovery actions for unexpected operational risk and boundary events; and
- continuing the shift from reactive remedial activities to 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 standards. These standards are implemented: vertically, through the organisational structure with all businesses required to implement and operate the ORMF that meets, as a minimum, the requirements detailed in these operational risk standards; 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 for an AMA for operational risk as per the regulations to the Banks Act, which commenced in January 2008. The majority of the South African entities in the Group calculate RC using AMA. The 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:** failure to develop and deploy secure, stable and reliable technology solutions.
- **Transaction operations risk:** failure in the management of critical transaction processes.

The primary responsibility for the management of operational risk lies with the business and functional units where the risk arises. Operational risk managers are widely distributed throughout the organisation and support these areas, 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 self-assessments

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

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 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 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 Operational Risk and Control Committees (OR&CC) monitor risk management and control effectiveness. In-country governance and risk committees are aligned to 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 operational Key Risk in each business and function. The estimation is based internal loss data, extreme scenarios (from the Key Risk 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. 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. 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 upheld.
- 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.

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. These are the 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 low level of tolerance for customer detriment and conduct incidents. The Group recognises that from time to time conduct risks (including detriment) will crystallise and become conduct incidents. Thresholds are used to ensure that likely and probable conduct risks and realised conduct incidents are escalated to governance forums. Root cause analysis of, and lessons learnt from, events are key to the Group's understanding of its risk and control environment.

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.

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Analysis of risk exposures

Analysis of risk exposures

Credit risk

Exposure per Basel III approach and asset class

	2015						2014
	Utilised on-statement of financial position Rm	Off-statement of financial position exposure Rm	Repurchase and resale agreements Rm	OTC derivative instruments Rm	Total credit exposure Rm	EAD Rm	EAD Rm
AIRB approach							
Banks	33 860	15 645	20 933	93 964	164 402	55 575	52 913
Corporate exposure	228 477	149 339	18 751	16 126	412 693	292 440	250 468
Corporate	154 630	119 015	18 751	15 844	308 240	201 193	162 746
SME Corporate	64 658	26 494	–	123	91 275	80 786	78 293
Specialised lending – income producing real estate	4 610	941	–	–	5 551	4 778	4 477
Specialised lending – project finance	4 579	2 889	–	159	7 627	5 683	4 952
Local government and municipalities	4 403	10 457	–	–	14 860	7 080	6 580
Public sector entities	9 072	8 544	–	2 453	20 069	14 017	11 208
Retail exposure	346 283	99 713	–	–	445 996	400 741	394 665
Mortgages (including any home loan equity lines of credit)	227 236	48 226	–	–	275 462	249 473	249 076
Other	72 713	2 425	–	–	75 138	75 316	75 696
Unsecured lending ≤ 30 000	3 289	374	–	–	3 663	3 947	3 732
Unsecured lending > 30 000	14 482	2 051	–	–	16 533	16 461	13 672
Other	1 670	–	–	–	1 670	1 669	1 943
Vehicle and asset finance	53 272	–	–	–	53 272	53 239	56 349
Revolving credit	29 072	41 506	–	–	70 578	51 120	48 789
Credit cards	27 141	37 004	–	–	64 145	43 649	41 426
Non-credit cards	1 931	4 502	–	–	6 433	7 471	7 363
SME	17 262	7 556	–	–	24 818	24 832	21 104
Secured lending	11 170	1 442	–	–	12 612	12 472	7 736
Unsecured lending	6 092	6 114	–	–	12 206	12 360	13 368
Securities firms	298	1 834	1 559	7 502	11 193	2 892	4 516
Sovereigns	68 971	154	–	–	69 125	70 934	71 318
Standardised approach							
Banks	32 407	736	–	458	33 601	33 041	23 951
Corporate exposure	51 887	28 433	–	216	80 536	63 679	46 459
Public sector entities	1 094	–	–	–	1 094	1 094	–
Retail exposure	49 726	15 397	–	–	65 123	49 636	43 660
Mortgages (including any home loan equity lines of credit)	7 389	–	–	–	7 389	7 248	5 878
Other	28 918	62	–	–	28 980	27 729	22 799
Revolving credit	12 575	15 318	–	–	27 893	13 850	14 338
Credit cards	12 575	15 318	–	–	27 893	13 850	12 212
Non-credit cards	–	–	–	–	–	–	2 126
SME	844	17	–	–	861	809	645
Sovereigns	43 448	213	–	–	43 661	43 507	33 490
Total	869 926	330 465	41 243	120 719	1 362 353	1 034 636	939 228

Risk-weighted assets and minimum required capital

	2015		2014	
	RWAs[1] Rm	Required capital Rm	RWAs Rm	Required capital Rm
Banks	19 892	1 989	18 259	1 826
Corporate exposure	171 281	17 128	153 485	15 348
Corporate	105 052	10 505	94 203	9 420
SME Corporate	58 427	5 843	55 588	5 559
Specialised lending – income producing real estate	2 404	240	1 605	160
Specialised lending – project finance	5 398	540	2 089	209
Local governments and municipalities	823	82	858	86
Public sector entities	3 849	385	2 455	245
Retail exposure	153 156	15 315	145 084	14 508
Mortgages (including home equity line of credit)	52 673	5 267	52 829	5 283
Other	54 484	5 448	50 245	5 024
Unsecured lending ≤ 30 000	3 755	375	3 671	367
Unsecured lending > 30 000	16 902	1 690	13 713	1 371
Other	1 809	181	2 085	208
Vehicle and asset finance	32 018	3 202	30 776	3 078
Revolving credit	32 493	3 250	30 087	3 009
Credit cards	30 046	3 005	27 891	2 789
Non-credit cards	2 447	245	2 196	220
SME	13 506	1 350	11 923	1 192
Secured lending	5 085	508	3 574	357
Unsecured lending	8 421	842	8 349	835
Securities firms	2 643	264	1 124	112
Sovereigns	3 953	395	5 009	501
Securitisation	482	48	918	92
Standardised approach	154 252	15 425	118 916	11 892
Total	510 331	51 031	446 108	44 610

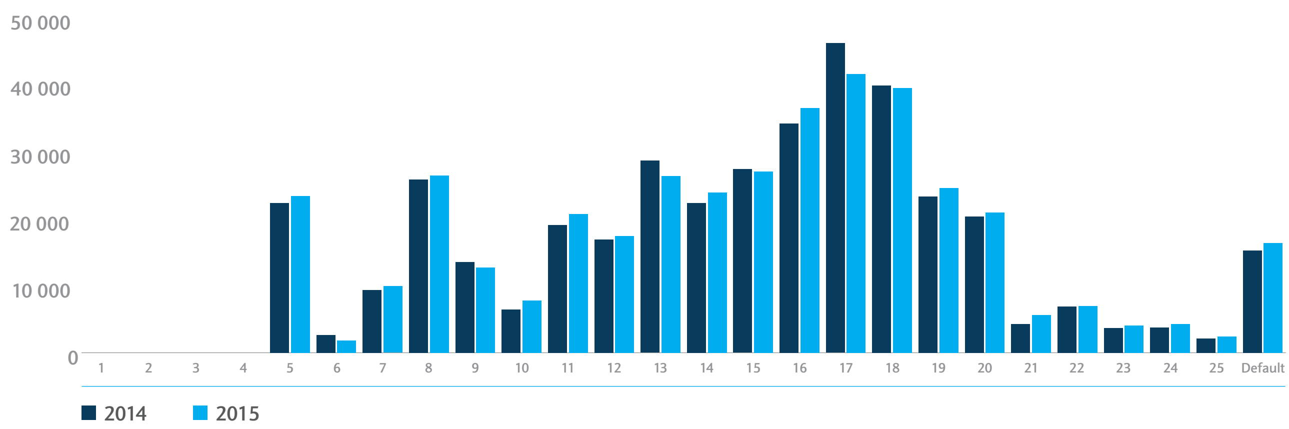
[1] The RWA in the above table exclude post model adjustments of R21.6bn for new models pre implementation. Standardised RWA excludes additional RWA of R7.8bn as per local regulator requirement.

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

	Barclays PD/DG Scale Min %	Max %	External rating equivalent S&P	Moody's	SARB regulatory PD Scale	Min %	Max %	Rating Bucket
Investment Grade								
DG1	0.00	0.02	AAA	Aaa	1	0.00	0.012	AAA
					2	0.012	0.017	
DG2	0.02	0.03	AA+/AA	Aa1/Aa2	3	0.017	0.024	AA
					4	0.024	0.034	
DG3	0.03	0.05	AA-	Aa3/A1	5	0.034	0.048	
DG4	0.05	0.10	A+ to A-	A2/A3	6	0.048	0.067	A
					7	0.067	0.095	
DG5	0.10	0.15	BBB+	Baa1	8	0.095	0.135	BBB
DG6	0.15	0.20	BBB	Baa2	9	0.135	0.190	
DG7	0.20	0.25	BBB/BBB-	Baa3	10	0.190	0.269	
DG8	0.25	0.30	BBB-	Baa3	11	0.269	0.381	
DG9	0.30	0.40	BBB-/BB+	Baa3				
Non-Investment Grade								
DG10	0.40	0.50	BB+	Baa3/Ba1	12	0.381%	0.538%	BB
DG11	0.50	0.60	BB+/BB	Ba1	13	0.538%	0.761%	
DG12	0.60	1.20	BB/BB-	Ba1/Ba2	14	0.761%	1.076%	
DG13	1.20	1.55	BB-/B+	Ba3	15	1.076%	1.522%	
DG14	1.55	2.15	B+	Ba3	16	1.522%	2.153%	B
DG15	2.15	3.05	B+	B1	17	2.153%	3.044%	
DG16	3.05	4.45	B	B2	18	3.044%	4.305%	
DG17	4.45	6.35	B/B-	B3	19	4.305%	6.089%	
DG18	6.35	8.65	B-	Caa1	20	6.089%	8.611%	
DG19	8.65	11.35	B-	Caa1/Caa2	21	8.611%	12.177%	
DG20	11.35	18.65	B-/CCC/C	Caa2	22	12.177%	17.222%	CCC/C
DG21	18.65	100.00	CCC/C	Caa3 to C	23	17.222%	24.355%	
					24	24.355%	34.443%	
					25	34.443%	99.999%	

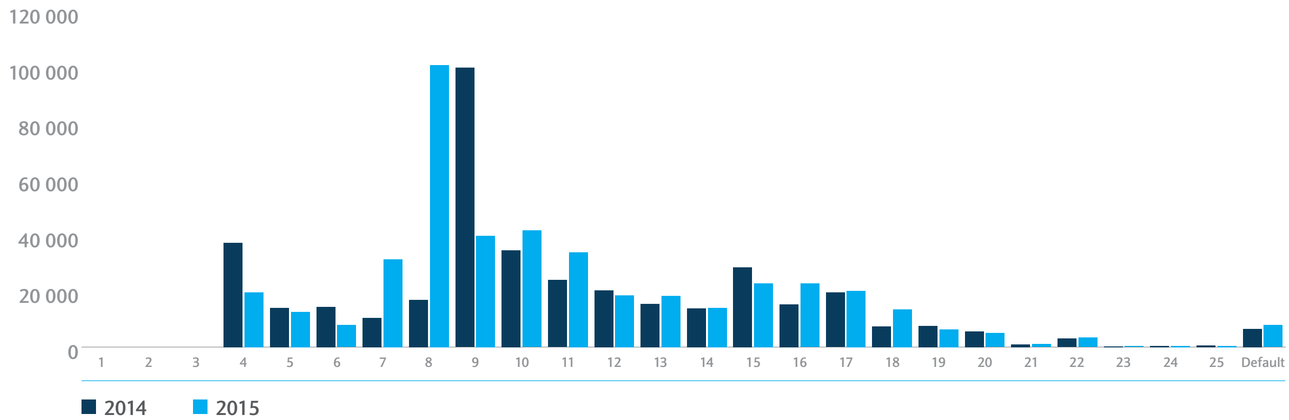
The graphs below reflect the distribution of the bank's retail and wholesale exposure on the regulatory PD bands.

EAD exposure migration across probability of default brands – retail operations (Rm)



EAD weighted average PD (performing): 2015: 3.09% (2014: 3.01%). During the reporting period the retail portfolio remained largely consistent.

EAD exposure migration across probability of default brands – wholesale operations (Rm)



EAD weighted average PD (performing): 2015: 0.97% (2014: 1.01%). The distribution of exposures across default bands within the wholesale credit portfolio improved as per the EAD weighted PD, with some migrations in the stronger bands. There is a marginal increase in the default bucket, in line with new regulatory reporting requirements, specific to restructured exposures.

Analysis of risk

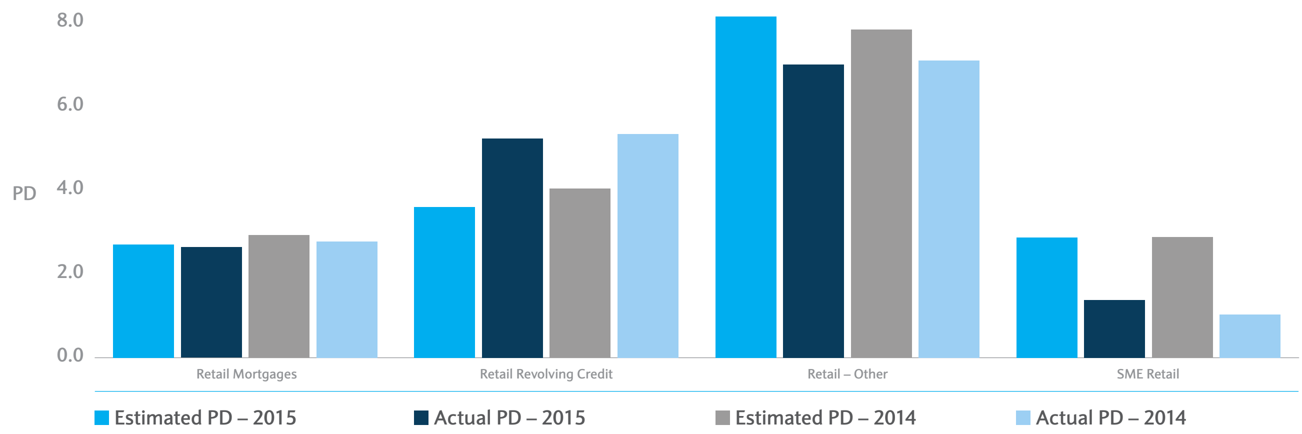
The principal objective of credit risk measurement is to produce the most accurate possible quantitative assessment of credit risk to which the Group is exposed from the level of individual facilities up to total portfolio. Integral to this is the calculation of internal ratings that are used in numerous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

- PD
- EAD
- LGD
- Maturity

Comparison of probability of default estimates with actual default rate

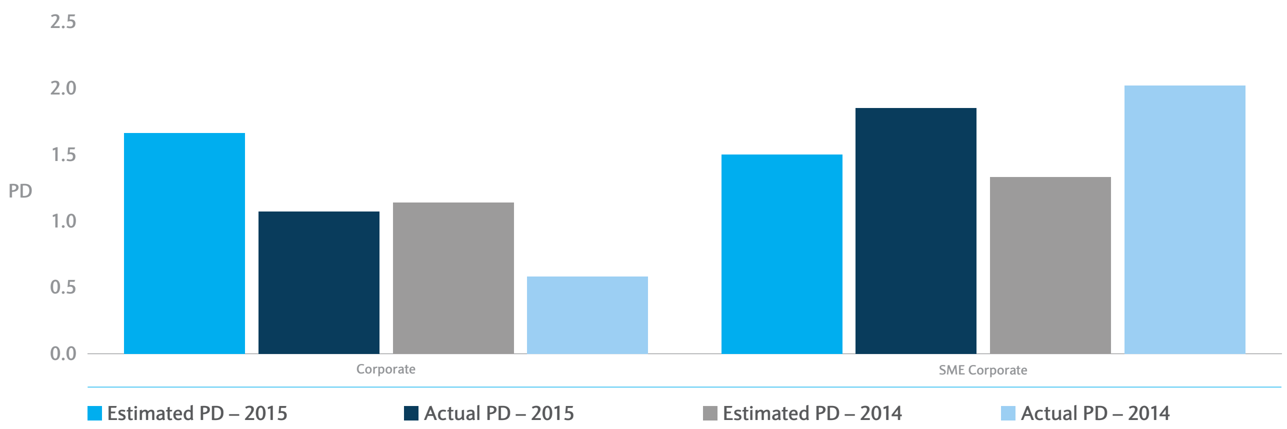
The objective of PD back testing is to compare the accuracy of the PD estimates for regulatory purposes with actual default data. For regulatory capital a through-the-cycle (TTC) PD is used. However, in order to test the performance of the PD models, for each retail and wholesale Basel III asset class, 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 (%)



PD overestimation occurred within Mortgages, Retail – Other and SME Retail with underestimation present in Retail Revolving. Retail Revolving models are in the process of being replaced by new model suites and Post Model Adjustments are already in place based on the new models. The 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 the retail portfolios.

