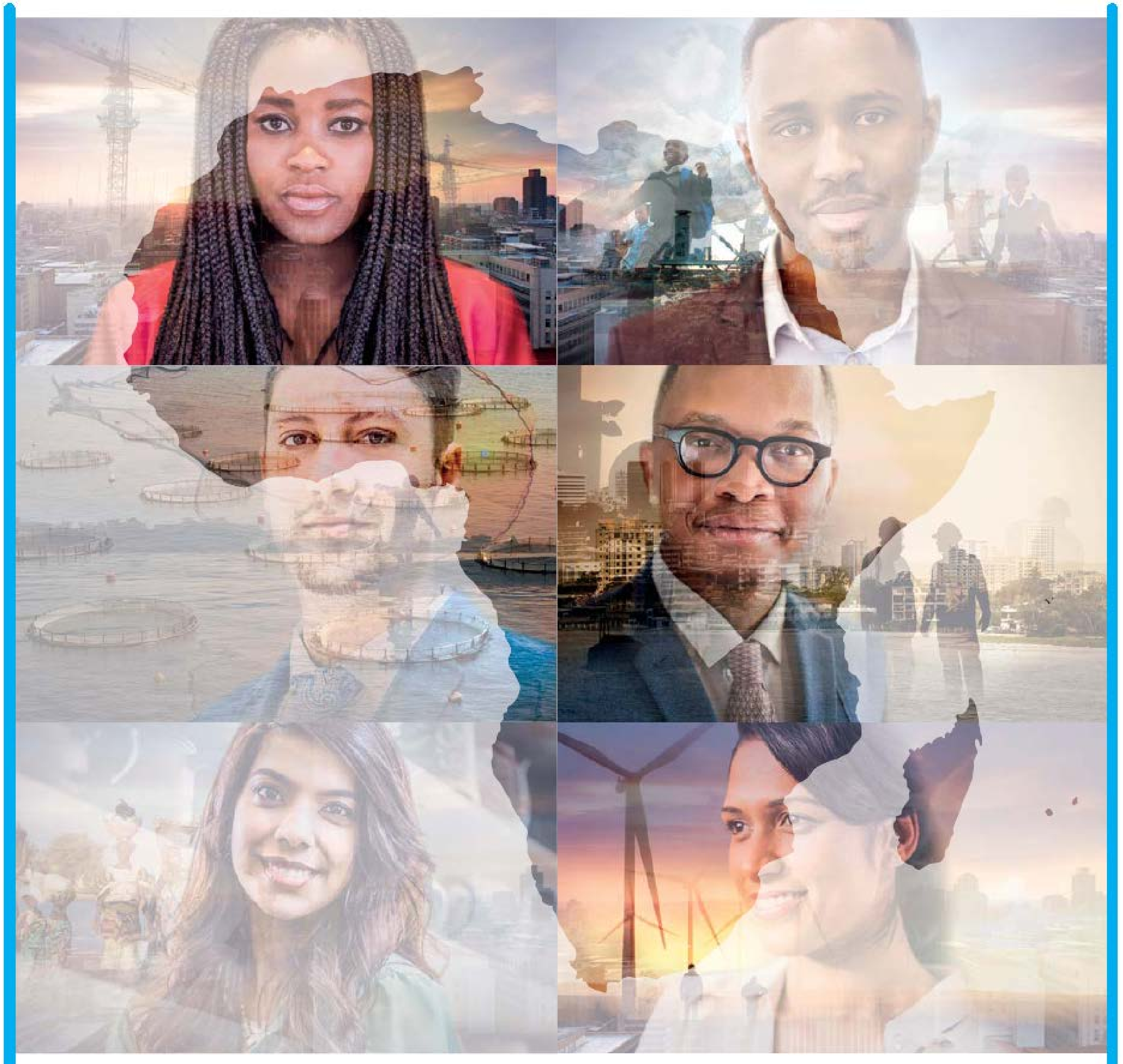
BARCLAYS



Barclays Africa Group Limited

Risk management (Pillar 3)

for the reporting period ended 30 June 2016

Contents

Risk overview	4
Basis of preparation	13
Capital management	18
Risk management strategy	34
Analysis of risk exposures	60
Annexures	87
Abbreviations and acronyms	113

Risk overview

Risk management overview	4
Risk appetite	5
Credit risk	6
Market risk	6
Funding risk	9
Operational risk	10
Conduct risk	12

Risk management overview

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

The role of risk management is to evaluate, respond to, and monitor risks in the execution of the Group's strategy. It is essential that the business growth strategy is supported by an effective Enterprise Risk Management Framework (ERMF). 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 provides the basis for setting policies and standards, and establishing the appropriate risk practices throughout the Group. It defines the risk management process and sets out the activities, tools, techniques and organisational arrangements to ensure that material risks can be identified and managed. It also ensures that appropriate responses are in place to protect the Group and 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:

- Originate and own 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, whilst promoting collaboration and the flow of information between all areas.

The ERMF is reviewed and approved annually by the Board.

Current reporting period review

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

- Macroeconomic conditions continued to deteriorate. The Group extended its framework of 'macroeconomic triggers and management actions' in response, which were regularly reported to the Board;
- Loans and advances to customers increased 9% year on year, driven by growth in Wholesale and Rest of Africa portfolios;
- The credit loss ratio[1] increased to 129 basis points (June 2015: 97 basis points) and impairment charges increased to R5.2bn (June 2015: R3.6bn). Increased impairment charges were most prominent in the Wholesale, Mortgages, Consumer and Retail Rest of Africa portfolios, while additional macroeconomic provisions (R252m) also contributed to the increase;
- Non-performing loans[2] as a percentage of loans and advances to banks and customers increased to 3.8% (June 2015: 3.5%[1]);
- Overall coverage on performing loans increased to 72 basis points (June 2015: 65 basis points);
- Market risk exposures remained within overall risk appetite;
- Total operational risk losses were higher than H1 2015. The main contributors to operational risk losses were technology/system failures, transaction processing related issues, and fraud, comprising 35%, 33% and 25% respectively;
- The Group's capital and liquidity positions remained 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; and
- The Group implemented and embedded an approach to the management of conduct risk.

Notes
[1] The calculation of the credit loss ratio was amended to include impairment losses on loans and advances for the reporting period and dividing it by total gross loans and advances to customers and banks (calculated on a daily weighted average), resulting in a restatement of comparative credit loss ratios. Based on the previous methodology, the credit loss ratios would be 148 bps (30 June 2015: 111 bps; 31 December 2015: 1,05%).
[2] The calculation of the NPLs ratio has been changed to also include loans and advances to banks. Based on the previous methodology, the NPLs ratio would be 4,28% (30 June 2015: 3,97%; 31 December 2015: 3,88%).

Future priorities

- Regularly review and alter risk appetite (where appropriate) to take account of global and local macroeconomic deterioration;
- Increase focus on governance and model risk across the Group;
- Continue to focus on technology, fraud (including cybercrime) and anti-money laundering;
- Enhance conduct risk management controls, tools and reporting;
- Increase focus on data initiatives, including those arising from regulations (e.g. BCBS 239, and IFRS 9);
- The replacement of IAS 39 with IFRS 9 Financial Instruments (IFRS 9), which is expected to have a significant impact on Banks' financial statements. IFRS 9 will replace the current incurred loss model for the calculation of impairments with an expected loss approach and is expected to lead to higher levels of impairment stock;
- Continue to enhance our scenario development and stress testing processes; and
- The Own Risk and Solvency Assessment (ORSA) report under the Solvency Assessment and Management (SAM) comprehensive parallel run will be submitted to the Financial Services Board in Q3 2016.

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 segment'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, which was reviewed and strengthened. Key indicators and triggers have been developed to serve as an early warning system. 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 regularly monitored by management and reported to the Group Risk and Capital Management Committee (GRCMC) on a quarterly basis.

Stress testing

Stress testing is a key element of the Group's integrated planning and risk management processes. Through the use of stress testing and scenario analysis, the Group is able to assess the performance of its 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 and liquidity buffers.

The 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]

	YoY	30 June		31 December
	trend	**2016**	2015	2015
Growth in loans and advances (%)	▲	**21.3**	12.2	22.9
Risk-weighted assets (RWA) as a percentage of gross credit extended (%)[2 3]	▲	**31.3**	31.1	29.2
Non-performing loans as a percentage of gross loans and advance (%)	▲	**3.2**	2.7	2.7
Non-performing loans coverage ratio (%)	▲	**39.6**	35.0	36.8
Credit loss ratio[4] (%)	▲	**1.10**	0.41	0.49

- Loans and advances: Growth was robust at **21.3%,** with increases in the technology, media and telecommunications, property and retail and wholesale portfolios. Excluding growth in repos and exchange rate movement, growth was 14.7%.
- RWA as a percentage of gross credit extended: Marginal increase as a result of additional capital demand due to distressed restructured exposures being categorised as regulatory default.
- Non-performing loans (NPLs): The balance of NPLs increased by 44.3% due to new defaults. NPLs as a percentage of gross loans and advances increased to **3.2%** (June 2015: 2.7%) as a result. The NPL coverage ratio increased to **39.6%** (June 2015: 35.0%) due to new defaults at higher coverage levels.
- Impairments: The wholesale credit impairment charge increased to R1 855m (June 2015: R568m) due to new impairments in CIB, Business Bank and Rest of Africa and additional macroeconomic provisions of R252m.

Future priorities

- Actively manage 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; and
- Implement enhanced models and data management.