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

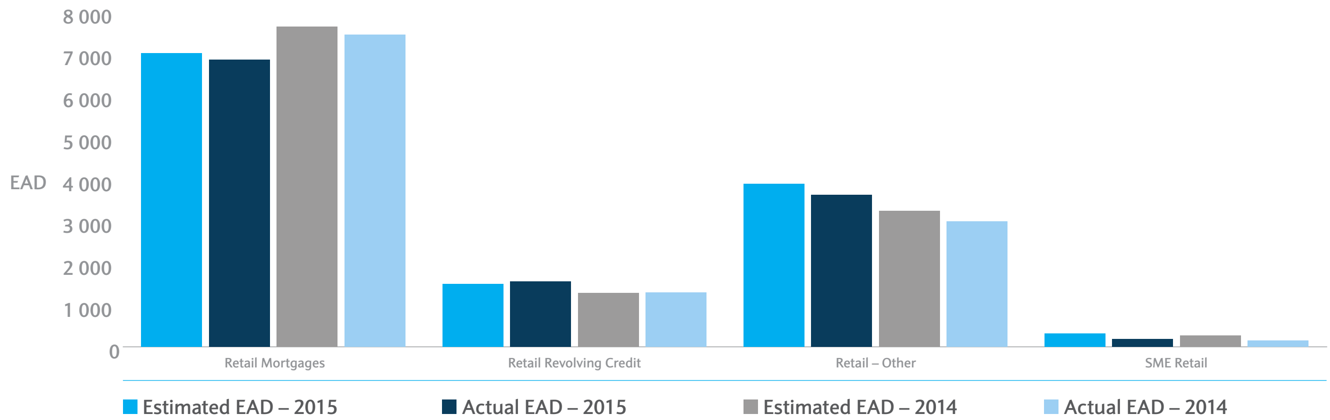


Back testing indicates that the Corporate PD model estimates remain conservative. SME Corporate model under estimation decreased due to marginal increase in the year-on-year model estimates while the actual default rate improved.

Comparison of exposure at default with actual exposure at default

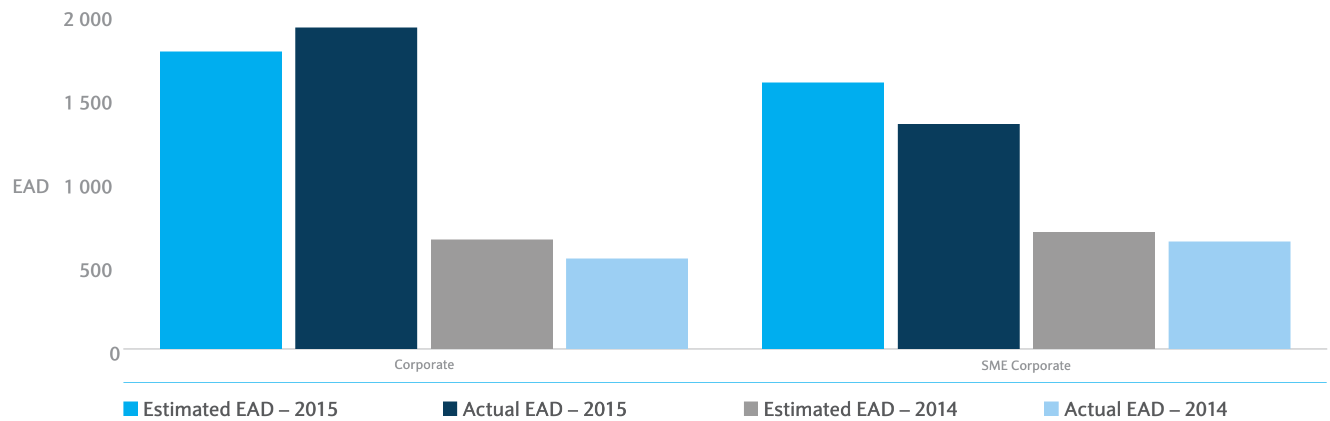
The objective of EAD back testing is to compare the accuracy of EAD estimates for regulatory purposes with actual EAD. For each retail and wholesale Basel III asset class, the estimated EAD at the previous reporting date is compared to the actual EAD of those loans that defaulted during the period.

Comparison of exposure at default estimates with actual exposure of default – retail operations (Rm)



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 the flooring of the estimated EAD at the balance at the time of conducting the estimate.

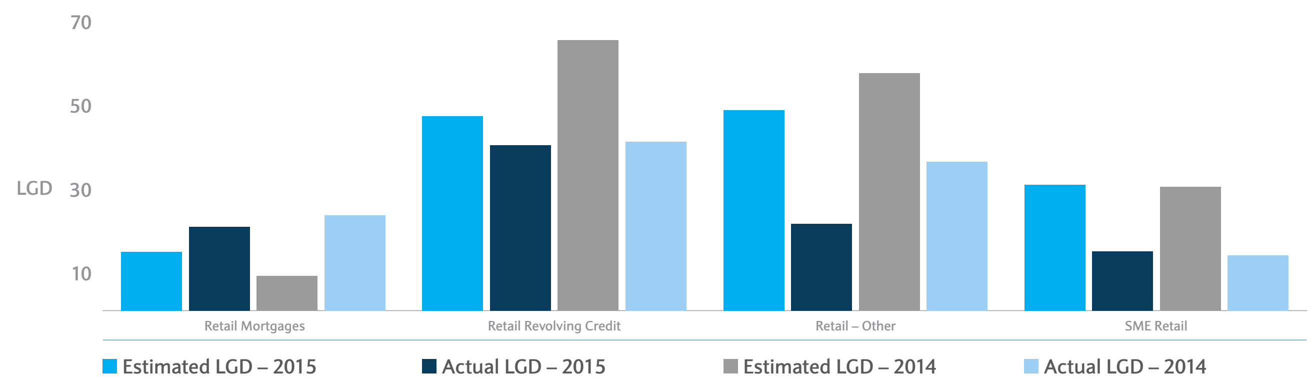
Comparison of exposure at default estimates with actual exposure of default – wholesale operations (Rm)



Comparison of loss given default estimates with actual loss given default

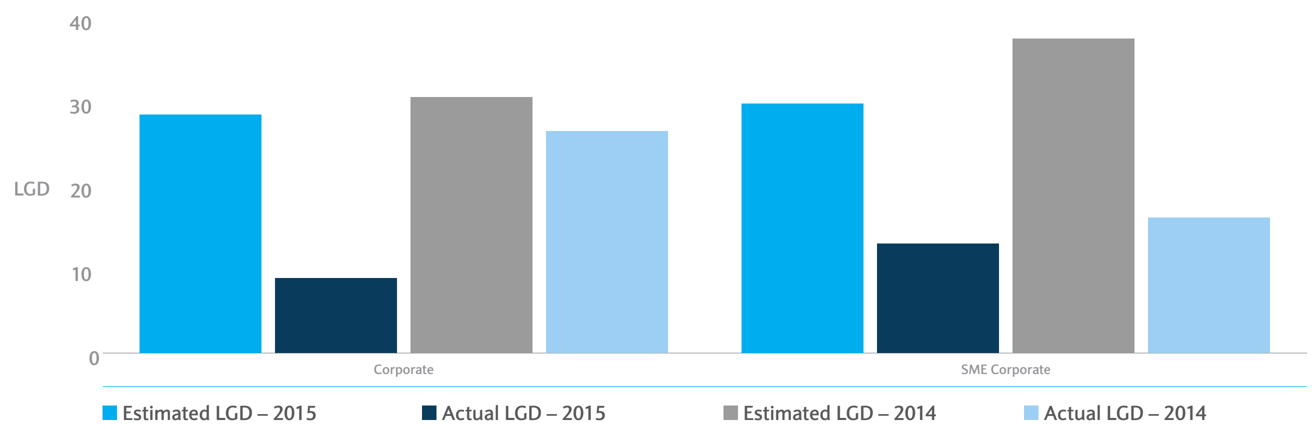
The objective of LGD back testing is to compare the accuracy of LGD estimates for regulatory purposes with actual LGD realisations. For regulatory purposes a downturn LGD is used. For each retail and wholesale Basel III asset class, the estimated business-as-usual LGD at the point of default is compared to the actual LGD of those loans that have been finalised during the period.

Comparison of expected loss given default estimates (resolve cases) with actual loss at default – retail operations (%)



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. New models across all Basel parameters are being implemented across the Retail portfolio.

Comparison of expected loss given default estimates (resolve cases) with actual loss at default – wholesale operations (%)



The LGD model in wholesale remains conservative with model redevelopment in progress.

Credit risk mitigation

	2015						2014
	Original credit and counter-party exposure Rm	Effects of netting agreements Rm	Net exposure after netting and redistribution 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
AIRB approach							
Banks	136 566	55 494	81 072	3 900	6	3 906	4 137
Corporate exposure	409 430	3 314	406 117	31 949	65 370	97 319	90 220
Corporate	304 842	3 314	301 529	20 903	7 877	28 780	27 503
SME Corporate	91 459	–	91 459	11 046	49 482	60 528	56 584
Specialised lending – income producing real estate	5 551	–	5 551	–	8 011	8 011	6 130
Specialised lending – project finance	7 578	–	7 578	–	–	–	3
Local governments and municipalities	14 857	–	14 857	–	94	94	94
Public sector entities	18 107	253	17 854	61	21	82	157
Retail	445 458	–	452 358	3 210	667 933	671 143	624 123
Mortgages (including home equity lines of credit)	275 461	–	275 461	–	598 124	598 124	570 381
Other	75 145	–	82 045	–	62 673	62 673	41 788
Unsecured lending ≤ 30 000	3 641	–	3 641	–	–	–	4
Unsecured lending > 30 000	16 562	–	16 562	–	–	–	185
Other	1 670	–	1 670	–	–	–	–
Vehicle and asset finance	53 272	–	60 172	–	62 673	62 673	41 599
SME	24 167	–	24 167	1 476	7 136	8 612	10 653
Secured lending	12 616	–	12 616	1 391	7 136	8 527	7 841
Unsecured lending	11 551	–	11 551	85	–	85	2 812
Revolving credit	70 685	–	70 685	1 734	–	1 734	1 301
Credit cards	64 248	–	64 248	–	–	–	–
Non-credit cards	6 437	–	6 437	1 734	–	1 734	1 301
Securities firms	9 068	3 050	6 018	1 368	–	1 368	431
Sovereigns	69 124	–	69 124	–	–	–	9
Total	1 102 610	62 111	1 047 400	40 488	733 424	773 912	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

	2015 Intermediation portfolio				2014 Intermediation portfolio			
	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
Credit derivative product type								
Credit-default swaps	12 099	13 798	2 335	19 016	9 831	5 831	5 055	10 982
Other	1 783	–	1 844	5 473	601	–	–	3 240
Total notional exposure to credit derivative transactions	13 882	13 798	4 179	24 489	10 432	5 831	5 055	14 222

Derivatives exposure breakdown

Exposure by derivative underlying

2015	Gross positive fair value Rm	Current netting benefits Rm	Current exposure Rm	Expected positive exposure (CEM) Rm	Expected exposure netting (CEM) Rm	Exposure at default Rm	Notional value Rm
Commodities	655	4	651	114	2	739	1 143
Credit derivatives	326	254	72	1 252	639	471	16 287
Equity derivatives	4 444	3 725	720	3 789	1 677	2 399	61 736
Foreign exchange derivatives	70 950	56 519	14 002	22 793	12 132	17 723	1 228 996
Interest rate derivatives	31 588	25 302	6 286	11 436	5 962	8 135	3 909 610
Total	107 962	85 803	21 731	39 384	20 413	29 468	5 217 772

2014	Gross positive fair value Rm	Current netting benefits Rm	Current exposure Rm	Expected positive exposure (CEM) Rm	Expected 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
Total	45 975	36 794	8 434	35 496	18 596	21 558	5 509 724

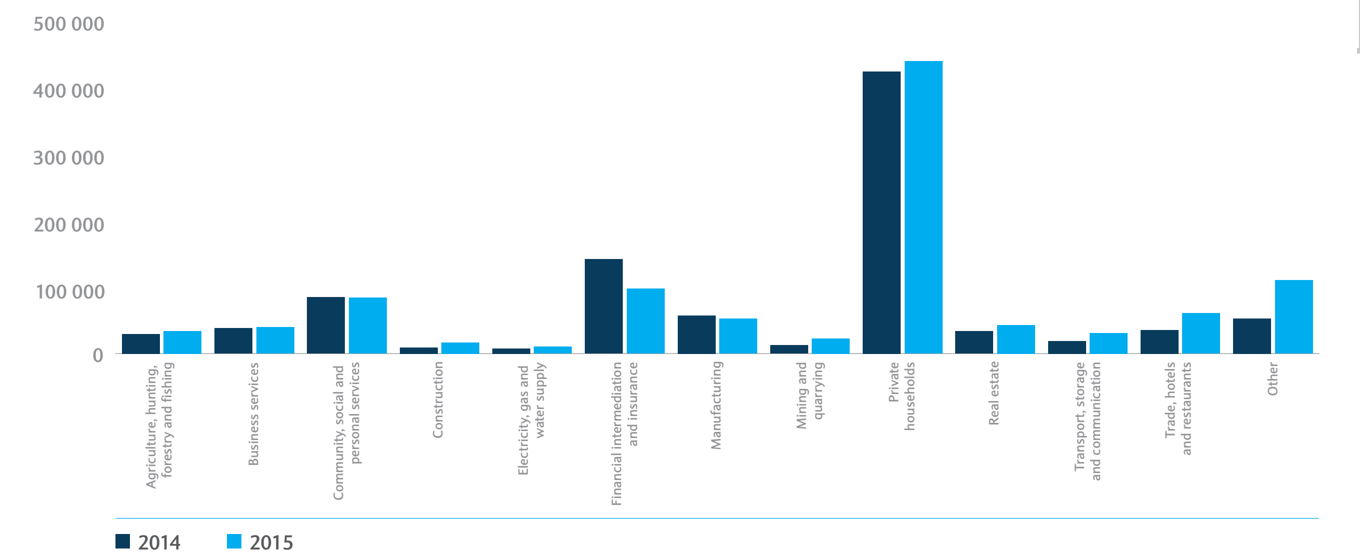
Residual contractual maturity of exposures

	Current to 6 months Rm	6 months to 1 year Rm	2015 EAD 1 year to 5 years Rm	More than 5 years Rm	Total Rm
Banks	39 044	27 445	19 818	2 309	88 616
Corporate exposure	3 105	126 096	186 765	40 154	356 118
Corporate	2 235	93 156	152 866	13 472	261 729
SME Corporate	674	30 487	30 903	21 865	83 928
Specialised lending – income producing real estate	196	83	1 996	2 504	4 778
Specialised lending – project finance	–	2 370	1 000	2 313	5 683
Local governments and municipalities	5	3 699	1 991	1 385	7 080
Public sector entities	–	6 247	5 796	3 067	15 111
Retail exposures	105 461	7 798	108 639	228 476	450 377
Mortgages (including any home loan equity line of credit)	41 170	1 343	7 142	207 066	256 721
Other	5 453	2 312	94 073	1 207	103 045
Unsecured lending ≤ 30 000	744	382	1 656	1 165	3 947
Unsecured lending > 30 000	2 712	594	6 809	6 347	16 461
Other	310	62	1 098	199	1 669
Vehicle and asset finance	1 687	1 274	84 510	(6 504)	80 968
Revolving credit	49 771	172	90	14 935	64 970
Credit cards	42 566	–	–	14 932	57 499
Non-credit cards	7 205	172	90	3	7 471
SME	9 067	3 971	7 334	5 268	25 641
Secured lending	93	1 778	6 124	4 477	12 472
Unsecured lending	8 974	2 193	1 210	791	13 169
Securities firms	98	1 185	972	637	2 892
Sovereigns	12 083	10 494	60 970	30 894	114 441
Total	159 796	182 964	384 951	306 922	1 034 635

	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
Sovereigns	31 495	4 497	30 989	37 827	104 808
Total	187 125	144 163	320 500	287 440	939 228

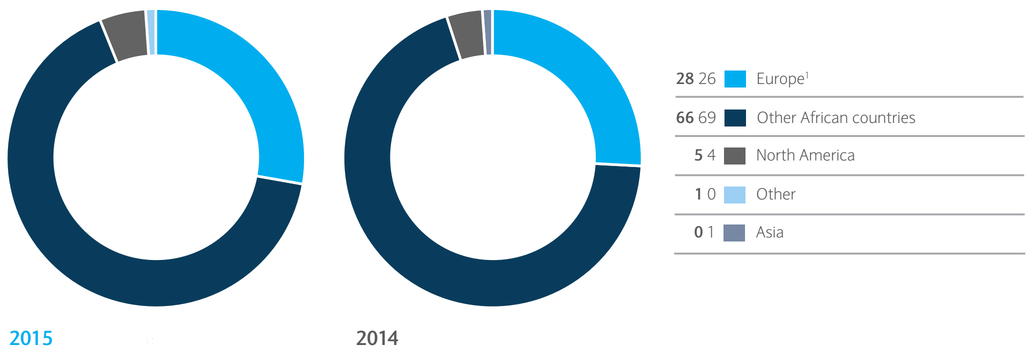
Breakdown of exposure per industry

Industry exposure EAD (all approaches) (Rm)



Breakdown of exposure per geography

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



Breakdown of gross exposure by geographical area

	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	236	92 545	15 938	15 088	3 974	1 015 508	130	1 143 419
Standardised approach	–	–	–	199 772	–	24 245	–	224 017
	236	92 545	15 938	214 860	3 974	1 039 753	130	1 367 436

	2014							
	Asia Rm	Europe[1] Rm	North America Rm	Other African countries Rm	Other Rm	South Africa Rm	South America Rm	Total Rm
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

Securitisation[2]

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.

[1] The majority of the exposures under Europe relate to exposures to Barclays Bank Plc.
[2] 2014 Securitisation information restated due to refinements in the reporting methodologies applied.

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:

	ECAI	2015 Amount securitised Rm	2014 Amount securitised Rm
Mortgage advances	Moody's and Standard and Poor's	**3 061**	3 703

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

IRB exposure	2015 Rm	2014 Rm
On-statement of financial position		
Retail – mortgages	**3 061**	3 703
Total IRB exposures	**3 061**	3 703
Of which notes issued		
Investment grade	**436**	1 167
Sub-investment grade[1]		

Originator	2015 Amount securitised originator Rm	2015 Past due originator Rm	2014 Amount securitised originator Rm	2014 Past due originator Rm
Mortgage advances[2]	**3 061**	**93**	3 703	89

Retained or purchased securitisation exposures per asset class

Exposure type – Retail	2015 Retained Rm	2015 Purchased Rm	2015 Total Rm	2014 Retained Rm	2014 Purchased Rm	2014 Total Rm
Mortgages	**3 061**	**–**	**3 061**	3 703	–	3 703
Other	**–**	**–**	**–**	690	–	690
	3 061	**–**	**3 061**	4 393	–	4 390

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

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

Risk-weighted band (%)	2015 Retained Rm	 Purchased Rm	2014 Retained Rm	 Purchased Rm
11 – 19	**3 061**	**–**	3 748	––
20 – 49	**436**	**–**	753	–
50 – 75	**–**	**–**	361	–
250	**–**	**–**	–	–
1 250 or deducted	**–**	**–**	–	–
	3 498	**–**	4 862	–

Rated securitised exposures (Ratings based approach)

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

Exposures	 Total senior exposure rated BBB or better Rm	2015 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	2014 Total base risk weight exposure rated BBB or better Rm	 Total exposure rated BBB or below Rm
Instalments sales and leasing				–	–	–
Mortgages	**–**			8	–	–
Other	**436**			439	–	–
	436			477	–	–

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

Exposures – Retail	2015 RWAs Rm	 Required capital Rm	2014 RWAs Rm	 Required capital Rm
Instalment sales and leasing	**–**[1]	**–**	352	28
Mortgages	**390**	**31**	470	38
Other				
	390	**31**	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.
- 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 the Group has 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 178m (2014: R3 742m). Of the R3 178m investment exposure at the reporting date, R2 826m is held for capital gains purposes and the remainder for strategic and other purposes.

[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.

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

Equity investments in the banking book	2015 Rm	2014 Rm
Statement of financial position	3178	3 742
Exchange traded investments, associates and joint ventures	184	292
Privately held traded investments, associates and joint ventures	2 994	3 450
Fair value of exchange traded investments, associates and joint ventures	184	292
Risk-weighted assets	10 868	13 865
Exchange traded investments, associates and joint ventures	473	629
Privately held traded investments, associates and joint ventures	10 396	13 236
Economic capital	1 696	1 981
Exchange traded investments, associates and joint ventures	149	236
Privately held traded investments, associates and joint ventures	1 547	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	2015 Rm	2014 Rm
Cumulative realised gains/(losses) arising from sales and liquidations	82	62
Total unrealised gains/(losses) recognised directly in the statement of financial position	(184)	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 R23.19m for the full 2015 financial year, which is up 19% compared to R19,46m for the full 2014 financial year. This was driven mainly by select large client trades during the first quarter that primarily affected the interest rate profile as well as increased market volatility in the latter half of the year which impacted interest rate, credit and equity profiles.

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.

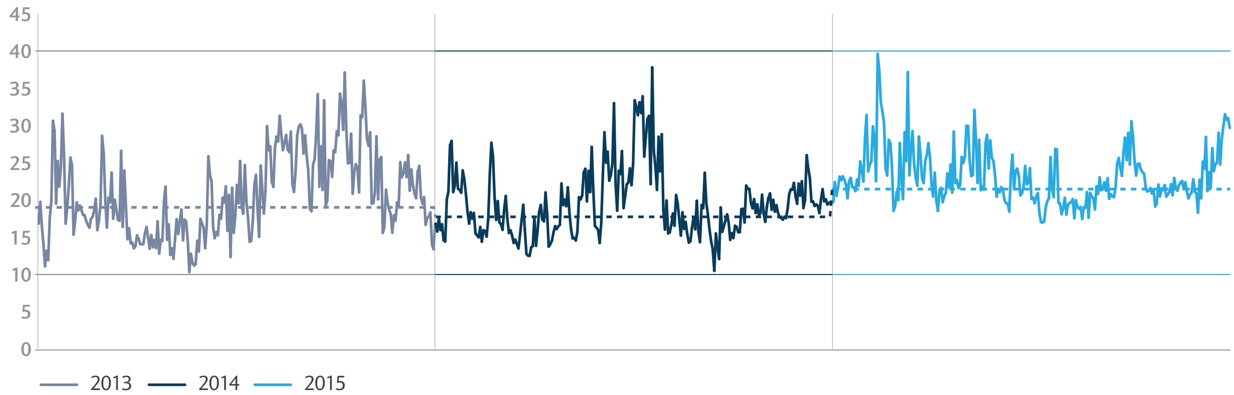
Trading book DVaR summary

	2015				2014			
	Average Rm	High[1] Rm	Low[1] Rm	At the reporting date Rm	Average Rm	High[1] Rm	Low[1] Rm	At the reporting date Rm
Interest rate risk	20.41	33.61	13.36	23.95	14.62	27.12	7.79	17.86
Foreign exchange risk	6.54	24.26	1.83	5.86	7.59	22.68	1.68	4.42
Equity risk	6.23	14.46	1.97	4.92	3.63	11.03	1.37	3.76
Commodity risk	0.59	1.76	0.07	0.14	0.44	3.23	0.12	0.18
Inflation risk	9.49	24.75	3.14	15.81	8.51	19.33	2.53	9.26
Credit spread risk	10.94	15.79	7.27	15.77	5.82	8.26	4.04	7.70
Diversification effect	(31.00)	n/a	n/a	(36.75)	(21.14)	n/a	n/a	(23.43)
Total DVaR[2]	23.19	39.65	16.98	29.71	19.46	37.83	10.49	19.75
Expected shortfall	35.52	24.58	61.85	50.30	28.90	49.85	17.75	34.56
Regulatory VaR[3]	39.61	81.15	26.14	47.76	32.69	63.42	19.45	37.36
Regulatory sVaR[3]	62.79	125.17	31.36	89.97	49.72	96.43	22.95	59.10

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.

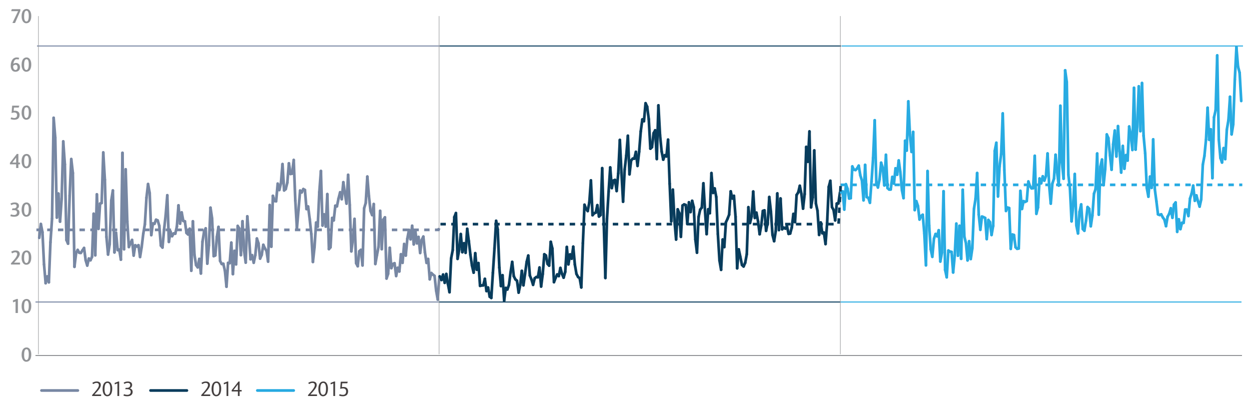
The following graph indicates the daily history of the trading book DVaR, along with the period averages, highs and lows. The increased risk in Q1 2015 is clearly evident, and was driven mainly by select large client trades that primarily affected the interest rate profile. Subsequent to that however, 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. However, despite the reduced risk position, increased market volatility in the latter half of the year was noted, impacting interest rate, credit and equity profiles.

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 as well as increases in the second half of the year as positions were actively risk managed, with sVaR being more sensitive to curve profiles than overall positions.

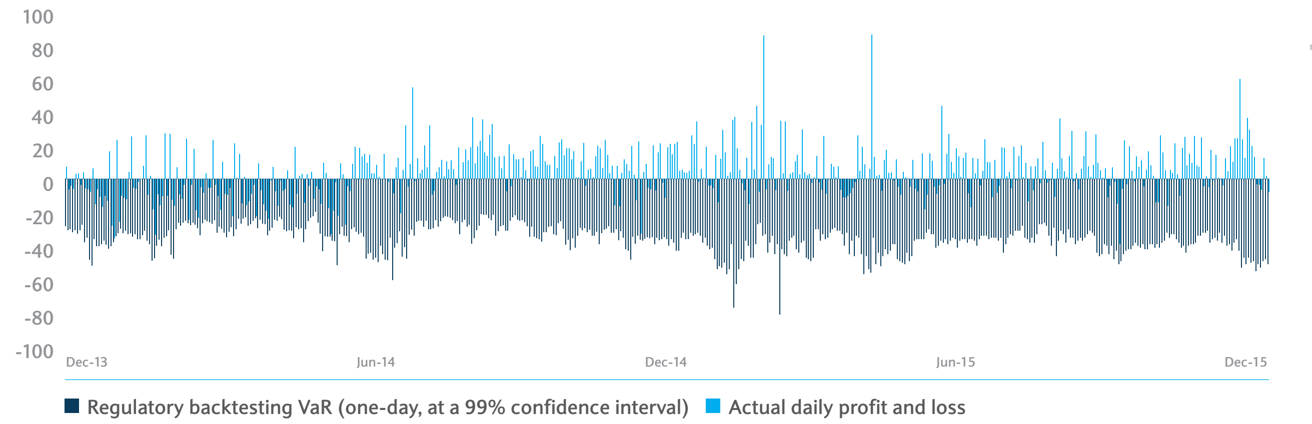
Trading book management stressed value at risk (daily values, period average, high and low) (Rm)



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.

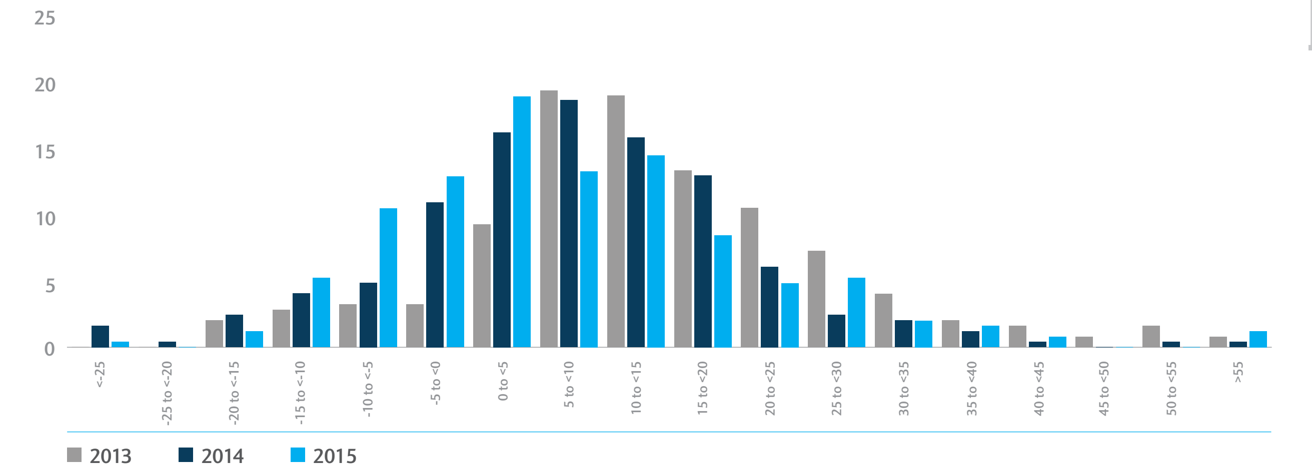
The Group's trading book revenue backtested against regulatory value at risk (Rm)



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.

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 R1.96bn (2014: R1.65bn). 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 R2.26bn (2014: R1.66bn). AEaR increased by 0.5% to 5.1% of the net interest income (2014: 4.6%). A sensitivity analysis by major currency market interest rates indicates that earnings sensitivity to South African Rand (ZAR) market interest rates constitutes 70% of the total earnings at risk at the reporting date (2014: 86%), 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

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

	2014			
	200 bps decrease	100 bps decrease	100 bps increase	200 bps increase
Domestic bank book (Rm)	(1 416)	(713)	701	1 427
Foreign subsidiaries banks books[2] (Rm)	(235)	(117)	117	235
Total (Rm)	(1 651)	(830)	818	1 662
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

Interest return on average balances

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

Group average statement of financial position

	2015			2014		
Group average statement of financial position[2]	Average balance Rm	Average rate %	Interest income/ (expense) Rm	Average balance[2] Rm	Average rate %	Interest income/ (expense) Rm
Assets						
Cash, cash balances and balances with central banks	950	2.32	22	12 968	2.76	358
Investment securities	84 662	8.70	7 365	74 379	8.78	6 533
Loans and advances to banks and customers	713 704	9.03	64 450	678 098	8.46	57 389
Other interest[3]	–	–	1 766	–	–	1 366
Interest-bearing assets	799 316	9.21	73 603	765 445	8.58	65 646
Non-interest-bearing assets	245 388	0.00	–	216 444	–	–
Total assets	1 044 704	7.05	73 603	981 889	6.69	65 646
Liabilities						
Deposits from banks and due to customers	637 454	(4.18)	(26 663)	610 205	(4.00)	(24 407)
Debt securities in issue	119 511	(6.92)	(8 271)	106 310	(6.38)	(6 785)
Borrowed funds	11 891	(12.28)	(1 460)	12 674	(10.04)	(1 272)
Other interest[3]	–	–	1 198	–	–	2 419
Interest-bearing liabilities	768 856	(4.58)	(35 196)	729 189	(4.12)	(30 045)
Non-interest-bearing liabilities	181 718	–	–	165 583	–	–
Total liabilities	950 574	(3.70)	(35 196)	894 772	(3.36)	(30 045)
Total equity	94 130	–	–	87 117	–	–
Total liabilities and equity	1 044 704	(3.37)	(35 196)	981 889	(3.06)	(30 045)
Net interest margin on average interest-bearing assets	–	(4.81)	–	–	4.65	–

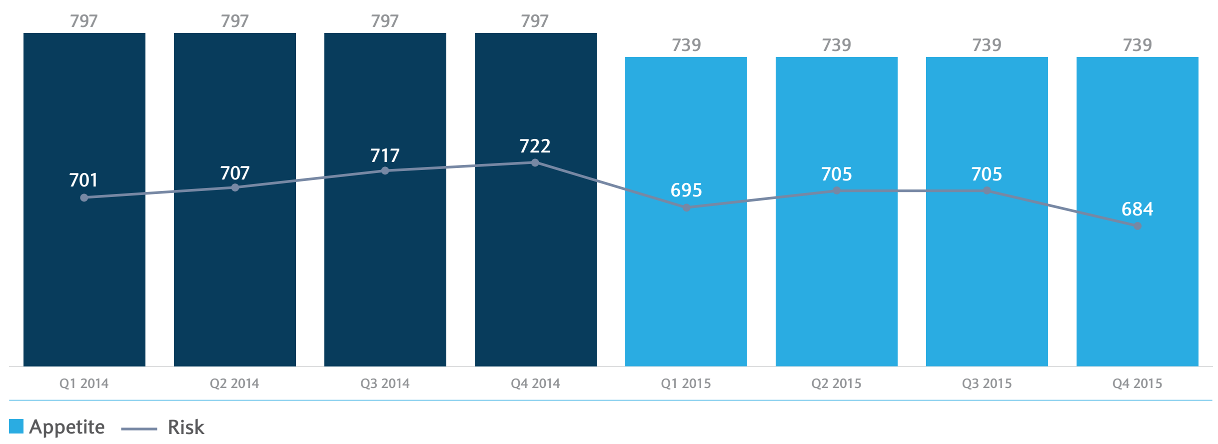
1 African subsidiaries' interest rate sensitivities are shown on a 100% (rather than actual) shareholding basis.
2 Average balances are calculated based on daily weighted average balances.
3 'Other interest' on assets and liabilities includes fair value adjustments on hedging instruments and hedged items.