Notes
[1] Wholesale incorporates CIB, BB and WIMI for South Africa and 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 IRB approaches.
[4] The calculation of the credit loss ratio was amended to include impairment losses on loans and advances for the reporting period and dividing it by total gross loans and advances to customers and banks (calculated on a daily weighted average), resulting in a restatement of comparative credit loss ratios. Based on the previous methodology, the credit loss ratios would be 1,56% (30 June 2015: 0,46%; 31 December 2015: 0,6%)

Credit risk: Retail

	YoY trend	30 June 2016	30 June 2015	31 December 2015
Growth in loans and advances (%)	▼	**1.9**	2.7	3.2
RWA as a percentage of gross credit extended (%)[1,2]	▲	**37.8**	37.3	33.4
Non-performing loans as a percentage of gross loans and advances (%)	▲	**5.1**	4.8	4.7
Non-performing loans coverage ratio (%)	▼	**45.7**	46.5	45.6
Credit loss ratio[3] (%)	▲	**1.59**	1.40	1.31

- Loans and advances: Overall growth in loans and advances declined to **1.9%**. There was growth of 12.0% in Personal and Term Loans and 15.3% in Rest of Africa, offset by decreases of 1.0% in Home Loans and 1.4% in Cards.
- RWA as a percentage of gross credit extended: Marginally increased, in line with new Retail model implementation incorporating new regulatory requirements on restructured exposures.
- Non-performing loans (NPLs): NPLs as a percentage of gross loans and advance increased to **5.1%** (June 2015: 4.8%) as a result of deterioration in the NPL ratios of Credit Cards, Instalment Credit Agreements and RoA. The NPL coverage ratio decreased to **45.7%** (June 2015: 46.5%) due to write-offs in the mortgage legal book in H2 2015.
- Impairments: The impairment charge increased to R3 381m (June 2015: R2 874m). As a result, the credit loss ratio increased to **1.59%** (June 2015: 1.40%), reflecting the impact of adverse economic conditions.

Future priorities

- 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; and
- Actively manage risk trends arising as a result of macroeconomic uncertainty.

Notes
[1] Gross credit extended includes off balance sheet exposures as well as exposures to banks and sovereigns.
[2] The percentages include only portfolios subject to the internal ratings-based approaches.
[3] The calculation of the credit loss ratio was amended to include impairment losses on loans and advances for the reporting period and dividing it by total gross loans and advances to customers and banks (calculated on a daily weighted average), resulting in a restatement of comparative credit loss ratios. Based on the previous methodology, the credit loss ratios would be 1,68% (30 June 2015: 1,45%; 31 December 2015: 1,35%).

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	30 June 2016	30 June 2015	31 December 2015
Average traded market risk – daily value at risk (Rm)[1]	▼	25	28.0	27.0
Traded market risk regulatory capital (Rm)	▲	2 516	2 340	2 501
Banking book annual earnings at risk for a 2% interest rate shock (% of Group net interest income)	▲	<6%	<6%	<6%
Insurance short-term loss ratio (%) RSA only	▲	70.7	69.8	69.4
Life insurance new business margin (%) RSA only	▼	4.3	5.8	5.5

- Traded market risk: Trading exposures were managed within overall risk appetite and the trading business remained resilient despite macroeconomic conditions. The slight decrease in average Daily Value at Risk (DVaR) was as a result of the Markets business actively managing its risk on the back of client flow.
- Non-traded market risk: The Group remained positively exposed to increases in interest rates after the impact of hedging. Interest rate risk management in Rest of Africa remains challenging due to the relative unavailability of appropriate derivative instruments with which to hedge.
- Insurance risk: The ORSA report under the Solvency Assessment Management comprehensive parallel run will be submitted to the Financial Services Board in Q3 2016.
- Pension risk: Pension plans and benefits are provided in all countries where BAGL has a footprint. 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 for Absa Pension Fund was implemented to mitigate inflation and interest rate risks and to ensure there are sufficient assets in the pension fund to meet its current and future liabilities.

Future priorities

- Respond to regulatory and capital change, specifically preparing for the adoption of the Fundamental Review of the Trading Book (FRTB) and Standard on Interest Rate Risk in the Banking Book (IRRBB);
- Continue to reduce margin volatility through the structural hedge programme in South Africa; and
- Implement and standardise the pension risk control framework across all BAGL funds.

Notes
[1] DVaR 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.

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 funding.
- Liquidity risk: The risk that the Group is unable to meet its obligations as they fall due.

Funding Risk: Capital risk

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

The capital management process includes:

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

	YoY trend	30 June 2016	30 June 2015	31 December 2015
Cost of Equity[1] (%)	=	13.75	13.75	13.75
Total RWA (Rm)	▲	698 685	647 472	702 663
Common Equity Tier 1 capital adequacy ratio (%)[2]	▲	12.1	11.7	11.9
RoRWA (%)	▼	2.08	2.16	2.18
Return on average economic capital (%)	▼	16.4	18.8	19.0
Return on average equity (RoE) (%)	▼	16.1	16.4	17.0

- Cost of equity: remained unchanged at 13.75% over the period under review.
- RWA: Increased 7.9% to 698.7bn (30 June 2015: R647.5bn) due to book growth, particularly in corporate advances, increased regulatory requirements, and the negative impact of the economic environment on certain portfolios.
- Capital: Remained above the minimum regulatory requirements and above the Board-approved CET1and Tier 1 target ranges.

Future priorities

- Ensure all entities remain adequately capitalised relative to minimum regulatory requirements and Board-approved target capital ranges.
- Further improve the approach to capital management:
  - Continue to focus on RWA precision;
  - Enhance the 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;
  - Issuance of Basel III compliant Tier 2 instruments to replace instruments being called.
- Continue engagement with the South African Reserve Bank (SARB) to finalise the total loss-absorbing capacity (TLAC) requirements as part of the Resolution Framework for South African operations.

Notes
[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; and
- Meeting liquidity ratios required by regulators and buffer targets by the Board.

	YoY trend	30 June 2016	30 June 2015	31 December 2015
Sources of liquidity (Rm)		**233 746**	202 007	199 024
High quality liquid assets (Rm)	▲	**120 812**	98 106	105 332
Other liquid assets (Rm)[1]	▲	**39 552**	28 126	31 640
Other sources of liquidity (Rm)	▼	**73 382**	75 775	62 052
Long term funding ratio (%)	▲	**22.1**	20.9	21.0
Loan-to-deposit ratio (%)	▲	**87.1**	85.5	86.1
Liquidity coverage ratio (%)[2]	▲	**83.5**	78.9	69.9

- Liquidity risk position: Remained healthy and within key limits and metrics. During the first half of 2016, the Group continuously maintained a liquidity coverage ratio (LCR) in excess of the required 70%.
- Long term funding ratio: Increased by 1.2% to **22.1%** (2015: 20.9%) to match the growth in longer-term assets. Long term funding was achieved through a combination of funding instruments, capital market issuances and private placements.
- Loan-to-deposit ratio: Increased 1.6% to **87.1%** (2015: 85.5%) primarily due to increased loans and advances to customers.
- The net stable funding ratio (NSFR): Will become effective on 1 January 2018.

Future priorities

- Manage the funding and high quality liquid asset position in line with the Board-approved liquidity risk appetite framework and regulatory liquidity requirements;
- Continue to grow and diversify the funding base to support asset growth and other strategic initiatives; and
- Continue to work with regulatory authorities and other stakeholders on the NSFR, Recovery and Resolution, and Deposit Guarantee Scheme.
- Embed and enhance contingency funding planning across BAGL and subsidiaries.

Notes
[1] Rest of Africa.
[2] The Group LCR represents the simple average of the relevant three month-end data points prior to June 2016. Surplus high quality liquid asset holdings in excess of the minimum requirement of 70% have been excluded from the aggregated high quality liquid asset number in the case of all Rest of Africa banking entities.

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	30 June 2016	30 June 2015	31 December 2015
Total losses as a percentage of gross income (%)	▲	**1.0**	0.7	0.8
Total losses (Rm)	▲	**380**	244	541
Operational RWA (Rm)	▲	**100 310**	95 883	98 668

- Total operational risk losses: Were within the Group's annual appetite, but higher than H12015. The main contributors to operational risk losses are technology/system failure, transaction processing related issues and fraud, comprising 35%, 33% and 25% respectively.
- Operational Risk RWA: Increased due to a higher Standardised Approach (TSA) capital, driven by higher operating income.
- Technology risk: Improvements have been made in stabilizing the technology environment. The mainframe has been migrated to a best in class datacentre, and other key systems will be migrated over the next 12 months. The performance of underlying technology infrastructure supporting payments systems is undergoing improvement.
- Fraud risk: Plastic card fraud losses remain the major driver to overall fraud losses, although their proportion of overall losses is decreasing. Digital fraud has also been on an upward trend in South Africa.
- Information risk: Further progress has been made in enhancing the protection of secret and confidential data by embedding logical access controls and data held or accessible by external suppliers.
- Financial crime: Customer on-boarding processes have been enhanced. We continue to remediate non-compliant customers and intend to continue building analytical capability to detect money laundering threats and activities.

Future priorities

- Automate manual high volume processes, particularly within the Retail Bank;
- Continue to invest in technology to improve and maintain technology resilience;
- Continue to focus on cyber risk management;
- Compliance with financial crime regulations will be strengthened through further investment in technology; and
- Improve the Group's fraud capability with a focus on digital banking, branch network and operations in the Rest of Africa. Continue implementing fraud tools to protect customers, particularly within the Digital business.

Conduct risk

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

The Group has enhanced the existing conduct risk key indicators to align with the refreshed Principal and Key Risk Frameworks as well as introducing forward-looking indicators to manage conduct risk effectively.

The key inherent risk themes for the half year were resilience of technology, product simplification and the development of a single customer view.

The Group managed a number of conduct and reputational risks:

- Enhancement of several regulatory controls, particularly those related to know your client, anti-money laundering, and the National Credit Act;
- A number of accounts deemed non-compliant with know your customer (KYC) regulations were blocked and some client relationships were exited; and
- Enhanced due diligence on clients that provide payday lending was implemented.