Insurance risk

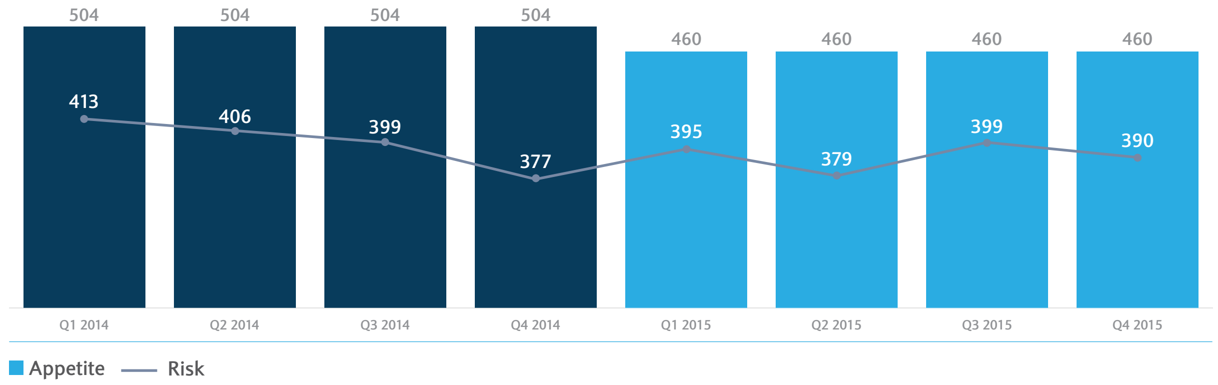
The insurance risk appetite figures for 2016 were approved by the entity Actuarial Review Committees in November 2015, and the utilisation compared to appetite indicated below. The figures are based on economic capital principles and refer to 1 in 250 event levels. Absa Life extrapolates the underwriting 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 2016.

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

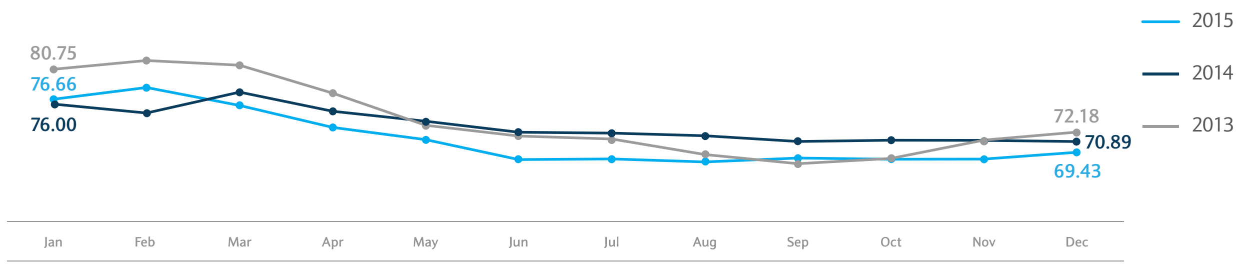
Short-term insurance underwriting (Rm)



Life insurance underwriting risk (Rm)

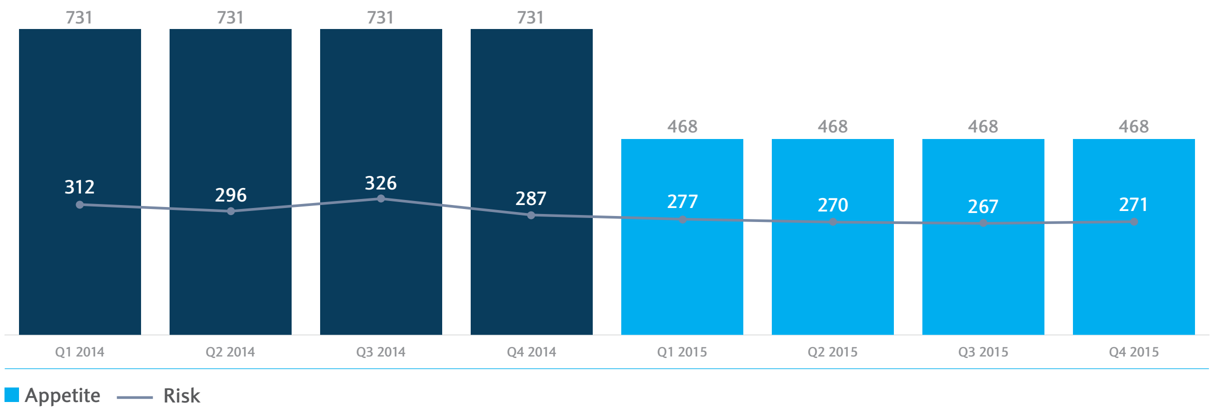


Short-term loss ratio (%)



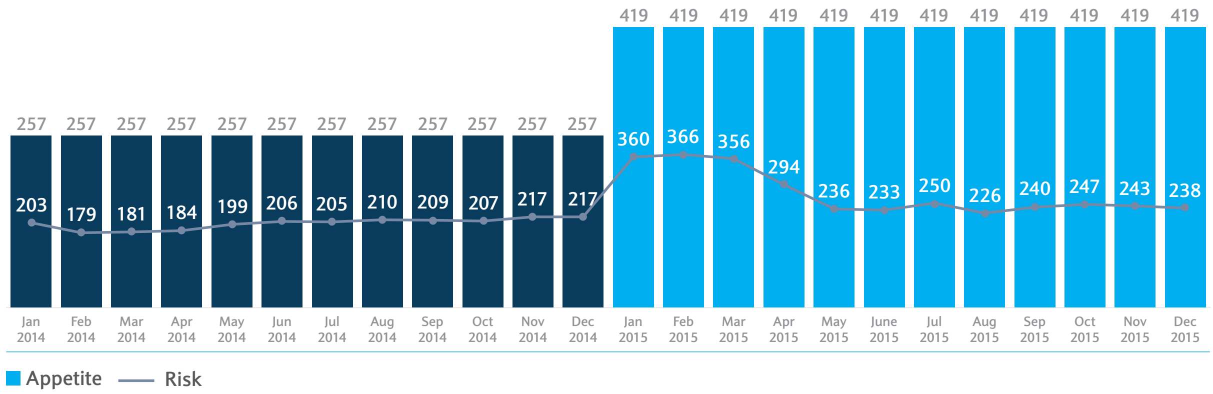
The short-term insurance loss ratios reduced slightly over the reporting period.

Life insurance mismatch risk (Rm)



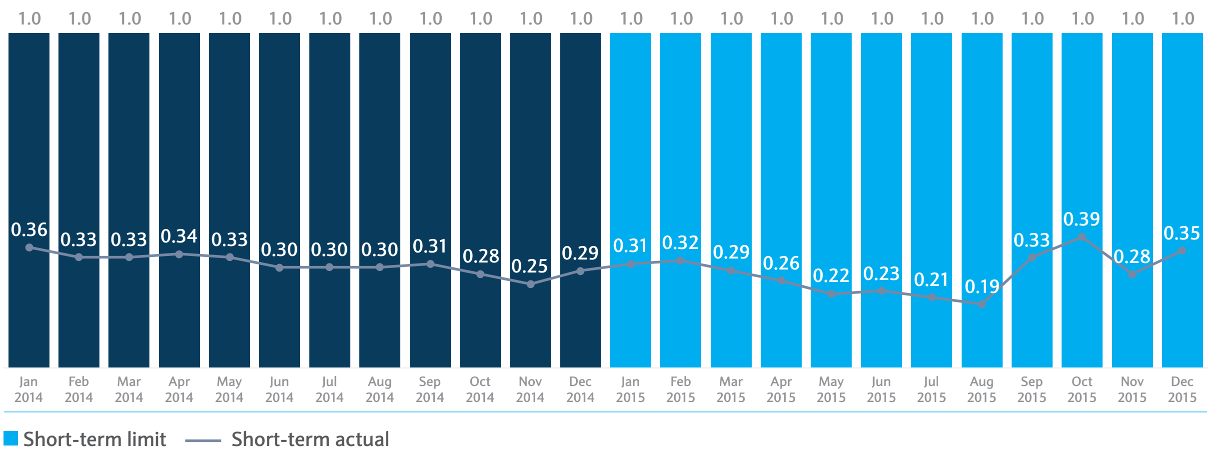
Life insurance mismatch risk remained well within appetite over the reporting period.

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



Investment risk remained well within appetite over the reporting period.

Short-term insurance duration matching (years)



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

Funding risk

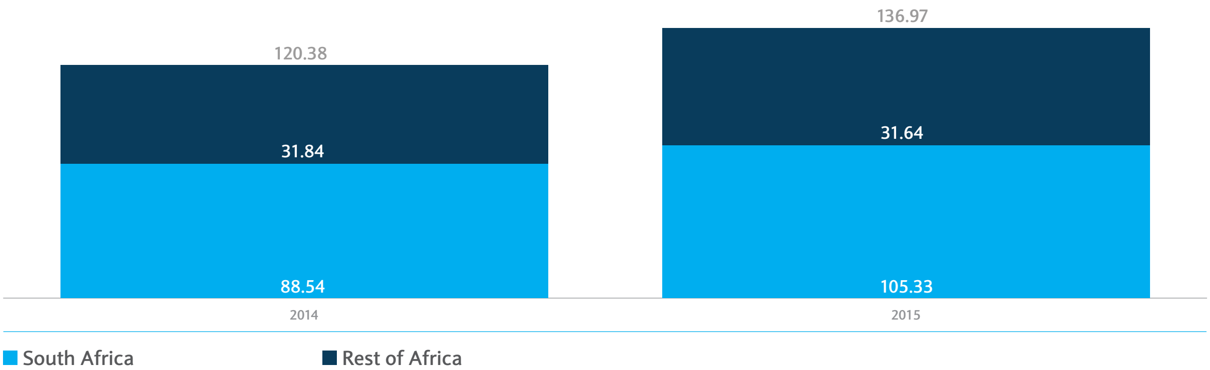
Group sources of liquidity

	2015	2014
Group sources of liquidity (Rm)	199 024	175 836
High quality liquid assets	105 332	88 537
Other liquid assets (outside South Africa)	31 640	31 841
Other sources of liquidity	62 052	55 458

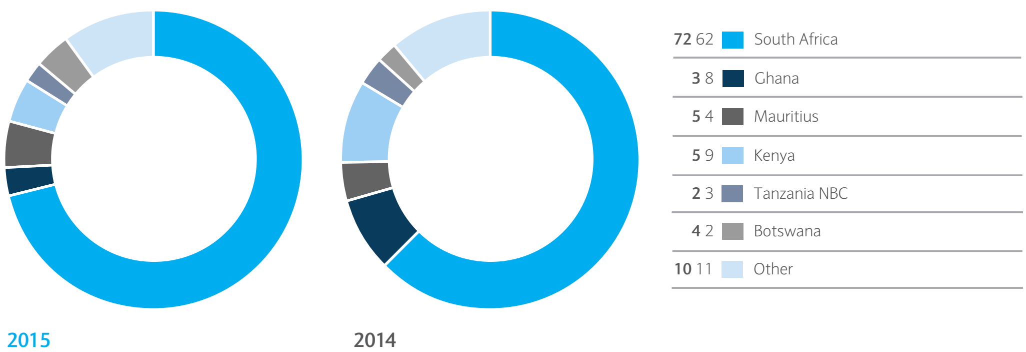
Liquid assets

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)



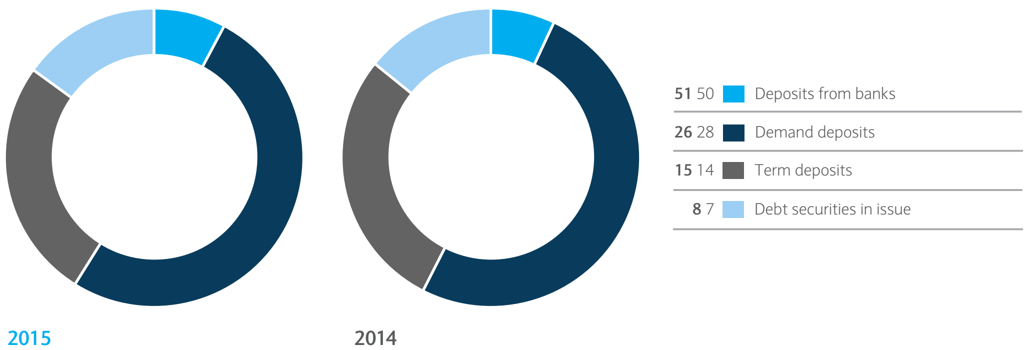
Composition of liquid assets (%)



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.

Funding Structure (%)

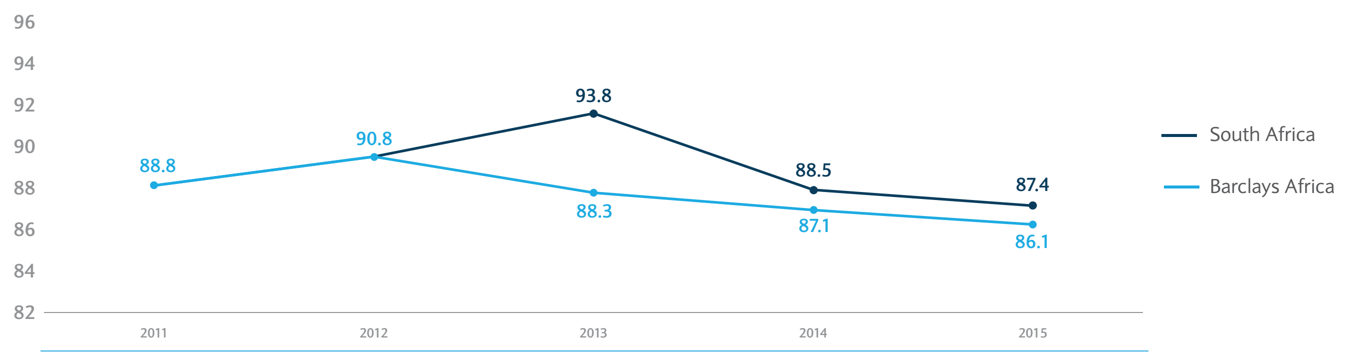


Loan-to-deposit ratio

	2015	2014
Advances		
Loans and advances to customers	**703 359**	636 326
Deposits	**817 102**	730 984
Deposits due to customers	**688 419**	624 886
Debt securities in issue	**128 683**	106 098
Loan-to-deposit ratio (%)	**86.1**	87.1

The progression of the loan-to-deposit ratio is summarised in the graph below. From December 2014 to December 2015 the South African loan-to-deposit ratio reduced to 87.4%. The Group ratio of 86.1% is 1.3% lower as at 31 December 2015.