Future priorities

- Progress has been made in embedding a conduct-focused culture and risk assessments. Further enhancement of the use of forward-looking management information and the monitoring of action plans from material risk assessments is planned;
- Focus on improving customer outcomes through remediation activities and enhancements, such as our focus on customers in vulnerable circumstances, new product development and review processes and the complaints management process;
- Raise awareness across the Group to ensure conduct risks and issues are identified, captured, and escalated in a timely manner;
- Maintain a robust awareness and understanding of the drivers of political, regulatory and policy changes across the continent; and
- Assess the impact of Twin Peaks regulations, specifically the Retail Distribution Review proposals.
- Develop and embed Business Standards which are aligned to the new and revised Group Conduct Policies.

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 Banks 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 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 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 (TSA)

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

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 EL, RC and EC. Under the AIRB approach, the Group's own measures of PD, EAD and LGD can be used.

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

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

Models classified as either Complex or Non-complex are then 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 BAGL Models Committee (MC) approval. Models are monitored and validated on an ongoing basis. Regulatory models are independently validated annually by the Independent Validation Unit within Group Risk. The validation frequency of non-regulatory models is commensurate with the model classification of High/Low and Complex/Non-complex. The ongoing monitoring and validation results are regularly reported to and discussed with the Model Owners and Model Approvers.

Securitisation

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

Equity investment risk

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

The total traded market risk minimum capital requirement increased by 7.5% (R176m) in 2016. Trading exposures were managed within overall risk appetite and the trading business remained resilient despite macroeconomic conditions. DVaR remained stable as the Markets business actively managed its risk on the back of client flow, while the increase in RC was largely due to the increase in the internal models sVaR measure for the South African business, particularly for the first quarter of 2016.

	YoY trend	30 June 2016 R	30 June 2015 R	31 December 2015 R
Internal model based approach	▲	**1 704**	1 297	1 578
Value at risk	▲	**558**	550	592
Stressed value at risk	▲	**1 146**	747	986
Standardised approach	▼	**812**	1 043	923
Interest rate risk	▼	**684**	913	805
Equity risk	▼	**68**	110	61
Foreign exchange risk	▲	**60**	19	57
Total traded market risk capital requirement[1]	▲	**2 516**	2 340	2 501

Liquidity risk

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

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 RC floor. The basic indicator approach (BIA) or the standard 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;
- 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.

Capital management

Capital management

Review of the first half of the current reporting period

- The Group maintained a strong capital adequacy position above the Board-approved CET1 target range.
- Regulated entities within the Group (including insurance entities and banking subsidiaries in the Rest of Africa) remained adequately capitalised above the minimum RC requirements during the period under review.
- Issuance of R0.2bn bonds qualifying as Tier 2 capital on 4 May 2016, 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 CET1 and Tier 1 capital target ranges remained unchanged from the prior year whilst the lower and upper end of the capital adequacy requirement (CAR) capital target ranges were increased by 50 bps.

Key performance indicators (KPIs)

Group

	YoY trend	30 June 2016 %	30 June 2015 %	31 December 2015 %
Common Equity Tier 1 capital adequacy ratio[1]	▲	**12.1**	11.7	11.9
Return on average RWA	▼	**2.08**	2.16	2.18
Return on average economic capital	▼	**16.4**	18.8	19.0
Cost of Equity[2]	=	**13.75**	13.75	13.75

Absa Bank Limited[3]

	YoY trend	30 June 2016 %	30 June 2015[4] %	31 December 2015[4] %
Common Equity Tier 1 capital adequacy ratio	▲	**10.8**	9.9	10.5
Return on average RWA	▼	**1.87**	1.88	2.03

Future priorities

The Group's strategic focus is to maintain an optimal mix of high-quality capital, while continuing to generate sufficient capital to support profitable 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.

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

Strategy

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

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

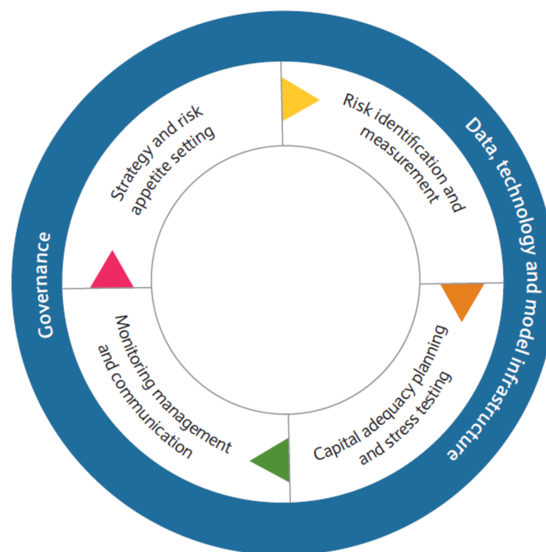
- Maximise shareholder value by optimising the level and mix of capital resources and the utilisation of those resources;
- Meet RC ratios and the Board approved target ranges;
- Maintain an adequate level of capital resources in excess of both RC and EC requirements;
- Increase business and legal entity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

Internal capital adequacy assessment process (ICAAP)

The efficient use of capital and careful deployment of capital resources is fundamental to enhance shareholder value. 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, the ICAAP reflects the level of capital required to be held against identified material risks the Group is, or may become, exposed to as a result of its strategy. 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 RC.

The ICAAP and its key components are embedded at different levels of the Group, ensuring they form an integral part of the Group's strategy and decision-making process.

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



The Group's ICAAP approach is dynamic and relies on robust risk management systems and processes underpinned by data, technology and model infrastructure as well as strong governance.

Strategy and risk appetite setting

The risk appetite statement describes and measures the amount and types of risk that the Group is prepared to take in executing its strategy. Business plans are prepared based on strategy and within the risk appetite approved by the Board.

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

The Group's risk appetite framework impacts:

- Strategy;
- Capital and portfolio management; and
- Day-to-day operations.

The objectives of the risk appetite framework are to:

- assist in protecting the Group's financial performance;
- improve management responsiveness and debate regarding the Group's risk profile;
- assist executive management to improve control and coordination of risk-taking across businesses; and
- assist in the identification of unused risk capacity in pursuit of profitable opportunities.

Risk identification and measurement

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

The Group utilises various thresholds, based on materiality, for specific risk types i.e. each risk type must manage a risk appetite that is recommended by the risk type committee and approved by the Board on an annual basis. The materiality decision framework is designed to ensure that the Group identifies and manages all material risks without exception. The Group holds capital for those material risks for which capital is deemed an effective mitigant.

Capital adequacy planning and stress testing

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

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

Management actions are identified to mitigate risks on a timely basis through early warning indicators (EWIs). Corrective action is taken when early 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; and
- Dividend management: The Board considers dividend payments after careful review of business plans, capital position, growth objectives, and environmental factors.

The capital target ranges, which are derived through the stress testing process, are used in capital allocation, hurdle setting, performance measurement, risk adjusted remuneration, limit monitoring, RWA management and pricing. The results from the most recently conducted stress and scenario testing and budgeting process confirm that the Group's capital levels and capital buffers, both current and forecast (both RC and the Group's internal capital assessment, 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.

Monitoring, management and communication

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

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

As part of the global regulatory reforms, regulators have called on domestic systemically important banks(D-SIBs) to identify the range of potential options available to restore their capital, liquidity and balance sheet positions during times of stress (recovery plans) and to enable an orderly restructure/wind-down (resolution plans). To this effect, the Group has a Board-approved Recovery Plan in place which was developed in line with SARB guidance.

The key objectives of the Group Recovery Plan are to:

- Provide the Group with a range of plausible options to ensure its viability during severe stressed conditions;
- Set consistent and objective EWIs that allow the Group to monitor its capital and liquidity position and identify when BAGL is under stress that could lead to the Group Recovery Plan being invoked;
- Enable the Group to be adequately prepared to respond to stressed conditions in an informed, controlled and effective manner. This will be done through the provision of an early understanding of the execution approach, risks and potential impacts of the recovery options, and will enable the most appropriate options to be selected during a stress; and
- Provide the Group with an understanding of the potential effectiveness of recovery options under varying forms of stress, through determining estimates of the capital, liquidity and balance sheet impacts of the Recovery Options and by assessing their likely effectiveness under a range of scenarios.

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

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

The Group continues to engage with the SARB to finalise the TLAC requirements as part of the Resolution Framework for South Africa.

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.

Notes

[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.

Statutory capital adequacy

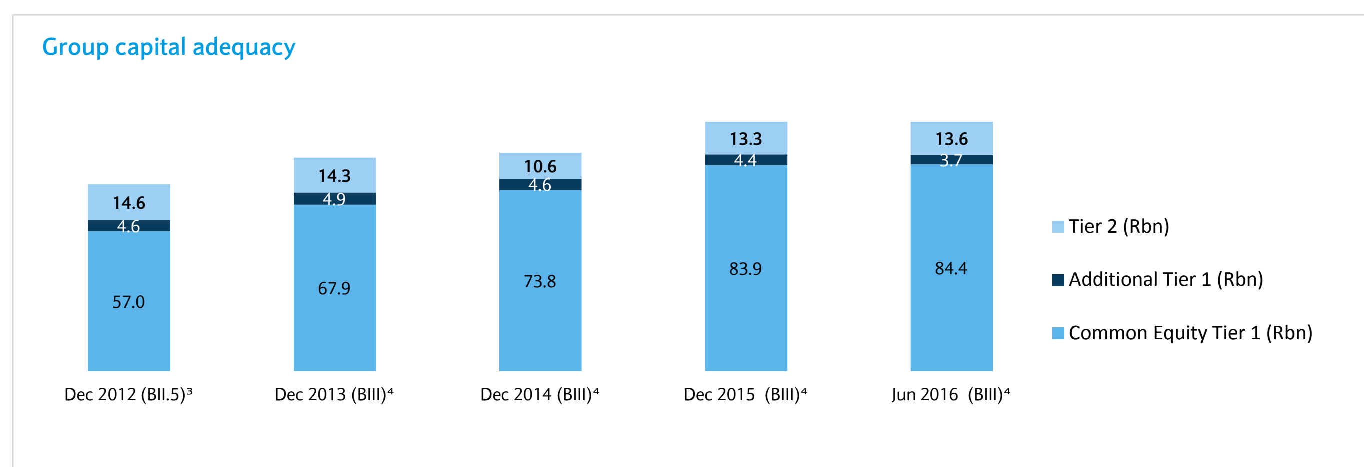
The capital management process in the Group encompasses all regulated entities within the Group (including insurance entities and banking subsidiaries in the Rest of Africa). Appropriate capital buffers, above the minimum regulatory requirements, are held at an entity level. The Group ensures that all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

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

The Group maintained capital ratios in excess of capital risk appetite post the financial crisis.

The Group continued operating within its overall risk appetite post the implementation of Basel III.

Group	Board target ranges %	Minimum regulatory capital requirements[1] %	Trend	30 June 2016	30 June 2015	31 December 2015
Capital adequacy ratios (%)[2]						
Common Equity Tier 1	**9.5 – 11.5**	**6.9**	▲	**12.1**	11.7	11.9
Tier 1	**10.5 – 12.5**	**8.1**	▲	**12.6**	12.3	12.6
Total	**13.0 – 15.0**	**10.4**	▲	**14.6**	14.1	14.5
Capital supply and demand for the reporting period (Rm)						
Net generated equity			▲	**902**	(703)	1 261
Qualifying capital			▲	**101 735**	90 983	101 628
Total RWA			▲	**698 685**	647 472	702 663



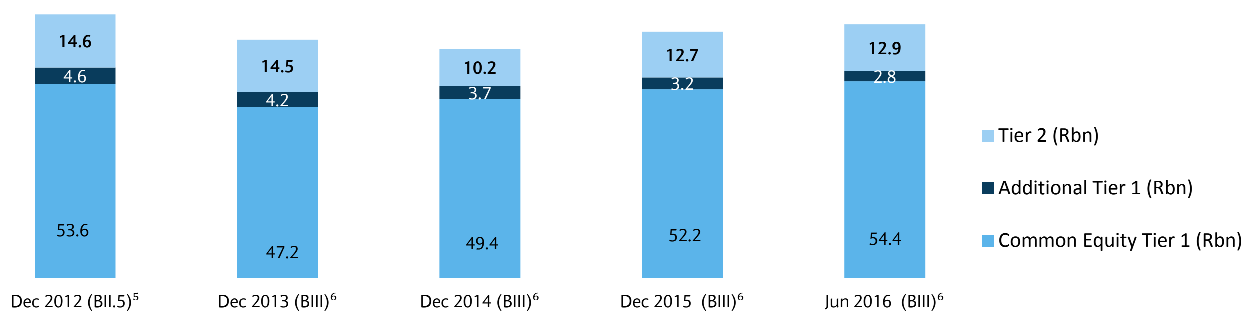
Dec 2012	Dec 2013	Dec 2014	Dec 2015	Jun 2016	
13.0	12.1	11.9	11.9	**12.1**	Common Equity Tier 1 Ratio (%)
17.4	15.5	14.4	14.5	**14.6**	Total Capital Adequacy Ratio (%)

Notes

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

Absa Bank Limited[2]	Board target ranges %	Minimum regulatory capital requirements[1] %	Trend	30 June 2016	30 June 2015[3]	31 December 2015[3]
Capital adequacy ratios (%)[4]						
Common Equity Tier 1	**9.0 – 10.5**	**6.9**	▲	**10.8**	9.9	10.5
Tier 1	**10.0 – 11.5**	**8.1**	▲	**11.4**	10.6	11.2
Total	**12. 5 – 14.0**	**10.4**	▲	**14.0**	12.8	13.8
Capital supply and demand for the reporting period (Rm)						
Net generated equity			▲	**1 693**	(1 730)	(676)
Qualifying capital			▲	**70 091**	61 834	68 084
Total RWA			▲	**501 840**	481 925	494 793

Absa Bank Limited Capital adequacy



Dec 2012 (BII.5)[5]	Dec 2013 (BIII)[6]	Dec 2014 (BIII)[6]	Dec 2015 (BIII)[6]	Jun 2016 (BIII)[6]	
13.5	11.3	10.8	10.5	**10.8**	Common Equity Tier 1 Ratio (%)
18.4	15.8	13.9	13.8	**14.0**	Total Capital Adequacy Ratio (%)

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

Statutory capital adequacy

		30 June						31 December				
		2016			2015			2015			2016 Total target capital adequacy ratio	
Operations	Regulator	Total qualifying capital Rm	Tier 1 ratio %	Total capital adequacy %	Total qualifying capital Rm	Tier 1 ratio %	Total capital adequacy %	Total qualifying capital Rm	Tier 1 ratio %	Total capital adequacy %	Regulatory minimum[1] %	Board Target %
Local entities (South Africa)												
Group	SARB											
Including unappropriated profits		**101 735**	**12.6**	**14.6**	90 983	12.3	14.1	101 628	12.6	14.5		**13.0-15.0**
Excluding unappropriated profits		**96 607**	**11.9**	**13.8**	85 189	11.4	13.2	95 355	11.7	13.6	**10.4**	
Absa Bank [2,3]	SARB											
Including unappropriated profits		**70 091**	**11.4**	**14.0**	61 267	10.7	13.0	68 084	11.2	13.8		**12.5-14.0**
Excluding unappropriated profits		**66 589**	**10.7**	**13.3**	55 632	9.5	11.8	65 717	10.7	13.3	**10.4**	
Foreign banking entities												
Barclays Bank of Mozambique	Banco de Mozambique	**844**	**14.0**	**21.0**	1 159	15.7	23.6	1 225	16.50	24.70	**8.0**	**13.0**
Barclays Bank of Botswana	Bank of Botswana	**2 665**	**15.2**	**20.4**	2 147	17.3	21.8	2 556	15.50	20.40	**15.0**	**17.5**
Barclays Bank of Ghana	Bank of Ghana	**1 776**	**13.4**	**17.7**	1 157	10.8	14.3	2 022	11.20	17.44	**10.0**	**13.0**
Barclays Bank of Kenya	Central Bank of Kenya	**6 256**	**16.2**	**18.3**	4 933	16.3	18.8	6 314	15.78	18.36	**14.5**	**16.5**
Barclays Bank of Mauritius	Bank of Mauritius	**5 322**	**16.6**	**17.3**	4 286	16.8	17.2	5 827	18.23	18.92	**10.0**	**11.6**
National Bank of Commerce	Bank of Tanzania	**1 299**	**14.6**	**16.6**	1 114	14.2	17.2	1 435	14.35	17.03	**12.0**	**13.5**
Barclays Bank of Tanzania	Bank of Tanzania	**327**	**13.6**	**15.6**	310	12.6	14.6	356	12.40	14.40	**12.0**	**14.0**
Barclays Bank of Uganda	Bank of Uganda	**1 432**	**21.3**	**25.6**	872	17.5	20.2	1 239	19.50	22.00	**15.5**	**19.1**
Barclays Bank of Seychelles	Bank of Seychelles	**673**	**23.0**	**26.2**	600	24.0	27.7	625	17.70	24.50	**12.0**	**17.0**
Barclays Bank of Zambia	Bank of Zambia	**1 838**	**19.7**	**26.0**	1 194	16.7	16.7	1 047	13.30	13.30	**10.0**	**12.0**
Insurance entities												
Absa Life Limited	FSB[4]	**1064**		**3.1xCAR[5]**	1 058	n/a	3.1xCAR[5]	1 083	n/a	3.5xCAR[5]	**1.0xCAR[5]**	**2.0xCAR[5]**
Absa Insurance Company Limited	FSB[3]	**1039**		**42.03%xNWP[6]**	1 392	n/a	56.85%xNWP[6]	1 018	n/a	43.5%xNWP[6]	**28.3%xNWP[6]**	**36%xNWP[7]**

Notes

[1] The SARB 2016 minimum regulatory capital requirements of 10.375% include the RSA minimum of 8%, Pillar 2a of 1.75% and capital conservation buffer of 0.625% but excludes the bank-specific individual capital requirement (Pillar 2b add-on) and the D-SIB add-on.
[2] Absa Bank Limited includes subsidiary undertakings, special-purpose entities, joint ventures, associates and offshore holdings.
[3] The 2015 disclosures are restated to reflect Absa Bank Limited.
[4] Financial Services Board.
[5] CAR: Actuarial calculation of VaR on insurance liabilities. 2,0 times (2015: 2,0 times) being the required capital level.
[6] NWP: Net Written Premiums,45% (2015: 45%) of NWP being the required capital level determined by Absa Insurance Company Limited.
[7] NWP: Net Written Premiums - In July 2015 the Board approved an internal required capital target of 36%xNWP for Absa Insurance Company Limited.