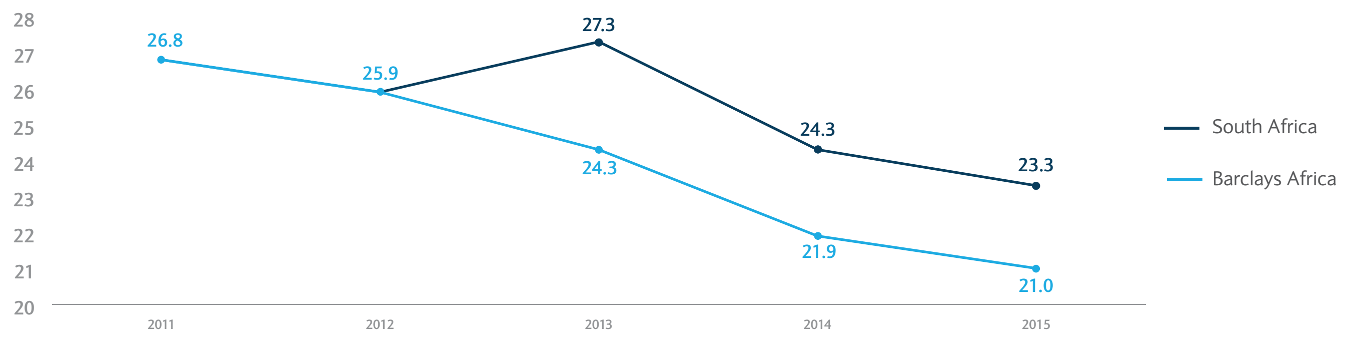
Loan-to-deposit ratio (%)



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 December 2014 and December 2015 the South African average long-term funding ratio decreased to 23.3% due to an increase in shorter-term funding raised in the Group's core funding franchises. The Rest of Africa entities reduced the Group ratio by 2.3% to 21%. These Rest of Africa entities are predominantly deposit-led banks funded through retail and corporate deposits. While these deposits are very stable they are generally short-term.

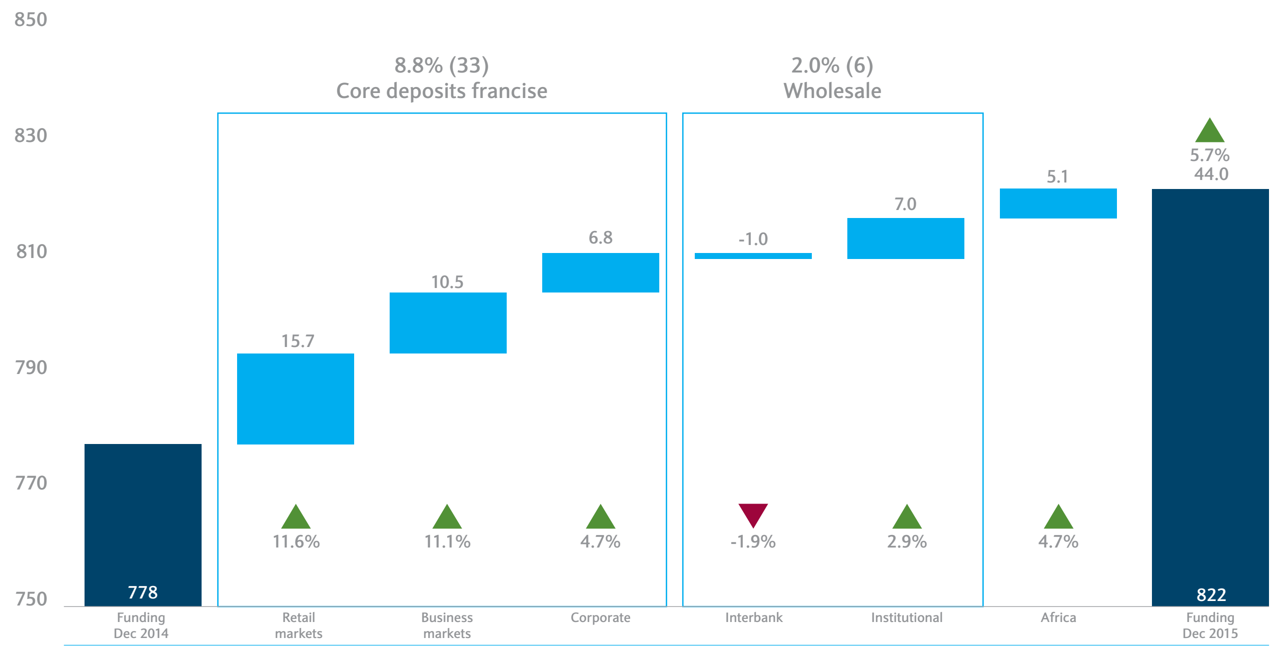
Long-term funding ratio (%)



Funding growth by franchise

The majority of the growth in the bank's funding came from its core deposit franchises. These franchises grew by 8.8% year-on-year.

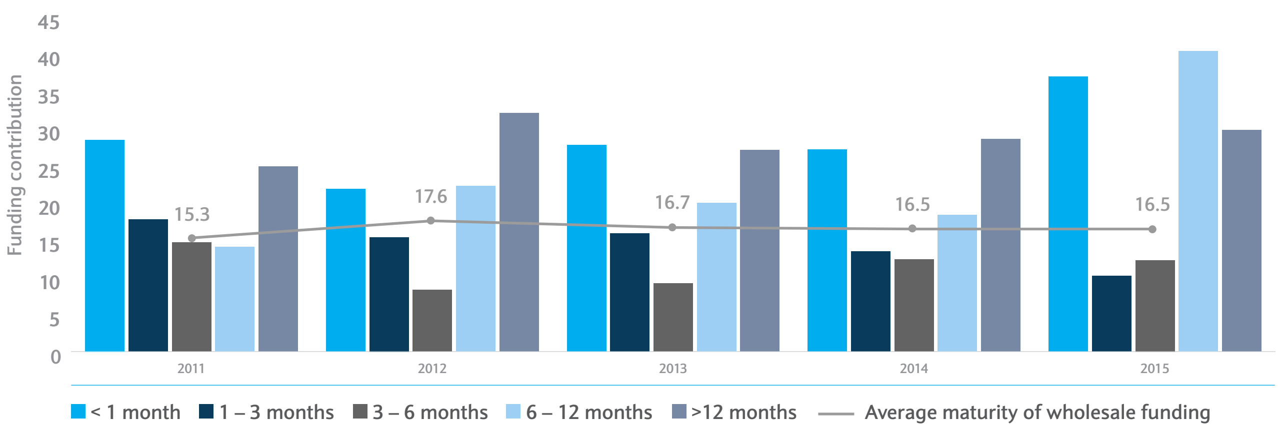
Funding growth by franchise (%)



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 December 2014 with 16.5 months at December 2015.

Weighted average maturity of South African wholesale funding (%)



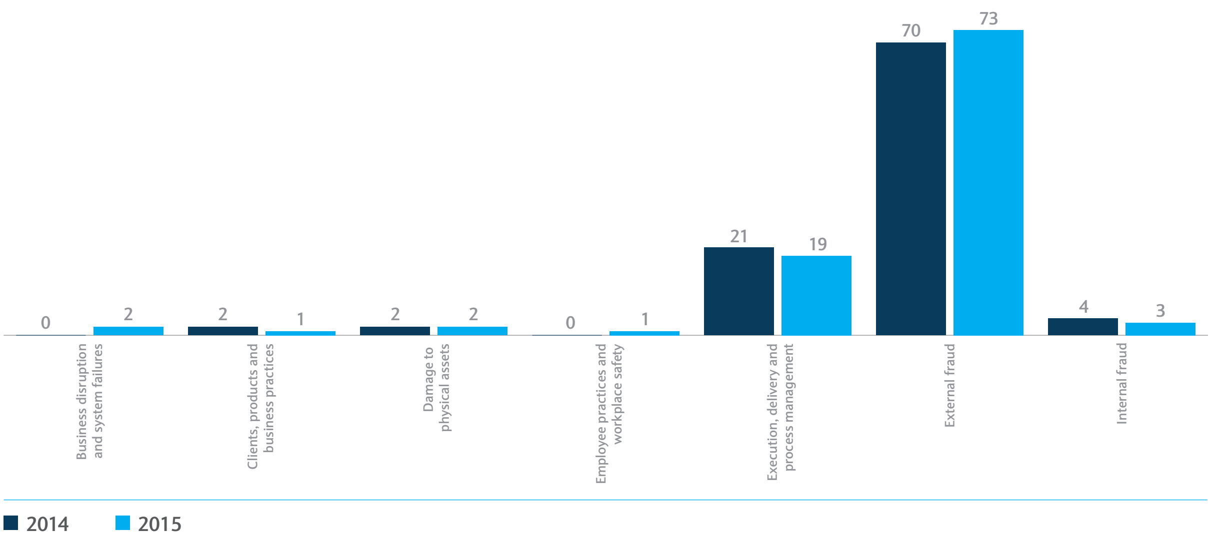
Operational risk

The South African Reserve Bank (SARB) expects Barclays Africa Group to record all single events that exceed a R10 000 threshold. Processes are implemented to monitor compliance to this requirement.

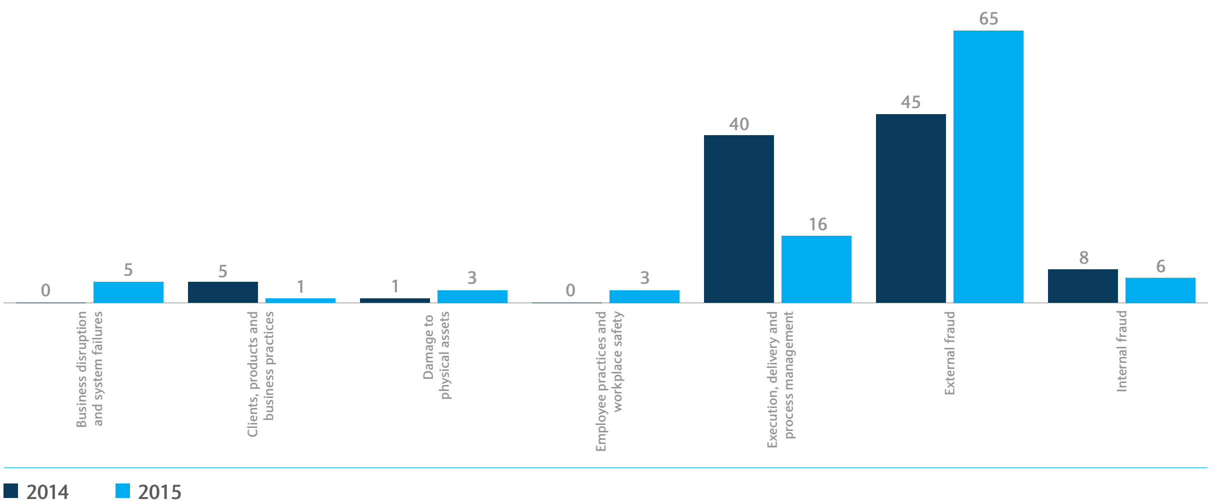
The Group monitors trends in operational risk events by size (count and value), product line and internal risk categories (including Key Risk). For comparative purposes, the analysis below presents the operational risk events by Basel II category. The highest frequency of events for the period occurred in external fraud (73%). 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 H2 2015 occurred in External Fraud (65%) and Execution, Delivery and Process Management (16%). Plastic fraud losses remain the key driver behind overall fraud losses.

Total risk events by count (%)[1]



Total risk events by value (%)[1]



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

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Annexures

Annexure A

Probability of default, exposure at default and loss given default analysis in terms of regulatory disclosure requirements – AIRB approach: Retail portfolio[1]

	2014	2015									
		Mortgages (including home equity line of credit):					SME: Secured lending				
Risk Grade	Average PD %	Average PD %	LGD %	Exposure Weighted average Risk weight %	Expected loss Rm	EAD Rm	LGD %	Exposure Weighted average Risk weight %	Expected loss Rm	EAD Rm
Non-default	3.40	3.09	12.9	21.93	621	240 185	27.3	39.9	89	12 304
4	0.03	–	–	–	–	–	–	–	–	–
5	0.03	0.03	10.5	1.2	0	16 757	41.0	4.8	0	139
6	0.05	0.05	10.5	1.6	0	1 727	17.2	3.3	0	69
7	0.09	0.09	10.3	2.4	1	9 197	10.0	3.6	0	4
8	0.10	0.10	10.4	2.7	2	19 689	10.0	2.6	0	1
9	0.16	0.16	12.8	4.6	2	9 421	10.0	3.5	0	3
10	0.22	0.22	14.7	6.8	3	7 182	51.3	22.4	0	117
11	0.30	0.29	17.2	9.6	10	18 086	52.8	33.5	0	60
12	0.46	0.46	12.0	9.2	6	12 122	13.6	9.9	0	471
13	0.65	0.66	13.0	13.1	21	23 712	48.1	41.6	0	34
14	0.88	0.88	12.6	15.3	13	14 484	11.9	13.6	1	1 030
15	1.24	1.25	13.9	21.3	23	14 379	16.4	20.2	2	1 311
16	1.84	1.85	12.5	24.8	38	20 704	16.6	25.2	3	1 886
17	2.57	2.57	13.8	33.4	51	20 720	32.4	47.0	17	3 041
18	3.64	3.70	12.3	36.3	41	12 290	36.8	56.0	20	2 274
19	4.82	5.13	14.1	50.1	88	16 914	35.6	56.0	8	700
20	7.42	7.42	13.9	57.7	87	12 413	32.1	52.9	4	271
21	9.95	10.02	13.1	63.6	22	2 296	38.4	69.2	6	228
22	15.50	15.38	12.6	70.4	19	1 194	36.4	75.2	13	366
23	20.84	20.82	11.7	70.5	48	2 490	39.9	95.4	8	147
24	29.92	30.04	12.9	79.2	87	3 000	34.2	96.7	2	31
25	48.84	46.42	12.7	68.5	59	1 408	12.3	57.0	5	118
Default	100.00	100.00	15.4	–	2 063	9 287	18.4	107.3	98	168
Total	7.66	7.06	13.0	21.1	2 683	249 473	27.2	40.8	187	12 472

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

2015											
			SME: Unsecured lending				Revolving: Credit cards				Revolving: Non-credit cards
LGD %	Exposure Weighted average Risk weight %	Expected loss Rm	EAD Rm	LGD %	Exposure Weighted average Risk weight %	Expected loss Rm	EAD Rm	LGD %	Exposure Weighted average Risk weight %	Expected loss Rm	EAD Rm
74.1	67.5	283	12 240	74.7	66.2	1 271	40 100	80.4	25.1	96	7 337
–	–	–	–	–	–	–	–	–	–	–	–
81.9	2.1	0	1 177	77.1	2.0	0	532	81.9	2.2	2	3 105
82.0	3.7	0	0	–	–	–	–	71.6	4.1	0	12
82.0	4.0	0	0	75.6	4.3	0	54	82.0	3.9	0	152
80.8	9.0	0	26	71.2	4.9	4	4 824	73.3	5.9	0	8
81.8	7.4	0	9	69.9	6.4	3	3 146	78.4	7.2	0	13
81.9	9.0	0	1	76.9	8.7	0	3	81.7	10.4	2	424
80.5	20.2	1	450	77.3	13.3	0	156	81.5	16.2	4	550
81.5	18.5	2	514	74.2	16.9	0	23	70.7	16.2	0	68
80.8	28.9	3	541	73.3	20.2	0	1	80.4	23.0	5	427
79.5	41.1	2	365	75.2	27.4	26	3 453	80.8	30.9	8	452
75.1	52.4	17	1 810	75.3	36.3	10	1 141	80.9	40.7	16	878
75.2	57.6	20	1 659	76.1	45.6	20	1 336	77.7	52.5	7	254
65.2	78.0	36	2 198	76.4	59.0	55	2 620	66.8	62.0	12	328
68.8	87.7	29	1 345	74.8	79.6	464	16 076	80.6	87.4	18	395
72.1	102.9	33	946	76.3	98.7	94	2 251	79.1	102.8	8	122
76.6	132.0	31	487	77.5	125.6	104	1 635	78.0	127.9	6	85
76.0	142.5	18	262	78.0	154.8	81	906	82.0	164.9	6	56
76.0	174.8	22	174	78.4	187.0	117	900	78.5	188.6	0	2
73.0	191.9	9	61	78.7	219.2	93	512	81.5	230.5	1	6
79.0	233.5	25	106	79.4	245.3	65	255	78.1	242.2	0	0
81.3	259.0	36	108	78.6	235.2	133	278	78.1	252.7	0	0
87.8	–	50	119	74.7	35.4	1 350	3 549	99.0	9.8	99	134
74.2	66.8	334	12 360	74.7	63.7	2 621	43 649	80.8	24.8	195	7 471