Statutory capital adequacy

Statutory capital adequacy

Capital demand

Group	30 June 2016 RWA Rm	30 June 2016 Minimum required capital[1] Rm	30 June 2015 RWA Rm	30 June 2015 Minimum required capital[2] Rm	31 December 2015 RWA Rm	31 December 2015 Minimum required capital[2] Rm
Basel measurement approach						
Credit risk	533 349	55 336	494 407	49 441	539 778	53 978
Portfolios subject to the AIRB approach	355 747	36 909	347 079	34 708	353 052	35 305
Portfolios subject to the standardised approach	150 375	15 602	130 918	13 092	162 161	16 216
Securitisation	454	47	532	53	482	48
Counterparty credit risk	26 773	2 778	15 878	1 588	24 083	2 409
Equity investment risk	10 611	1 101	10 303	1 030	9 574	957
Market-based approach (simple risk-weight approach)						
Market risk	25 160	2 610	23 395	2 340	25 012	2 501
Standardised approach	8 124	843	10 426	1 043	9 232	923
IMA	17 036	1 767	12 969	1 297	15 780	1 578
Operational risk	100 310	10 407	95 883	9 588	98 668	9 867
BIA	4 252	441	3 825	383	4 288	429
TSA	25 864	2 683	20 723	2 072	26 115	2 611
AMA	70 194	7 283	71 335	7 133	68 265	6 827
Other assets	29 255	3 035	23 484	2 348	29 631	2 963
Non-customer assets	23 108	2 397	22 043	2 204	23 428	2 343
Threshold deduction items	6 147	638	1 441	144	6 203	620
	698 685	72 489	647 472	64 747	702 663	70 266
Pillar 1 requirement (8%)		55 895		51 798		56 213
Pillar 2a requirement (1.75 %)		12 227		12 949		14 053
Capital conservation buffer (0.625%)[3]		4 367		-		-

Notes
[1]The 2016 minimum regulatory capital requirements of 10.375% include the RSA minimum of 8%, Pillar 2a of 1.75% and capital conservation buffer of 0.625% but excludes the bank-specific individual capital requirement (Pillar 2b add-on) and the D-SIB add-on.
[2]The 2015 minimum regulatory capital requirements of 10% include the RSA minimum of 8% and Pillar 2a of 2%.
[3]The capital conservation buffer is phased in between 1 January 2016 and 1 January 2019 reaching 2.5% by 1 January 2019.
[4] Restated to reflect Absa Bank Limited.
[5] Absa Bank Limited includes subsidiary undertakings, special-purpose entities, joint ventures, associates and offshore holdings.

	30 June				31 December	
	2016		2015[4]		2015[4]	
Absa Bank Limited[5]	**RWA Rm**	**Minimum required capital[1] Rm**	RWA Rm	Minimum required Capital[2]	RWA Rm	Minimum required capital[2] Rm
Basel measurement approach						
Credit risk	390 721	40 537	371 977	37 198	385 332	38 533
Portfolios subject to the AIRB approach	348 521	36 159	339 428	33 943	344 677	34 468
Portfolios subject to the standardised approach	15 146	1 571	16 474	1 648	16 834	1 683
Securitisation	454	47	532	53	482	48
Counterparty credit risk	26 600	2 760	15 543	1 554	23 339	2 334
Equity investment risk						
Market-based approach (simple risk-weight approach)	3 146	326	5 151	515	3 556	356
Market risk	20 950	2 174	19 476	1 948	20 539	2 054
Standardised approach	3 914	406	6 507	651	4 759	476
IMA	17 036	1 768	12 969	1 297	15 780	1 578
Operational risk	69 859	7 248	70 478	7 048	68 005	6 800
BIA	4 190	435	3 776	378	4 215	421
AMA	65 669	6 813	66 702	6 670	63 790	6 379
Other assets	17 164	1 781	14 843	1 484	17 361	1 736
Non-customer assets	16 472	1 709	14 749	1 475	16 468	1 647
Threshold deduction items	692	72	94	9	893	89
	501 840	52 066	481 925	48 193	494 793	49 479
Pillar 1 requirement (8%)		40 147		38 554		39 583
Pillar 2a requirement (1.75%)		8 782		9 639		9 896
Capital conservation buffer (0.625%)[1]		3 137		-		-

Notes
[1]The Capital conservation buffer is phased in between 1 January 2016 and 1 January 2019 reaching 2.5% by 1 January 2019.

Notes
[1]The 2016 minimum regulatory capital requirements of 10.375% include the RSA minimum of 8%, Pillar 2a of 1.75% and capital conservation buffer of 0.625% but excludes the bank-specific individual capital requirement (Pillar 2b add-on) and the D-SIB add-on.
[2]The 2015 minimum regulatory capital requirements of 10% include the RSA minimum of 8% and Pillar 2a of 2%.
[3]The capital conservation buffer is phased in between 1 January 2016 and 1 January 2019 reaching 2.5% by 1 January 2019.
[4] Restated to reflect Absa Bank Limited.
[5] Absa Bank Limited includes subsidiary undertakings, special-purpose entities, joint ventures, associates and offshore holdings.

Capital supply

The Group's total qualifying capital supply increased by R10.8bn from 30 June 2015 to R101.7bn.

Movements in qualifying capital

	Group			Absa Bank Limited[1]		
	30 June		31 December	30 June		31 December
	2016	2015	2015	**2016**	2015	2015[2]
	Rm	Rm	Rm	**Rm**	Rm	Rm
Balance at the beginning of the reporting period (excluding unappropriated profits)	**95 355**	80 889	80 889	**65 717**	57 232	57 232
Share capital, premium and reserves	**3 218**	3 514	8 713	**2 535**	(1 389)	5 012
Non-controlling interest	**(337)**	136	306	**-**	-	-
Regulatory deductions - CET1	**(1 272)**	334	2 907	**(1 433)**	(365)	1 514
Regulatory changes in Additional Tier 1	**(700)**	(307)	(159)	**(466)**	(464)	(481)
Tier 2 subordinated debt issued	**231**	2 500	4 500	**231**	2 500	4 500
Tier 2 subordinated debt matured	**-**	(2 000)	(2 351)	**-**	(2 000)	(2 000)
Regulatory changes in Tier 2	**48**	121	425	**-**	-	-
General allowances for impairment losses on loans and advances: Standardised Approached - SA	**64**	2	125	**5**	1	(60)
Balance at the end of the reporting period (excluding unappropriated profits)	**96 607**	85 189	95 355	**66 589**	55 515	65 717
Add: unappropriated profits	**5 128**	5 794	6 273	**3 502**	6 319	2 367
Qualifying capital including unappropriated profit	**101 735**	90 983	101 628	**70 091**	61 834	68 084

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

Breakdown of qualifying capital

Group	30 June 2016 Rm	30 June 2016 %[1]	30 June 2015 Rm	30 June 2015 %[1]	31 December 2015 Rm	31 December 2015 %[1]
Common Equity Tier 1	**79 249**	**11.3**	69 698	10.8	77 640	11.0
Ordinary share capital	**1 694**	**0.2**	1 694	0.3	1 691	0.2
Ordinary share premium	**4 412**	**0.6**	4 530	0.7	4 250	0.6
Reserves[2]	**75 621**	**10.8**	67 086	10.4	72 568	10.3
Non-controlling interest	**2 219**	**0.3**	2 386	0.4	2 556	0.4
Deductions	**(4 697)**	**(0.6)**	(5 998)	(1.0)	(3 425)	(0.5)
Goodwill	**(771)**	**(0.1)**	(749)	(0.1)	(783)	(0.1)
Amount by which expected loss exceeds eligible provisions	**(1 082)**	**(0.1)**	(1 443)	(0.3)	(1 176)	(0.2)
Other deductions	**(2 844)**	**(0.4)**	(3 806)	(0.6)	(1 466)	(0.2)
Additional Tier 1 capital	**3 713**	**0.6**	4 265	0.6	4 413	0.7
Tier 1 capital	**82 962**	**11.9**	73 963	11.4	82 053	11.7
Tier 2 capital	**13 645**	**1.9**	11 226	1.8	13 302	1.9
Instruments recognised as Tier 2 capital	**13 039**	**1.9**	10 807	1.7	12 760	1.8
General allowance for impairment losses on loans and advances – standardised approach	**606**	**0.0**	419	0.1	542	0.1
Total qualifying capital (excluding unappropriated profits)	**96 607**	**13.8**	85 189	13.2	95 355	13.6
Qualifying capital (including unappropriated profits)						
Tier 1 capital	**88 090**	**12.6**	79 757	12.3	88 326	12.6
Common Equity Tier 1 (excluding unappropriated profits)	**79 249**	**11.3**	69 698	10.8	77 640	11.0
Unappropriated profits	**5 128**	**0.8**	5 794	0.9	6 273	0.9
Additional Tier 1	**3 713**	**0.5**	4 265	0.6	4 413	0.7
Tier 2 capital	**13 645**	**2.0**	11 226	1.8	13 302	1.9
Total qualifying capital (including unappropriated profits)	**101 735**	**14.6**	90 983	14.1	101 628	14.5

Leverage

Group	30 June 2016	30 June 2015	31 December 2015
Leverage ratio exposure (Rm)	1 336 240	1 206 720	1 318 677
Leverage ratio (excluding unappropriated profit) (%)	6.2	6.1	6.2
Leverage ratio (including unappropriated profit) (%)	6.6	6.6	6.7
Board target leverage ratio (%)	≥4.5	≥4.5	≥4.5
Minimum required leverage ratio (%)	4.0	4.0	4.0

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

Statutory Capital Adequacy

Capital supply

Absa Bank Limited[2]	30 June 2016 Rm	30 June 2016 %[3]	30 June 2015[1] Rm	30 June 2015[1] %[2]	31 December 2015[1] Rm	31 December 2015[1] %[2]
Common Equity Tier 1	**50 908**	**10.1**	41 526	8.6	49 806	10.1
Ordinary share capital	**304**	**0.1**	303	0.1	303	0.1
Ordinary share premium	**22 964**	**4.6**	16 465	3.4	21 455	4.3
Reserves[4]	**31 791**	**6.2**	29 355	6.1	30 766	6.2
Deductions	**(4 151)**	**(0.8)**	(4 597)	(1.0)	(2 718)	(0.5)
Amount by which expected loss exceeds eligible provisions	**(2 162)**	**(0.4)**	(2 302)	(0.5)	(2 095)	(0.4)
Other deductions	**(1 989)**	**(0.4)**	(2 295)	(0.5)	(623)	(0.1)
Additional Tier 1 capital	**2 768**	**0.6**	3 251	0.7	3 234	0.6
Tier 1 capital	**53 676**	**10.7**	44 777	9.3	53 040	10.7
Tier 2 capital	**12 913**	**2.6**	10 738	2.2	12 677	2.6
Instruments recognised as Tier 2 capital	**12 731**	**2.5**	10 500	2.1	12 500	2.5
General allowance for impairment losses on loans and advances – standardised approach	**182**	**0.1**	238	0.1	177	0.1
Total qualifying capital (excluding unappropriated profits)	**66 589**	**13.3**	55 515	11.5	65 717	13.3
Qualifying capital (including unappropriated profits)						
Tier 1 capital	**57 178**	**11.4**	51 096	10.6	55 407	11.2
Common Equity Tier 1 (excluding unappropriated profits)	**50 908**	**10.1**	41 526	8.6	49 806	10.1
Unappropriated profits	**3 502**	**0.7**	6 319	1.3	2 367	0.4
Additional Tier 1	**2 768**	**0.6**	3 251	0.7	3 234	0.7
Tier 2 capital	**12 913**	**2.6**	10 738	2.2	12 677	2.6
Total qualifying capital (including unappropriated profits)	**70 091**	**14.0**	61 834	12.8	68 084	13.8

Leverage

Absa Bank Limited[2]	30 June 2016	30 June 2015[1]	31 December 2015[1]
Leverage ratio exposure (Rm)	**1 148 984**	1 064 899	1 113 924
Leverage ratio (excluding unappropriated profit) (%)	**4.7**	4.2	4.8
Leverage ratio (including unappropriated profit) (%)	**5.0**	4.8	5.0
Board target leverage ratio (%)	**≥4.5**	**≥4.5**	**≥4.5**
Minimum required leverage ratio (%)	**4.0**	4.0	4.0

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

Economic capital adequacy

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

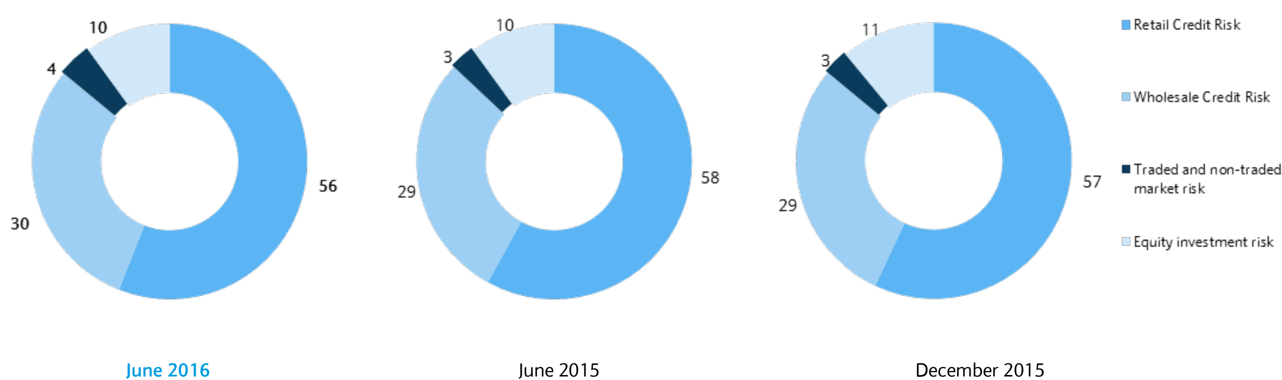
The total EC demand is determined through the use of internal risk assessment models and is compared to the available financial resources to evaluate the level of capital coverage. The Group targets a minimum coverage ratio as part of the monthly management.

Economic capital demand

Group

Economic capital demand[1]	2016 Rm	30 June 2015 Rm	31 December 2015 Rm
Retail Credit Risk	**21 553**	18 259	18 711
Securitisation	**58**	48	47
Wholesale Credit Risk	**40 098**	32 165	33 180
Residual Value Risk	**396**	346	358
Operational Risk	**6 200**	5 911	5 872
Traded Market Risk	**1 896**	1 795	1 878
Non-traded Market Risk	**7 351**	5 623	6 471
Equity Investment Risk	**1 729**	1 867	1 830
Property and Equipment Risk	**6 500**	5 301	5 626
Insurance Risk	**2 681**	1 245	1 224
	88 462	**72 560**	**75 197**

Economic capital demand per segment (%)



Notes
[1] Represents the average required EC

Economic capital supply

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

EC supply includes:

- Ordinary shareholders' equity;
- Retained earnings, whether appropriated or not;
- Non-redeemable, non-cumulative preference shares;
- Non-controlling interests; and
- Other reserves.

The following are excluded from EC available financial resources:

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

The following are deducted from EC supply:

- Goodwill; and
- Intangible assets

Group

Economic capital supply	30 June 2016 Rm	30 June 2015 Rm	31 December 2015 Rm
Ordinary share capital and share premium	**6 106**	6 224	5 941
Preference share capital and share premium	**4 644**	4 644	4 644
Retained earnings	**78 078**	72 399	75 785
Other reserves[1]	**7 482**	5 139	9 438
Non-controlling interest	**4 667**	3 708	4 710
Other deductions	**(3 635)**	(3 095)	(3 772)
	97 040	89 019	96 746
Average capital for the reporting period	**97 343**	**87 977**	**88 902**

Notes
[1] Exclude cash-flow hedge reserve.

Credit ratings

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

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

Risk management process	
Evaluate	o Clearly identifying the objective or objectives being assessed. o 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. o Using appropriate tools for identifying risks such as interviews, surveys, self-assessments, workshops, audit findings, industry benchmarking, review of prior loss events, critical path analysis, and challenging assumptions and dependencies by developing contrary views and positions. o Examining the root causes of identified events and circumstances, the underlying sources of risk, and the cause and effect relationships. o Taking into account the nature and materiality of the objective(s). o Calibrating and measuring the risks in terms of impact, probability, and speed of onset. Use of models must adhere to set principles. o Investigating the relationships and interactions between risks, compounding effects, correlations, concentrations, and aggregations. o Where possible, assessing risks on the basis of inherent and residual risk. o Ranking risks and taking an overall portfolio view of the risks to determine priorities.
Respond	o Complying with all relevant laws and regulations. o Considering focus on the priority risks first. o 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. o Looking for a single response that may mitigate more than one risk, and extend or replicate existing controls if appropriate. o Embedding controls into the business activity/process as far as possible and automating controls where feasible. o Considering any unintended consequences e.g. mitigating actions taken to control one risk could introduce other risks or undermine existing controls. o 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. o Controls must adhere to set principles.

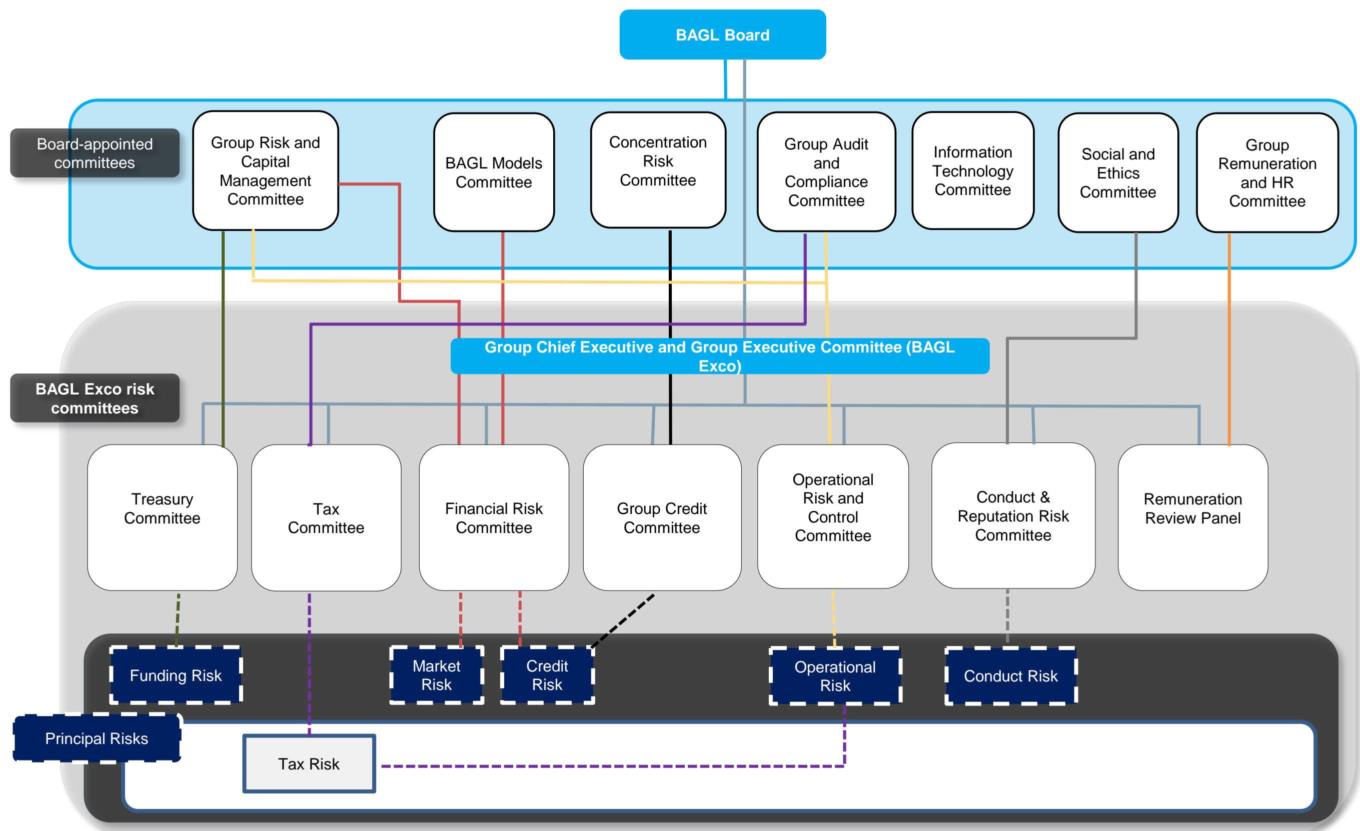
Monitor	o Focusing on progress towards objectives, using KPIs to identify those objectives which require further attention. o Examining the current and evolving risk profile and risk trends, use Key Risk Indicators (KRIs) to examine changes in the risk environment; maintain watch for new risks that might 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. o Ensuring that risks are being maintained within risk appetite, and that risk appetite remains appropriate as circumstances and objectives evolve. o Checking that controls are functioning as intended and remain fit-for-purpose: track performance using Key Control Indicators (KCIs), monitor first line activities to ensure operating within mandates, ensure policies are routinely updated and that standards have been implemented, and that appropriate resources are being deployed. Monitoring includes Assurance, Control testing, and Conformance Reviews. o 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. o 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 regularly reviews and monitors the risk profile against the risk appetite. The GRCMC also approves control frameworks for all principal risks, determines capital and liquidity target ranges and monitors capital and liquidity levels.