Annexure A

Probability of default, exposure at default and loss given default analysis in terms of regulatory disclosure requirements – AIRB approach: Retail portfolio (continued)[1]

	2015											
	Other: Vehicle and asset finance				Other: Unsecured lending ≤ 30 000				Other: Unsecured lending > 30 000			
Risk Grade	LGD %	Exposure Weighted average Risk weight %	Expected loss Rm	EAD Rm	LGD %	Exposure Weighted average Risk weight %	Expected loss Rm	EAD Rm	LGD %	Exposure Weighted average Risk weight %	Expected loss Rm	EAD Rm
Non-default	38.0	50.9	1 088	51 723	75.1	91.2	156	3 614	76.9	98.6	690	15 173
4	–	–	–	–	–	–	–	–	–	–	–	–
5	38.9	4.5	0	870	74.0	8.6	0	323	76.0	8.8	0	509
6	–	–	–	–	77.6	14.6	0	5	38.1	7.8	0	1
7	37.4	9.1	0	505	–	–	–	–	82.0	16.5	0	13
8	38.1	10.1	1	1 247	74.5	23.6	0	98	78.2	24.8	1	559
9	–	–	–	–	71.0	27.4	0	30	73.8	28.5	0	97
10	38.6	19.7	0	7	82.9	35.3	0	51	76.8	32.7	0	46
11	37.7	21.8	0	107	74.2	42.8	1	261	77.4	44.6	4	1 023
12	38.0	28.2	10	4 063	68.0	46.7	0	47	68.0	47.2	0	140
13	37.7	32.5	1	314	72.3	61.3	1	240	77.4	64.2	8	1 122
14	37.9	39.6	16	3 169	73.4	73.5	1	138	77.3	77.4	9	843
15	37.8	45.2	25	3 813	77.4	91.1	8	695	78.7	92.3	40	3 011
16	38.4	51.3	94	9 530	73.8	98.1	3	184	74.8	100.7	19	1 012
17	37.7	54.3	175	11 193	73.9	105.4	6	252	76.9	110.2	33	1 291
18	37.9	52.9	95	5 181	75.5	114.2	12	339	78.5	119.2	64	1 655
19	38.2	59.8	68	2 535	74.3	116.3	10	199	67.2	108.2	39	904
20	37.8	63.4	215	4 961	74.4	121.7	18	243	76.8	125.7	67	835
21	38.0	67.2	81	1 546	74.4	130.8	8	82	76.6	134.7	24	241
22	38.8	79.8	78	1 002	77.6	163.6	58	314	78.9	167.7	272	1 406
23	38.9	92.5	81	711	72.8	175.4	5	31	76.4	183.9	28	144
24	38.4	102.2	81	583	74.3	199.0	14	56	77.1	209.2	58	237
25	38.9	109.3	66	384	72.7	197.9	8	29	75.0	204.7	24	83
Default	64.1	–	582	1 516	76.4	0.6	213	334	76.4	17.4	803	1 288
Total	38.8	49.5	1 670	53 239	75.2	83.5	369	3 947	76.8	92.2	1 493	16 461

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

2015								2014
Other:				Total:				Total
LGD %	Exposure Weighted average Risk weight %	Expected loss Rm	EAD Rm	LGD %	Exposure Weighted average Risk weight %	Expected loss Rm	EAD Rm	EAD Rm
50.0	108.3	226	1 657	29.7	36.6	4 519	384 334	379 411
–	–	–	–	–	–	–	–	–
50.0	5.8	0	0	28.6	1.8	3	23 413	22 377
–	–	–	–	11.3	1.7	0	1 814	2 664
–	–	–	–	13.2	2.8	1	9 925	9 361
–	–	–	–	24.6	4.0	8	26 452	25 855
–	–	–	–	27.7	5.3	5	12 719	13 519
–	–	–	–	19.8	7.6	5	7 831	6 474
50.0	26.8	0	0	24.7	12.3	21	20 693	19 045
–	–	–	–	21.0	14.4	19	17 448	16 898
50.0	44.9	0	0	19.1	16.4	38	26 392	28 668
–	–	–	–	29.9	23.4	77	23 936	22 335
50.0	57.7	0	0	35.1	37.6	141	27 038	27 399
50.0	65.8	0	0	27.1	36.7	205	36 566	34 249
50.0	72.1	0	5	31.0	47.0	385	41 648	46 210
50.0	74.4	0	0	48.4	63.6	743	39 553	39 923
50.0	78.3	0	0	27.9	60.7	348	24 570	23 324
50.0	83.6	0	0	29.7	69.8	532	20 930	20 329
50.0	91.6	0	0	38.7	88.2	245	5 618	4 291
50.0	108.4	225	1 650	52.6	122.2	805	7 009	6 935
50.0	117.8	0	0	29.5	100.6	273	4 101	3 662
50.0	138.3	0	0	26.5	105.1	333	4 269	3 797
50.0	130.2	0	0	30.4	108.5	330	2 408	2 095
76.4	–	–	13	40.0	10.2	5 259	16 407	15 253
50.2	107.5	226	1 669	30.1	35.5	9 778	400 741	394 665

Annexure B

Probability of default, exposure at default and loss given default analysis in terms of regulatory disclosure requirements – AIRB approach: Wholesale portfolio[1]

	2014	2015									
		Corporate exposure:									
		Corporate					SME				
Risk Grade	Average PD %	Average PD %	LGD %	Exposure Weighted average Risk weight %	Expected loss Rm	EAD Rm	LGD %	Exposure Weighted average Risk weight %	Expected loss Rm	EAD Rm	
Non-default	1.01	0.97	36.8	49.1	334	198 700	35.4	71.9	429	76 395	
4	0.03	0.03	38.3	12.1	1	7 885	48.2	7.8	0	87	
5	0.04	0.04	39.4	12.0	1	7 801	55.1	12.5	0	680	
6	0.06	0.06	32.4	12.5	0	3 816	28.8	17.2	0	149	
7	0.08	0.08	39.9	17.6	1	8 493	45.3	35.2	0	41	
8	0.12	0.13	40.0	27.6	32	25 835	39.0	22.7	0	183	
9	0.18	0.17	34.7	28.1	12	28 352	42.0	32.0	0	1 522	
10	0.23	0.23	38.3	41.3	11	24 091	35.5	33.8	1	3 809	
11	0.32	0.32	30.5	36.1	10	23 397	37.2	40.5	3	5 867	
12	0.47	0.45	34.0	51.8	6	10 698	34.7	46.2	4	6 225	
13	0.61	0.60	36.4	63.8	12	11 330	35.0	57.3	6	6 741	
14	0.90	0.91	38.8	76.8	10	5 629	32.9	62.9	11	7 537	
15	1.30	1.31	37.7	85.9	39	10 729	30.9	62.4	14	7 241	
16	1.84	1.81	40.1	99.0	60	12 361	31.7	68.0	24	8 042	
17	2.64	2.62	32.9	95.5	32	8 091	33.8	81.0	60	11 322	
18	3.68	3.65	42.8	124.0	40	6 295	40.1	103.5	55	6 614	
19	5.20	5.06	40.5	140.1	19	1 946	40.4	112.1	46	3 909	
20	7.33	7.43	43.4	167.8	31	1 444	38.5	119.3	63	3 463	
21	10.23	10.09	45.1	198.1	2	91	39.3	143.2	19	909	
22	15.43	14.87	31.8	178.5	6	242	37.0	155.8	41	1 153	
23	19.25	20.15	41.4	219.1	2	60	43.6	201.8	11	204	
24	29.28	28.96	30.6	195.6	6	109	43.0	215.0	19	248	
25	40.99	56.08	42.7	236.9	0	6	30.8	125.4	50	451	
Default	100.00	100.00	28.4	258.0	303	2 493	29.5	79.9	1 200	4 391	
Total	2.62	2.73	36.7	51.7	637	201 193	35.0	72.3	1 629	80 786	

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

2015											
Corporate exposure:								Public sector entities:			
Income producing real estate				Project finance							
LGD %	Exposure Weighted average Risk weight %	Expected loss Rm	EAD Rm	LGD %	Exposure Weighted average Risk weight %	Expected loss Rm	EAD Rm	LGD %	Exposure Weighted average Risk weight %	Expected loss Rm	EAD Rm
18.7	44.8	10	4 409	25.3	47.7	4	5 094	21.6	27.5	12	14 017
–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
10.0	3.7	0	1	–	–	–	–	–	–	–	–
10.0	9.2	0	9	–	–	–	–	42.7	14.5	0	259
10.0	7.5	0	133	10.0	11.5	0	608	28.9	17.0	0	1 435
–	–	–	–	33.9	32.9	0	434	24.3	22.8	2	5 612
10.0	11.2	0	44	–	–	–	–	24.2	38.4	1	3 245
14.0	22.8	0	219	10.0	20.8	0	1 265	11.4	11.7	0	54
10.4	16.9	0	603	43.3	60.8	1	855	7.4	8.6	0	25
15.9	28.0	0	212	20.0	9.7	–	0	23.2	57.8	0	1
19.1	40.2	1	876	–	–	–	–	8.7	14.1	0	13
17.9	42.2	1	988	30.2	73.9	3	1 925	18.5	47.7	2	1 425
14.7	39.2	0	249	–	–	–	–	25.0	54.9	0	1
33.2	96.0	3	635	–	–	–	–	42.3	131.0	0	12
25.8	69.0	1	221	43.9	149.3	0	7	15.0	55.6	0	14
13.9	43.5	0	7	–	–	–	–	15.5	65.9	0	0
17.1	59.1	1	102	–	–	–	–	28.4	104.0	0	0
–	–	–	–	–	–	–	–	–	–	–	–
10.6	49.5	1	62	–	–	–	–	3.3	16.9	6	1 920
–	–	–	–	–	–	–	–	–	–	–	–
10.0	51.9	1	48	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
32.3	116.6	82	369	38.0	503.5	–	589	–	–	–	–
19.7	50.3	93	4 778	26.6	95.0	4	5 683	21.6	27.5	12	14 017

Annexure B

Probability of default, exposure at default and loss given default analysis in terms of regulatory disclosure requirements – AIRB approach: Wholesale portfolio (continued)[1]

	2015											
	Local government and municipalities:				Sovereigns:				Banks:			
Risk Grade	LGD %	Exposure Weighted average Risk weight %	Expected loss Rm	EAD Rm	LGD %	Exposure Weighted average Risk weight %	Expected loss Rm	EAD Rm	LGD %	Exposure Weighted average Risk weight %	Expected loss Rm	EAD Rm
Non-default	12.9	11.6	1	7 080	6.5	5.6	7	70 934	42.4	35.8	29	55 575
4	–	–	–	–	45.0	14.2	0	2 313	43.9	23.7	1	8 650
5	–	–	–	–	–	–	–	–	40.1	29.8	0	4 122
6	29.2	11.0	0	28	–	–	–	–	43.9	34.6	0	3 626
7	10.0	8.4	0	878	–	–	–	–	40.9	26.3	3	21 786
8	25.0	14.0	0	1 027	5.0	4.5	4	68 236	43.9	21.7	1	2 887
9	13.1	13.1	1	2 439	–	–	–	–	43.9	42.1	0	1 504
10	7.7	7.3	0	2 233	5.0	3.1	0	0	43.9	49.5	3	7 331
11	9.7	14.8	0	399	–	–	–	–	43.9	62.7	2	2 594
12	41.8	66.2	0	55	–	–	–	–	43.9	51.0	0	22
13	41.9	87.4	0	3	–	–	–	–	43.9	89.0	0	26
14	43.6	84.7	0	4	–	–	–	–	43.9	76.2	0	8
15	45.0	131.3	0	0	45.0	9.7	–	0	43.9	87.3	2	386
16	45.0	132.1	0	0	5.0	8.6	–	0	43.9	95.9	11	2 063
17	41.5	118.3	0	12	5.0	9.5	0	0	43.9	114.4	1	110
18	–	–	–	–	–	–	–	–	43.3	122.9	2	326
19	57.3	141.9	0	3	45.0	138.3	2	384	43.9	165.4	1	93
20	–	–	–	–	45.0	191.7	0	0	43.9	179.3	0	3
21	–	–	–	–	–	–	–	–	43.9	205.8	1	35
22	–	–	–	–	–	–	–	–	43.9	199.6	0	1
23	–	–	–	–	–	–	–	–	–	–	–	–
24	–	–	–	–	–	–	–	–	43.9	–	0	1
25	–	–	–	–	–	–	–	–	–	–	–	–
Default	–	–	–	–	–	–	–	–	–	–	–	–
Total	12.9	11.6	1	7 080	6.5	5.6	7	70 934	42.4	35.8	29	55 575

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

2015								2014
Securities firms:							Total:	Total
LGD %	Exposure Weighted average Risk weight %	Expected loss Rm	EAD Rm	LGD %	Exposure Weighted average Risk weight %	Expected loss Rm	EAD Rm	EAD Rm
41.8	91.4	5	2 892	31.2	43.2	832	435 096	390 509
43.4	18.7	0	663	41.8	17.7	2	19 598	37 281
–	–	–	–	40.5	17.9	1	12 603	13 981
43.9	28.6	0	254	38.0	23.3	1	7 874	14 451
–	–	–	–	39.8	23.3	5	31 466	10 513
43.9	209.3	0	657	16.0	12.6	38	101 001	16 845
43.9	111.5	0	18	32.5	27.2	15	39 880	99 949
37.9	58.4	1	972	36.3	40.4	18	41 725	34 591
43.9	60.3	1	135	31.6	38.1	16	33 930	23 984
–	–	–	–	33.9	49.2	11	18 482	20 361
–	–	–	–	35.7	61.0	18	18 313	15 453
–	–	–	–	34.4	67.1	21	14 067	13 849
43.9	99.3	1	138	33.0	73.3	62	22 833	28 572
–	–	–	–	37.2	87.1	96	22 716	15 278
–	–	–	–	33.5	87.5	96	20 181	19 497
–	–	–	–	41.2	112.9	98	13 477	7 423
–	–	–	–	40.7	123.0	69	6 342	7 559
–	–	–	–	39.5	132.1	95	5 013	5 663
–	–	–	–	40.0	150.1	22	1 035	1 005
–	–	–	–	17.0	76.5	53	3 377	2 993
43.9	475.7	3	56	43.2	252.8	17	320	261
–	–	–	–	35.7	190.0	27	406	425
–	–	–	–	31.0	126.8	51	457	574
–	–	–	–	29.9	170.1	1 586	7 842	6 494
41.8	91.4	5	2 892	31.1	45.5	2 418	442 938	397 003

Annexure C

Reconciliation of accounting capital to regulatory capital: Barclays Africa Group

As at 31 December 2015	Step 1[1] Accounting balance sheet per published financial statements Rm	Step 2[2] Balance sheet per regulatory scope of consolidation Rm	Reference[3]
Assets			
Cash, cash balances and balances with central banks	45 904	45 480	
Investment securities	100 965	97 147	
Loans and advances to banks	85 951	83 975	
Trading portfolio assets	137 163	137 157	
Hedging portfolio assets	2 232	2 232	
Other assets	25 846	24 385	
Current tax assets	833	812	
Non-current assets held for sale	1 700	1 456	
Loans and advances to customers	717 320	717 320	
Less Impairments	(13 961)	(13 961)	
of which gross amount of eligible provisions: Standardised Approach	2 296	2 296	
of which general allowance for credit impairment, after deferred tax: standardised approach	–	542	(a)
of which gross amount of eligible provisions: IRB approach	11 648	11 648	
of which gross amount of eligible provisions: securitisation	17	17	
Reinsurance assets	581	–	
Investment linked to Investment contracts	19 517	–	
Investments in associates and joint ventures	1 000	1 000	
Investment properties	1 264	1 022	
Property and equipment	13 252	13 177	
Goodwill and intangible assets	3 772	3 374	
of which goodwill	947	783	(b)
of which other intangibles	2 825	2 591	(c)
Deferred tax assets	1 265	1 237	
Total assets	**1 144 604**	**1 115 813**	

1 Relates to Barclays Africa Group limited balance sheet including insurances entities.
2 From a Capital Management perspective Barclays Africa Group Limited excludes Insurance entities.
3 Relates to Barclays Africa Group Limited excluding Insurance entities and references to Composition of Capital Disclosure table.