The GRCMC meets on a quarterly basis. GRCMC meetings during the reporting period were attended by the GCE, Deputy 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 GRCMC

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

- Recommending the Group's risk appetite to the Board for approval and monitoring the actual risk profile against the Board-approved appetite;
- Assisting the Board in executing its duties with respect to risk and capital management as required by the Banks Act;
- Monitoring risk profiles, including emerging risks, and reporting findings to the Board;
- Monitoring the level of available capital, both current and projected, and reporting to the Board on the adequacy of available capital relative to the Group's emerging risk profile;
- Assessing the Group's risk management approach and practices in light of the global financial crisis;
- Liaising with the GACC to ensure appropriate oversight of key controls and, in turn, considering and acting on concerns raised by the GACC;
- Oversight of risk matters relating to information technology (IT);
- Ensuring the appropriate disclosure of risk and capital management;
- Setting the liquidity risk appetite (LRA) and monitoring the liquidity position over the reporting period;
- Undertaking a number of deep dives on key areas of focus, including impairments, to assess underlying risks further; and
- Review of BAG:'s Recovery Plan and recommendation to the Board for approval.

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

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 GACC(L5)

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

- dealing with any matters referred to it by the GRCMC;
- 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.

Reporting

The ERMF groups together Credit Risk, Market Risk, and Funding Risk under the collective title of 'Financial Risk'. The ongoing monitoring and reporting of Financial Risk is a key component of the ERMF. The Financial Risk Committee (FRC) is the executive body responsible for the oversight and challenge of the Financial Risks. The FRC presents relevant risk profile information to the GRCMC and GACC. The FRC is chaired by the GCRO. In addition, business units have FRCs which monitor the management and control of Financial Risks. In-country governance and risk committees are aligned to the requirements of FRC and the over-arching principles of the ERMF.

The ERMF includes the following Principal and Key Risks.

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

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

Credit risk management

Credit risk is the risk of financial loss should the Group's customers, clients or market counterparties fail to fulfil their contractual obligations. The Group actively seeks to originate and manage credit risk in such a way as to achieve sustainable asset growth and risk-adjusted returns in line with Board-approved risk appetite.

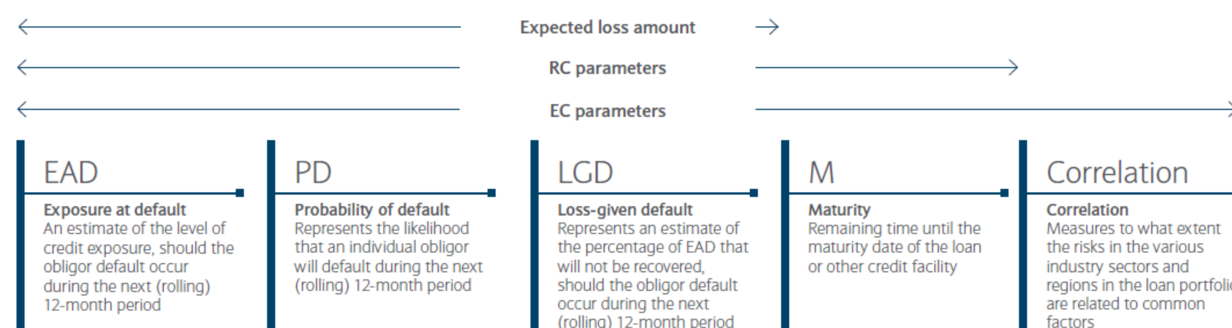
Strategy

The Group's credit risk objectives are:

- supporting the achievement of sustainable 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;
- 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 RC, EC and impairment requirements. The key credit parameters used in this process are EAD, PD, LGD, maturity (M) and correlation.



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

- PD estimates can be calculated on a through-the-cycle (TTC) basis, reflecting the predicted default frequency in an average 12-month period across the credit cycle, or on a 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.
- 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;
- 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.
- Regulatory models are independently validated on an annual basis and when new models have been developed or changes are made to models.
- Post model adjustments are applied to adjust the outcome of models from the time when a weakness is identified to when it gets corrected.

Credit risk mitigation

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

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

Valuation of collateral

Performing book

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 (i) International Swaps and Derivatives Association (ISDA) master agreements as well as collateral support annexures (CSAs); (ii) International Securities Lending Association (ISLA) Global Master Securities Lending (GMSLA); and (iii) the International Capital Market Association (ICMA) Global Master Repurchase Agreement (GMRA) that provide standardised and commonly accepted processes for managing collateral and margin calls over the lifetime of the transaction.

These agreements may create an obligation on the Group unrelated to the underlying instruments in the event of a credit downgrade of the bank. Only a small number of the Group's agreements make use of such a tiered structure.

Counterparty credit risk

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 high confidence level is used to measure PFE. PFE is used for limit monitoring purposes. For RC and EC purposes, EAD is calculated through:

- the current exposure method (CEM) for over-the-counter (OTC) derivative exposures;
- 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 haircuts;
- netting arrangements in place;
- the collateral placed/received for the transaction, and the collateral agreements that are in place;
- the trade's residual maturity;
- 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.

Credit concentrations

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

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

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

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

Measuring and managing concentrations

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

Exposure to individual counterparties or groups of related counterparties is limited through the setting of maximum exposure guidelines. There is a regulatory requirement that limits designated as large exposures be approved and monitored by a Board-level Risk Committee, in this case, Concentration 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, equity investments in subsidiaries in a country 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 EC 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:

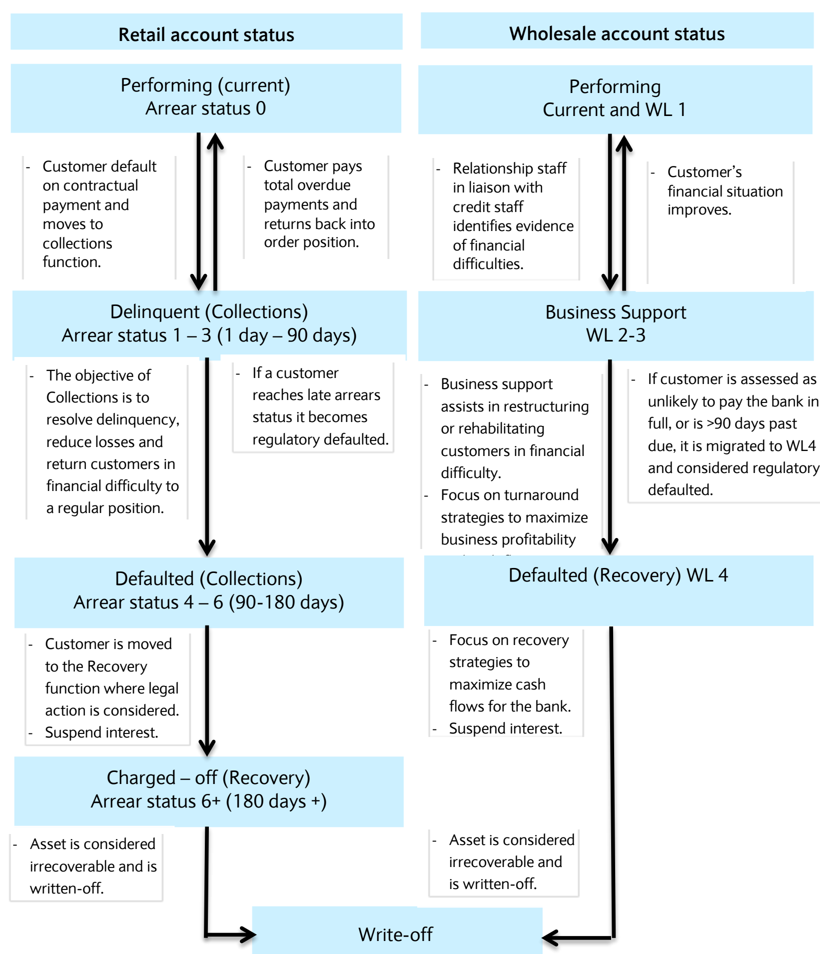
- Specific wrong-way risk, which may arise in transactions with certain structural features, such as the collateralisation of a loan with the borrower's, or a related party's shares;
- General or conjectural wrong-way risk, which may arise where the credit quality of the counterparty is related to the 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 exposures. General wrong-way risk is limited through mandates and scales and PFE limits. Specific wrong-way risk is transaction-specific and must be pre-approved by credit on a case-by-case basis. The first line of defence is principally responsible for identifying specific wrong-way risk transactions. The Group recognises the need to engage in certain transactions that could expose the Group to specific wrong-way risk, such as funding broad-based black economic empowerment (BBBEE) transactions.