Reconciliation of accounting capital to regulatory capital: Barclays Africa Group

As at 31 December 2015	Step 1[1] Accounting balance sheet per published financial statements Rm	Step 2[2] Balance sheet per regulatory scope of consolidation Rm	Reference[3]
Liabilities			
Deposits from banks	62 980	62 980	
Trading portfolio liabilities	90 407	90 407	
Hedging portfolio liabilities	4 531	4 531	
Other liabilities	24 982	23 751	
Provisions	3 236	3 173	
Current tax liabilities	242	223	
Non-current liabilities held for sale	233	–	
Deposits from customers	688 419	688 419	
Debt securities in issue	128 683	128 683	
Liabilities under investment contracts	24 209	4 163	
Policyholder liabilities under insurance contracts	4 340	17	
Borrowed funds	13 151	13 151	
of which instruments recognised as Tier 2 Capital	12 500	12 466	(d)
of which instruments not recognised as Tier 2 Capital	651	391	
of which minority Interest Consolidated Deferred tax liabilities	–	294	(d)
Deferred tax liabilities	544	513	
Total liabilities	**1 045 957**	**1 020 011**	
Equity			
Capital and reserves			
Attributable to ordinary equity holders:			
Paid-in share capital	5 941	5 941	
of which amount eligible for CET1	5 941	5 941	(e)
Retained earnings	75 785	73 026	
of which retained earnings excluding unappropriated earnings	–	66 753	(f)
of which unappropriated earnings	–	6 273	
Accumulated other comprehensive income	7 566	7 480	
of which amount eligible for CET1	5 815	5 815	(g)
of which amount related to non-qualifying reserves	1 751	1 665	
Non-Controlling interest – Ordinary shares	4 711	4 711	(h)
of which relate to Surplus Deduction CET1	–	2 155	(i)
Non-Controlling interest – Ordinary Preference shares	4 644	4 644	(j)
of which relate to Surplus Deduction AT1	–	177	(k)
Total equity	**98 647**	**95 802**	
Total liabilities and equity	**1 144 604**	**1 115 813**	

[1] Relates to Barclays Africa Group Limited balance sheet including insurances entities.
[2] From a Capital Management perspective Barclays Africa Group Limited excludes Insurance entities.
[3] Relates to Barclays Africa Group Limited excluding Insurance entities and references to Composition of Capital Disclosure table.

Annexure C

Reconciliation of accounting capital to regulatory capital: Absa Bank Limited[1]

As at 31 December 2015	Step 1[1] Accounting balance sheet per published financial statements Rm	Step 2[2] Balance sheet per regulatory scope of consolidation Rm	Reference[3]
Assets			
Cash, cash balances and balances with central banks	26 101	26 067	
Investment securities	73 065	72 367	
Loans and advances to banks	58 585	55 474	
Trading portfolio assets	116 455	116 455	
Hedging portfolio assets	2 216	2 216	
Other assets	18 840	18 705	
Current tax assets	410	401	
Non-current assets held for sale	109	109	
Loans and advances to customers	613 862	606 877	
Less Impairments	(11 860)	(11 860)	
of which gross amount of eligible provisions: Standardised Approach	1 635	1 635	
of which general allowance for credit impairment, after deferred tax: standardised approach	–	177	(a)
of which gross amount of eligible provisions: IRB approach	10 225	10 225	
Loans to Absa Group Companies	23 850	25 909	
Investments in associates and joint ventures	962	97	
Subsidiary shares	–	357	
Investment properties	518	–	
Property and equipment	10 955	10 927	
Goodwill and intangible assets	2 029	1 917	
of which other intangibles	1 917	1 917	(b)
Deferred tax assets	44	–	
Total assets	**936 141**	**926 018**	

1 Relates to Barclays Africa Group limited balance sheet including insurances entities.
2 From a Capital Management perspective Barclays Africa Group Limited excludes Insurance entities.
3 Relates to Barclays Africa Group Limited excluding Insurance entities and references to Composition of Capital Disclosure table.

Reconciliation of accounting capital to regulatory capital: Absa Bank Limited[1]

As at 31 December 2015	Step 1[1] Accounting balance sheet per published financial statements Rm	Step 2[2] Balance sheet per regulatory scope of consolidation Rm	Reference[3]
Liabilities			
Deposits from banks	61 026	57 400	
Trading portfolio liabilities	87 567	87 567	
Hedging portfolio liabilities	4 531	4 531	
Other liabilities	18 306	17 931	
Provisions	1 970	1 964	
Current tax liabilities	72	24	
Deposits from customers	560 650	560 613	
Debt securities in issue	128 453	125 668	
Borrowed funds	12 954	12 954	
of which instruments recognised as Tier 2 Capital	12 500	12 500	(c)
of which instruments not recognised as Tier 2 Capital	454	454	
Deferred tax liabilities	115	103	
Total liabilities	**875 644**	**868 755**	
Equity			
Capital and reserves			
Attributable to ordinary equity holders:			
Paid-in share capital	21 760	21 759	
of which amount eligible for CET1	21 760	21 759	(d)
Retained earnings	32 033	30 156	
of which retained earnings excluding unappropriated earnings	–	28 766	(e)
of which unappropriated earnings	–	1 390	
Accumulated other comprehensive income	2 050	705	
of which amount eligible for CET1	697	697	(f)
of which amount related to non-qualifying reserves	1 353	8	
Non-Controlling interest – Ordinary shares	11	–	
of which relate to Surplus Deduction CET1	–	–	
Non-Controlling interest – Ordinary Preference shares	4 643	4 643	(g)
of which relate to Surplus Deduction AT1	–	–	
Total equity	**60 497**	**57 263**	
Total liabilities and equity	**936 141**	**926 018**	

1 From a Capital Management perspective Absa Bank Limited excludes subsidiary undertakings, special-purpose entities, joint ventures, associates and offshore holdings.
2 Relates to Absa Bank solo.
3 Relates to Absa Bank solo and references to Composition of Capital Disclosure table.

Annexure C

Composition of capital disclosure: Barclays Africa Group Limited

		Amount subject to Basel III Rm	Amount subject to Pre-Basel III treatment Rm	Reference
	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	5 941		(e)
2	Retained earnings	66 753		(f)
3	Accumulated other comprehensive income (and other reserves)	5 815		(g)
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	–		
	Public sector capital injections grandfathered until 1 January 2018	–		
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	2 556	3 269	(h) – (i)
6	**Common Equity Tier 1 capital before regulatory adjustments**	81 065		
	Common Equity Tier 1 capital: regulatory adjustments			
7	Prudential valuation adjustments	–	–	
8	Goodwill (net of related tax liability)	783	–	(b)
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	2 591	–	(c)
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	141	–	
11	Cash-flow hedge reserve	(1 871)	–	
12	Shortfall of provisions to expected losses	1 176	–	
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	605	–	
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	–	–	
17	Reciprocal cross-holdings in common equity	–	–	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	–	–	
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	–	–	
20	Mortgage servicing rights (amount above 10% threshold)	–	–	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	–	–	
22	Amount exceeding the 15% threshold	–	–	
23	of which: significant investments in the common stock of financials	-	–	
24	of which: mortgage servicing rights	–	–	
25	of which: deferred tax assets arising from temporary differences	–	–	
26	National specific regulatory adjustments	–	–	
	REGULATORY ADJUSTMENTS APPLIED TO 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**	3 425		
29	Common Equity Tier 1 capital (CET1)	77 640		
	Additional Tier 1 capital: instruments			
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	–		
31	of which: classified as equity under applicable accounting standards	–		
32	of which: classified as liabilities under applicable accounting standards	–		
33	Directly issued capital instruments subject to phase out from Additional Tier 1	–		

		Amount subject to Basel III Rm	Amount subject to Pre-Basel III treatment Rm	Reference
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)	4 467		(j) – (k)
35	of which: instruments issued by subsidiaries subject to phase out	4 644		(j)
36	**Additional Tier 1 capital before regulatory adjustments**	4 467		
	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)	54	–	
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**	54		
44	**Additional Tier 1 capital (AT1)**	4 413		
45	**Tier 1 capital (T1 = CET1 + AT1)**	82 053		
	Tier 2 capital and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	5 000		(d)
47	Directly issued capital instruments subject to phase out from Tier 2	7 500		
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	7 760		(d)
49	of which: instruments issued by subsidiaries subject to phase out	7 760		
50	Provisions	542		(a)
51	Tier 2 capital before regulatory adjustments	13 302		
	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)**	13 302		
59	**Total capital (TC = T1 + T2)**	95 355		
	RISK-WEIGHTED ASSETS IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	688 795		
	of which: Basel III amendments	13 868		
60	**Total risk-weighted assets**	702 663		
	Capital ratios			
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	11.0		
62	Tier 1 (as a percentage of risk-weighted assets)	11.7		
63	Total capital (as a percentage of risk-weighted assets)	13.6		

Annexure C

Composition of capital disclosure: Barclays Africa Group Limited

		Amount subject to Basel III Rm	Amount subject to Pre-Basel III treatment Rm	Reference
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)	11.0		
	National minima (if different from Basel III)			
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	6.5		
70	National Tier 1 minimum ratio (if different from Basel III minimum)	8.0		
71	National total capital minimum ratio (if different from Basel III minimum)	10.0		
	Amounts below the thresholds for deduction (before risk weighting)			
72	Non-significant investments in the capital of other financials	1 578		
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)	904		
	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)	542		
77	Cap on inclusion of provisions in Tier 2 under standardised approach	542		
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 Limited

		Amount subject to Basel III Rm	Amount subject to Pre-Basel III treatment Rm	Reference
	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	21 759		(d)
2	Retained earnings	28 766		(e)
3	Accumulated other comprehensive income (and other reserves)	697		(f)
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	–		
	Public sector capital injections grandfathered until 1 January 2018	–		
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	–	–	
6	**Common Equity Tier 1 capital before regulatory adjustments**	51 222		
	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)	1 917	–	(b)
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	–	–	
11	Cash-flow hedge reserve	(1 871)	–	
12	Shortfall of provisions to expected losses	1 969	–	
13	Securitisation gain on sale	–	–	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	–	–	
15	Defined-benefit pension fund net assets	466	–	
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	–	–	
17	Reciprocal cross-holdings in common equity	–	–	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	–	–	
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	–	–	
20	Mortgage servicing rights (amount above 10% threshold)	–	–	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	–	–	
22	Amount exceeding the 15% threshold	–	–	
23	of which: significant investments in the common stock of financials	–	–	
24	of which: mortgage servicing rights	–	–	
25	of which: deferred tax assets arising from temporary differences	–	–	
26	National specific regulatory adjustments	–	–	
	REGULATORY ADJUSTMENTS APPLIED TO 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**	2 481		
29	Common Equity Tier 1 capital (CET1)	48 741		
	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		
32	of which: classified as liabilities under applicable accounting standards	–		
33	Directly issued capital instruments subject to phase out from Additional Tier 1	4 643		(g)
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		

Annexure C

Composition of capital disclosure: Absa Bank Limited

		Amount subject to Basel III Rm	Amount subject to Pre-Basel III treatment Rm	Reference
	Additional Tier 1 capital: regulatory adjustments			
37	Investments in own Additional Tier 1 instruments	–	–	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	–	–	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	–	–	
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)**	51 992		
	Tier 2 capital and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	12 500		(c)
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	177		(a)
51	Tier 2 capital before regulatory adjustments	12 677		
	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)**	12 677		
59	**Total capital (TC = T1 + T2)**	64 669		
	RISK-WEIGHTED ASSETS IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	470 532		
	of which: Basel III amendments	13 867		
60	Total risk-weighted assets	484 399		

Composition of capital disclosure: Absa Bank Limited

		Amount subject to Basel III Rm	Amount subject to Pre-Basel III treatment Rm	Reference
	Capital ratios			
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	10.1		
62	Tier 1 (as a percentage of risk-weighted assets)	10.7		
63	Total capital (as a percentage of risk-weighted assets)	13.3		
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement expressed as a percentage of 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)	10.1		
	National minima (if different from Basel III)			
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	6.5		
70	National Tier 1 minimum ratio (if different from Basel III minimum)	8.0		
71	National total capital minimum ratio (if different from Basel III minimum)	10.0		
	Amounts below the thresholds for deduction (before risk weighting)			
72	Non-significant investments in the capital of other financials	149		
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)	177		
77	Cap on inclusion of provisions in Tier 2 under standardised approach	177		
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)	–		

Annexure C

Leverage ratio common disclosure template and summary: Barclays Africa Group Limited

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

	Item	Rm
1	Total consolidated assets as per published financial statements	1 509 730
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulator consolidation	(30 939)
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	(25 388)
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)	(183 774)
7	Other adjustments	(2 249)
8	**Leverage ratio exposure**	**1 267 380**

Table 2

	Item	Leverage ratio framework
	On-balance sheet exposures	
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	1 008 036
2	(Assets amounts deducted in determining Basel III Tier 1 capital)	(2 249)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs (sum of lines 1 and 2)**	1 005 787
	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	17 230
5	Add-on amounts for PFE associated with all derivatives transactions	20 489
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	0
7	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	0
8	(Exempted CCP leg of client-cleared trade exposures)	0
9	Adjusted effective notional amount of written credit derivatives	17 411
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0
11	**Total derivative exposures (sum of lines 4 – 10)**	55 130
	Security financing transaction exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	41 634
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 – 15)**	41 634
	Other off-balance sheet exposures	
17	Off-balance sheet exposures at gross notional amount	347 427
18	(Adjustments for conversion to credit equivalent amounts)	(131 301)
19	**Off-balance sheet items (sum of lines 17 – 18)**	216 126
	Capital and total exposure	
20	**Tier 1 capital**	82 053
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	1 318 677
	Leverage ratio	
22	**Basel III leverage ratio**	6.2%

Explanatory table for the common disclosure template

Explanation of each row of the common disclosure template

Row number	Explanation	Table 3
1	On-balance sheet assets according to paragraph 15	
2	Deductions from Basel III Tier 1 capital determined by paragraphs 9 and 16 and excluded from the leverage ratio	
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 (i.e. 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 – 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	

Annexure C

Leverage ratio common disclosure template and summary: Absa Bank

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

	Item	Rm
1	Total consolidated assets as per published financial statements	1 243 196
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulator consolidation	0
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	0
4	Adjustments for derivative financial instruments	(25 108)
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)	(155 740)
7	Other adjustments	(512)
8	**Leverage ratio exposure**	**1 061 836**

Table 2

	Item	Leverage ratio framework
	On-balance sheet exposures	
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	814 528
2	(Assets amounts deducted in determining Basel III Tier 1 capital)	(512)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs (sum of lines 1 and 2)**	814 016
	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	16 746
5	Add-on amounts for PFE associated with all derivatives transactions	20 489
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	0
7	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	0
8	(Exempted CCP leg of client-cleared trade exposures)	0
9	Adjusted effective notional amount of written credit derivatives	17 411
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0
11	**Total derivative exposures (sum of lines 4 – 10)**	54 646
	Security financing transaction exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	41 634
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 – 15)**	41 634
	Other off-balance sheet exposures	
17	Off-balance sheet exposures at gross notional amount	305 211
18	(Adjustments for conversion to credit equivalent amounts)	(120 086)
19	**Off-balance sheet items (sum of lines 17– 18)**	185 125
	Capital and total exposure	
20	**Tier 1 capital**	51 992
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	1 095 421
	Leverage ratio	
22	**Basel III leverage ratio**	4.7%

Explanatory table for the common disclosure template

Explanation of each row of the common disclosure template

Row number	Explanation	Table 3
1	On-balance sheet assets according to paragraph 15	
2	Deductions from Basel III Tier 1 capital determined by paragraphs 9 and 16 and excluded from the leverage ratio	
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 (i.e. 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 – 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	

Annexure C

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 and solo	Group	Solo & Group	Solo & Group	Solo & Group	Solo & Group	Solo & Group	Solo & Group	Solo & 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)	R1 694	R3 251	R1 500	R400	R600	R1 805	R2 007	R1 188
9	Par value of instrument	R1 694	R4 644	R845	R400	R600	R1 805	R2 007	R1 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 & 2007	10 Dec 2009	03 May 2010	03 May 2010	21 Nov 2012	21 Nov 2012	21 Nov 2012
12	Perpetual or dated	Perpetual	Perpetual	Dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	n/a	n/a	07 Dec 2028	03 May 2022	03 May 2022	21 Nov 2022	21 Nov 2023	21 Nov 2023
14	Issuer call subject to prior supervisory approval	n/a	n/a	Yes	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	n/a	n/a	07 Dec 2023, tax and regulatory contingent events call, nominal amount plus CPI adjustment if the amount is not less than R845 283 052 otherwise redemption amount equal to principal amount issued	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	n/a	n/a	n/a	n/a	n/a	Quarterly after the first optional call date until maturity	Quarterly after the first optional call date until maturity	Semiannually after the first optional call date until maturity

9	10	11	12	13	14	15	16	17	18
Barclays Bank Zambia	Barclays Africa Group Limited	Barclays Africa Group Limited	Barclays Africa Group Limited	Barclays Africa Group Limited	Barclays Africa Group Limited	Barclays Africa Group Limited	Barclays Africa Group Limited	Barclays Africa Group Limited	Barclays Africa Group Limited
BBG0019JPQR2	ZAG000121476	ZAG000121484	ZAG000123100	ZAG000123118	ZAG000129354	ZAG000129362	ZAG000129388	ZAG000129396	ZAG000129966
Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (as amended)	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (as amended). The subordinated callable notes are listed on the JSE	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (as amended). The subordinated callable notes are listed on the JSE	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (as amended). The subordinated callable notes are listed on the JSE.	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (as amended). The subordinated callable notes are listed on the JSE	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (as amended). The subordinated callable notes are listed on the JSE	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (as amended). The subordinated callable notes are listed on the JSE	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (as amended). The subordinated callable notes are listed on the JSE	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (as amended). The subordinated callable notes are listed on the JSE	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					
Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
Ineligible	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
Group	Group	Group	Group	Group	Group	Group	Group	Group	Group
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
R0	R370	R130	R1 693	R807	R508	R437	R737	R30	R288
R102	R370	R130	R1 693	R807	R508	R437	R737	R30	R288
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
18 May 2009	18 Nov 2014	18 Nov 2014	04 Feb 2015	04 Feb 2015	03 Sep 2015	03 Sep 2015	03 Sep 2015	03 Sep 2015	28 Sep 2015
Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
18 May 2016	19 Nov 2024	19 Nov 2024	05 Feb 2025	05 Feb 2025	04 Sep 2025	04 Sep 2025	03 Sep 2027	03 Sep 2027	29 Sep 2025
n/a	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
n/a	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	04 Sep 2020, tax and regulatory contingent events call, redemption amount equal to principal amount issued	04 Sep 2020, tax and regulatory contingent events call, redemption amount equal to principal amount issued	03 Sep 2022, tax and regulatory contingent events call, redemption amount equal to principal amount issued	03 Sep 2022, tax and regulatory contingent events call, redemption amount equal to principal amount issued	29 Sep 2020, tax and regulatory contingent events call, redemption amount equal to principal amount issued
n/a	Quarterly after the first optional call date until maturity	Semiannually after the first optional call date until maturity	Quarterly after the first optional call date until maturity	Semiannually after the first optional call date until maturity	Semiannually after the first optional call date until maturity	Quarterly after the first optional call date until maturity	Semiannually after the first optional call date until maturity	Quarterly after the first optional call date until maturity	Semiannually after the first optional call date until maturity

Annexure C

Main features of regulatory capital instruments disclosure: Barclays Africa Group

Disclosure template for main features of regulatory capital instruments:

		1	2	3	4	5	6	7	8
	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	n/a	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	n/a	No	Yes	Yes	Yes	No	No	No
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	n/a	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
25	If convertible, fully or partially	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
26	If convertible, conversion rate	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
27	If convertible, mandatory or optional conversion	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
28	If convertible, specify instrument type convertible into	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
29	If convertible, specify issuer of instrument it converts into	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
30	Write-down feature	No	No	No	No	No	No	No	No
31	If write-down, write-down trigger(s)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

9	10	11	12	13	14	15	16	17	18
				Coupons/dividends					
Floating	Floating	Fixed	Floating	Fixed	Fixed	Floating	Fixed	Floating	Fixed
182-day T-bill+2.5%	3M JIBAR+330bps	10.835%	3M JIBAR+350bps	10.05%	11.365%	3M JIBAR+350bps	11.810%	3M JIBAR+360bps	11.400%
No	No	No	No	No	No	No	No	No	No
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
No	No	No	No	No	No	No	No	No	No
Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
n/a	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	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	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

Annexure C

Main features disclosure: Barclays Africa Group

Disclosure template for main features of regulatory capital instruments:

		1	2	3	4	5	6	7	8
32	If write-down, full or partial	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
33	If write-down, permanent or temporary	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
34	If temporary write-down, description of write-up mechanism	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Columns 3 – 18, then Column 2	Columns 3 – 18	Deposits and other general debits of the bank including non-subordinated notes	Deposits and other general debits of the bank including non-subordinated notes	Deposits and other general debits of the bank including non-subordinated notes	Deposits and other general debits of the bank including non-subordinated notes	Deposits and other general debits of the bank including non-subordinated notes	Deposits and other general debits of the bank including non-subordinated notes
36	Non-compliant transitioned features	n/a	Yes	Yes	Yes	Yes	Yes	Yes	Yes
37	If yes, specify non-compliant features	n/a	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability

9	10	11	12	13	14	15	16	17	18
n/a	The principal amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written-off permanently, in full or in part on a pro rata basis (in the case of a write-off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks	The principal amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written-off permanently, in full or in part on a pro rata basis (in the case of a write-off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks	The principal amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written-off permanently, in full or in part on a pro rata basis (in the case of a write-off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks	The principal amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written-off permanently, in full or in part on a pro rata basis (in the case of a write-off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks	The principal amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written-off permanently, in full or in part on a pro rata basis (in the case of a write-off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks	The principal amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written-off permanently, in full or in part on a pro rata basis (in the case of a write-off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks	The principal amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written-off permanently, in full or in part on a pro rata basis (in the case of a write-off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks	The principal amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written-off permanently, in full or in part on a pro rata basis (in the case of a write-off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks	The principal amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written-off permanently, in full or in part on a pro rata basis (in the case of a write-off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks
n/a	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
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
Yes	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Loss absorbency criteria and point of non-viability	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Annexure C

Main features disclosure: Absa Bank

Disclosure template for main features of regulatory capital instruments:

		1	2	3	4	5	6	7	8
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
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	ZAE000079810	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 and solo	Solo	Solo & Group	Solo & Group	Solo & Group	Solo & Group	Solo & Group	Solo & Group	Solo & 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)	R303	R3 251	R1 500	R400	R600	R1 805	R2 007	R1 188
9	Par value of instrument	R303	R4 644	R845	R400	R600	R1 805	R2 007	R1 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 & 2007	10 Dec 2009	03 May 2010	03 May 2010	21 Nov 2012	21 Nov 2012	21 Nov 2012
12	Perpetual or dated	Perpetual	Perpetual	Dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	n/a	n/a	07 Dec 2028	03 May 2022	03 May 2022	21 Nov 2022	21 Nov 2023	21 Nov 2023
14	Issuer call subject to prior supervisory approval	n/a	n/a	Yes	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	n/a	n/a	07 Dec 2023, tax and regulatory contingent events call, nominal amount plus CPI adjustment if the amount is not less than R845 283 052 otherwise redemption amount equal to principal amount issued	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	n/a	n/a	n/a	n/a	n/a	Quarterly after the first optional call date until maturity	Quarterly after the first optional call date until maturity	Semiannually after the first optional call date until maturity

9	10	11	12	13	14	15	16	17
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
ZAG000121492	ZAG000121500	ZAG000123126	ZAG000123134	ZAG000129412	ZAG000129420	ZAG000129438	ZAG000129446	ZAG000129958
Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (as amended)	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (as amended)	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (as amended)	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (as amended)	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (as amended)	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (as amended)	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (as amended)	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (as amended)	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (as amended)
				Regulatory treatment				
Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
Solo	Solo	Solo	Solo	Solo	Solo	Solo	Solo	Solo
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
R370	R130	R1 693	R807	R508	R437	R737	R30	R288
R370	R130	R1 693	R807	R508	R437	R737	R30	R288
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
18 Nov 2014	18 Nov 2014	04 Feb 2015	04 Feb 2015	03 Sep 2015	03 Sep 2015	03 Sep 2015	03 Sep 2015	28 Sep 2015
Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
19 Nov 2024	19 Nov 2024	05 Feb 2025	05 Feb 2025	04 Sep 2025	04 Sep 2025	03 Sep 2027	03 Sep 2027	29 Sep 2025
Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
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	04 Sep 2020, tax and regulatory contingent events call, redemption amount equal to principal amount issued	04 Sep 2020, tax and regulatory contingent events call, redemption amount equal to principal amount issued	03 Sep 2022, tax and regulatory contingent events call, redemption amount equal to principal amount issued	03 Sep 2022, tax and regulatory contingent events call, redemption amount equal to principal amount issued	29 Sep 2020, tax and regulatory contingent events call, redemption amount equal to principal amount issued
Quarterly after the first optional call date until maturity	Semiannually after the first optional call date until maturity	Quarterly after the first optional call date until maturity	Semiannually after the first optional call date until maturity	Semiannually after the first optional call date until maturity	Quarterly after the first optional call date until maturity.	Semiannually after the first optional call date until maturity	Quarterly after the first optional call date until maturity	Semiannually after the first optional call date until maturity

Annexure C

Main features disclosure: Absa Bank

Disclosure template for main features of regulatory capital instruments:

		1	2	3	4	5	6	7	8
					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	n/a	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%
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	n/a	No	Yes	Yes	Yes	No	No	No
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	n/a	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
25	If convertible, fully or partially	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
26	If convertible, conversion rate	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
27	If convertible, mandatory or optional conversion	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
28	If convertible, specify instrument type convertible into	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
29	If convertible, specify issuer of instrument it converts into	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
30	Write-down feature	No	No	No	No	No	No	No	No
31	If write-down, write-down trigger(s)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

9	10	11	12	13	14	15	16	17
Coupons/dividends								
Floating	Fixed	Floating	Fixed	Fixed	Floating	Fixed	Floating	Fixed
3M JIBAR+330bps	10.835%	3M JIBAR+350bps	10.05%	11.365%	3M JIBAR+350bps	11.810%	3M JIBAR+360bps	11.400%
No	No	No	No	No	No	No	No	No
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
No	No	No	No	No	No	No	No	No
Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
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	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	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

Annexure C

Main features disclosure: Absa Bank

Disclosure template for main features of regulatory capital instruments:

		1	2	3	4	5	6	7	8
32	If write-down, full or partial	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
33	If write-down, permanent or temporary	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
34	If temporary write-down, description of write-up mechanism	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Columns 3 – 17, then Column 2	Columns 3 – 17	Deposits and other general debits of the bank including non-subordinated notes	Deposits and other general debits of the bank including non-subordinated notes	Deposits and other general debits of the bank including non-subordinated notes	Deposits and other general debits of the bank including non-subordinated notes	Deposits and other general debits of the bank including non-subordinated notes	Deposits and other general debits of the bank including non-subordinated notes
36	Non-compliant transitioned features	n/a	Yes	Yes	Yes	Yes	Yes	Yes	Yes
37	If yes, specify non-compliant features	n/a	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability

9	10	11	12	13	14	15	16	17
The principal amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written-off permanently, in full or in part on a pro rata basis (in the case of a write-off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks	The principal amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written-off permanently, in full or in part on a pro rata basis (in the case of a write-off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks	The principal amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written-off permanently, in full or in part on a pro rata basis (in the case of a write-off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks	The principal amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written-off permanently, in full or in part on a pro rata basis (in the case of a write-off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks	The principal amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written-off permanently, in full or in part on a pro rata basis (in the case of a write-off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks	The principal amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written-off permanently, in full or in part on a pro rata basis (in the case of a write-off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks	The principal amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written-off permanently, in full or in part on a pro rata basis (in the case of a write-off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks	The principal amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written-off permanently, in full or in part on a pro rata basis (in the case of a write-off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks	The principal amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written-off permanently, in full or in part on a pro rata basis (in the case of a write-off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks
Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Deposits and other general debits of the bank including non-subordinated notes	Deposits and other general debits of the bank including non-subordinated notes	Deposits and other general debits of the bank including non-subordinated notes	Deposits and other general debits of the bank including non-subordinated notes	Deposits and other general debits of the bank including non-subordinated notes	Deposits and other general debits of the bank including non-subordinated notes	Deposits and other general debits of the bank including non-subordinated notes	Deposits and other general debits of the bank including non-subordinated notes	Deposits and other general debits of the bank including non-subordinated notes
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Annexure D

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)		110 009		101 578
Cash outflows					
2	Retail deposits and deposits from small business customers, of which:	294 645	23 374	222 588	17 221
3	Stable deposits	–	–	–	–
4	Less stable deposits	294 645	23 374	222 588	17 221
5	Unsecured wholesale funding, of which:	326 090	177 513	271 417	156 749
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	103 148	25 787	93 359	26 841
7	Non-operational deposits (all counterparties)	214 187	142 971	172 820	124 670
8	Unsecured debt	8 755	8 755	5 238	5 238
9	Secured wholesale funding		1 263		1 263
10	Additional requirements, of which:	238 229	25 583	188 793	22 656
11	Outflows related to derivative exposures and other collateral requirements	13 222	8 119	13 197	8 095
12	Outflows related to loss of funding on debt products	–	–	–	–
13	Credit and liquidity facilities	225 007	17 464	175 595	14 561
14	Other contractual funding obligations	241	241	75	75
15	Other contingent funding obligations	149 113	7 389	145 533	7 076
16	**Total cash outflows**		235 363		205 040
Cash inflows					
17	Secured lending (eg reverse repos)	19 270	6 394	19 270	6 394
18	Inflows from fully performing exposures	103 974	69 859	72 334	51 870
19	Other cash inflows	1 770	1 770	1 745	1 745
20	**Total cash inflows**	125 015	78 023	93 349	60 009
			Total adjusted value		**Total adjusted value**
21	**Total HQLA**		110 009		101 578
22	**Total net cash outflows**		157 340		145 031
23	**Liquidity coverage ratio (%)**		69.9		70.0

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

Annexure E

Basel Pillar III remuneration disclosures

In the following two tables, senior managers are defined as members of our Executive Committee and other individuals with management responsibility for a material portion of our business. Other material risk takers are defined in accordance with the PRA Remuneration Code classification which is in line with the European Banking Authority's Regulatory Technical Standard. In 2015, a total of 28 individuals were classified as senior managers and 43 individuals as other material risk takers (2014: 52 senior managers and 42 material risk takers).

Given the changes to the classification of material risk takers in 2015 as well as the reorganisation in RBB, the composition of the senior manager and material risk taker population has changed year-on-year.

Aggregate remuneration for senior managers and material risk takers	Senior managers Rm	Other material risk takers Rm
Total fixed remuneration	138 540 803	155 801 029
Non-deferred cash awards	45 946 072	38 689 008
Non-deferred share awards	19 440 000	33 554 008
Deferred cash awards	33 745 233	31 262 256
Deferred share awards	33 745 233	31 262 256
Total variable remuneration	132 876 538	134 767 528
Total remuneration	271 417 341	290 568 557
Number of employees	28	43

Outstanding deferred remuneration for senior managers and material risk takers 2015	Senior managers Rm	Other material risk takers Rm
Unvested deferred remuneration outstanding at the beginning of 2015	210	383
Deferred remuneration awarded in 2015	46	134
Deferred remuneration forfeited in 2015	31	35
Deferred remuneration vested in year	39	98
Deferred unvested remuneration outstanding at the end of 2015	186	384

Note
Values in the table above are based on a share price of R177.37 (the daily volume-weighted average price of an ordinary Barclays Africa Group share trading on the JSE as at 31 December 2014) and/or a share price of £2.43 (the daily volume-weighted average price of an ordinary Barclays PLC share trading on the FTSE as at 31 December 2014) respectively.

Guaranteed variable remuneration and severance awards for all employees 2015	Rm
Total guaranteed bonuses (11 individuals)	8.5
Total sign-on awards (none)	–
Total severance awards (39 individuals)	7.7

Contact details

Barclays Africa Group Limited

Incorporated in the Republic of South Africa

Registration number: 1986/003934/06

Authorised financial services and registered credit provider (NCRCP7)

JSE share code: BGA

ISIN: ZAE000174124

Registered office

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

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

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

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Sponsors

Lead independent sponsor

J.P. Morgan Equities South Africa Proprietary Limited

Telephone: +27 (0)11 507 0300

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

Joint sponsor

Absa Bank Limited (Corporate and Investment Bank)

Telephone: +27 (0)11 895 6843

equitysponsor@absacapital.com

Significant banking subsidiaries

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

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

Representative offices

Absa Namibia Pty Limited	www.absanamibia.com.na
Absa Capital Representative Office Nigeria Limited	www.cib.barclaysafrica.com