Monitoring weaknesses in portfolios

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 a 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.

Within the Retail Banking portfolios 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 restructure programmes to assist customers 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.



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 Group Market Risk Committee (GMRC) and ATC. There are two main types of securitisation:

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

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

As at the current reporting date, the Group's own assets relating to the Home loan portfolio were securitised. The look-through approach is applied for the Home Obligors Mortgage Enhanced Securities Proprietary Limited (Homes securitisation); hence transfer of credit risk does not take place. In addition to credit risk, liquidity and interest rate risk are also considered regularly. The origination of transactions based on other asset classes, such as 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 are 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 GMRC meets monthly to review, challenge and make recommendations concerning the market risk profile, including risk appetite, policies, limits, risk utilisation, RWA and the associated RC, and the effectiveness of the control environment.

The Trading Risk Committee (TRC), ATC and their respective regional 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 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. IRRBB is subjected to equally rigorous measurement and control standards as the trading book, but the associated sensitivities are reported as part of the IRRBB section.

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;
- 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;
- Standardised general & specific risk, as relevant.

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

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

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 RC calculation purposes, respectively. The VaR internal model has been approved by the SARB to calculate the RC for all trading book exposures, including certain banking book exposures. The approval covers general position-risk across the following asset classes: Interest rate, foreign exchange, commodity, equity and traded credit products. The issuer-specific risk is currently reported in accordance with the regulatory standardised approach. Additionally, for any new products, which are awaiting regulatory approval, the regulatory standardised approach is used to determine the capital.

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

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

Stress testing

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

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

Standardised risk

Idiosyncratic risks are capitalised through the Basel/regulatory framework using standardised rules. In addition, the standardised rules are used to quantify general risk RC 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 EC or RC, external reporting requirements and business decisions. Standards are set to cover model development, model approval, model monitoring and model validation. Each model owner is responsible for model development, implementation and regular monitoring, whereas the Model Risk function is responsible for policy and control, as well as independent model validation. Every new model is subjected to an inception validation and is approved by the relevant approver. The most material models, including EC and RC models, are approved by the MC.

Risk reporting

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

Market risk management: Non-traded market risk

Interest rate risk in the banking book (IRRBB)

Approach

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

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

Risk management strategies considered include:

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

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

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

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

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

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

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

Risk measurement

The techniques used to measure and control IRRBB include repricing profiles, annual earnings at risk (AEaR), DVaR and tail metrics, economic value of equity (EVE) 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 NII over the next 12 months to a specified shock in interest rates. AEaR is assessed across a range of interest rate scenarios, including parallel and key rate shocks and yield curve twists and inversions as appropriate for each business. AEaR is monitored against approved internal limits.

Daily value at risk

A 1-day VaR (DVaR) calculated at a 95% confidence level for measuring IRRBB is used. The DVaR is monitored against approved internal limits and is used as a complementary metric to AEaR. The DVaR is supplemented by non-DVaR, stress and tail metrics.

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. It 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

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

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

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 LRA set by the local Board. This framework is delivered through a combination of policy formation, review and governance, analysis, stress testing, limit setting and monitoring.

Each geographic entity is required to be self- sustaining from a liquidity and funding perspective and is responsible for implementing appropriate processes and controls to ensure compliance with local 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 LCR 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.

The Group is expected to maintain a healthy liquidity position throughout 2016 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, which is designed to meet the following objectives:

- to maintain liquidity resources that are sufficient in amount and quality and a funding profile that is appropriate to meet the LRA as expressed by the Board;
- to maintain market confidence;
- to set limits to control liquidity risk within and across lines of business and legal entities;
- to price liquidity costs accurately, benefits and risks and incorporate those into product pricing and performance measurement;
- to set 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 (CFP) that is comprehensive and proportionate to the nature, scale and complexity of the business and that is regularly tested to ensure that it is operationally robust.

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

Funding planning

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

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

Stress and scenario testing

Under the Liquidity Framework, the Group has established the 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 CFP, and liquidity recovery and resolution plan. Stress-testing results are also taken into account when setting limits for the management of liquidity risk and the business planning process.

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

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 with a 10% increase each year to 100% on 1 January 2019.

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

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

BAGL and Absa Bank Limited held HQLA in excess of the regulatory minimum requirement. The table below represents the average LCR for the quarter ended 30 June 2016[1]:

	Barclays Africa Group Limited	Absa Bank Limited
High quality liquid assets (Rm)[2]	129 086	118 301
Net cash outflows (Rm)	154 656	140 871
Liquidity coverage Ratio (%)	83.5	84.0
Required liquidity coverage ratio (%)	70.0	70.0

High Quality Liquid Assets

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

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

Absa Bank Limited successfully applied for a committed liquidity facility from the SARB under guidance note 8 of 2014 and 5 of 2015, which is included in HQLA for LCR purposes from January 2016.

Notes

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

[2] Surplus high quality liquid asset holdings in excess of the minimum requirement of 70% have been excluded from the aggregated high quality liquid asset number in the case of all Rest of Africa banking entities.

Contingency funding planning

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

- the roles and responsibilities of senior management in a crisis,
- authorities for invoking the plan,
- communications and organisation,
- an analysis of a realistic range of market-wide and Group specific liquidity stress tests,
- scenario analyses and the extent to which each stress test and scenario can be mitigated by managing the balance sheet.
- The Group maintains a range of EWIs. These assist in informing management on deciding whether the CFP should be invoked. Each operation must adopt and conform to the Group CFP and establish local processes and procedures for managing local liquidity stresses that are consistent with the Group's plan. The CFPs set out the specific requirements to be undertaken locally in a crisis. This could include monetising the liquidity pool, slowing the extension of credit, increasing the tenor of funding and securitising or selling assets. The Group continues to build upon the Recovery 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;
- Embedding a structured and disciplined approach to monitoring and assurance of the operational risk framework and its use in the businesses
- Enhancing controls using automated solutions as far as possible, specifically relating to fraud;
- Strengthening follow-up and recovery actions for unexpected operational risk and boundary events; and
- Continuing the shift from reactive remedial activities to effectively managing and mitigating key operational risks.

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 (KROs).

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

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

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

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

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

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

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

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

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 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 AMA calculation of RC and EC requirements (see following section on Operational Risk Measurement) and are a management tool of the ORMF. The assessment is performed by business management with the KROs providing expert input, review and challenge. The process takes into account the analysis of internal and external loss experience, 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 (OR&CC) is the executive body responsible for the oversight and challenge of operational risk in the Group. The OR&CC presents relevant risk profile information to the GRCMC and GACC. The OR&CC is chaired by the GCRO.

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

Operational risk measurement

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

The potential frequency and severity of losses 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 through inappropriate judgement in the execution of the Group's business activities.

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

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

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;
- 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 CPRF 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 CRCs 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 CPRF 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 (CMRA) and forward looking conduct risk reporting

The Group performs CMRAs to ensure that when developing business models and strategy it fully considers customer/client outcomes and market integrity and identifies the management actions that need to be put in place to avoid customer detriment or damage to market integrity. This consideration includes the analysis of medium term financial plans. Accountable Executives produce quarterly conduct risk reporting. By using the strategy and business model key risk lens, conduct risk reporting is 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 (KIs)

KIs are used to monitor conduct risk against measurable targets. KIs are generally categorised between KRI, KCI or KPI each respectively designed to monitor identified risk exposures, control effectiveness, and other business performance. Prescribed KPIs have been drafted at a high level to allow businesses to identify underlying processes and data relevant to their business' 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.

Analysis of risk exposures

Analysis of risk exposure

Credit risk

Exposure per Basel III approach and asset class

	30 June 2016						30 June 2015	31 December 2015
	Utilised on-statement of financial position exposure	Off-statement of financial position exposure)	Repurchase and resale agreements	OTC derivative instru-ments	Total credit exposure	EAD	EAD	EAD
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
AIRB approach								
Banks	45 574	14 741	21 439	66 610	148 364	62 993	56 638	55 575
Corporate exposure	248 418	133 709	14 642	13 406	410 175	313 244	276 469	292 440
Corporate	169 492	105 166	14 642	13 071	302 371	218 847	184 690	201 193
SME Corporate	68 898	26 243	-	119	95 260	83 267	81 351	80 786
Specialised lending - income producing real estate	4 880	1 087	-	-	5 967	5 173	5 045	4 778
Specialised lending - project finance	5 148	1 211	-	216	6 575	5 956	5 383	5 683
Local government and municipalities	3 794	7 349	-	-	11 143	5 494	6 389	7 080
Public sector entities	12 695	7 385	-	4 255	24 335	17 917	10 169	14 017
Retail exposure	354 216	92 952	-	-	447 168	417 071	397 171	400 741
Mortgages (including any home loan equity lines of credit)	224 825	49 712	-	-	274 537	256 712	248 498	249 473
Other	76 421	1 903	-	-	78 324	79 939	76 115	75 316
Unsecured lending≤ 30 000	3 133	256	-	-	3 389	3 399	3 635	3 947
Unsecured lending > 30 000	15 794	283	-	-	16 077	15 939	14 394	16 461
Other	3 264	1 365	-	-	4 629	6 372	1 776	1 669
Vehicle and asset finance	54 229	-	-	-	54 229	54 229	56 310	53 239
Revolving credit	35 880	33 781	-	-	69 661	55 696	50 510	51 120
Credit cards	33 710	30 058	-	-	63 768	48 018	43 134	43 649
Non-credit cards	2 170	3 723	-	-	5 893	7 678	7 376	7 471
SME	17 090	7 555	-	-	24 645	24 723	22 048	24 832
Secured lending	11 007	1 416	-	-	12 423	12 300	8 903	12 472
Unsecured lending	6 083	6 139	-	-	12 222	12 423	13 145	12 360
Securities firms	160	1 433	1 687	7 509	10 789	2 803	1 762	2 892
Sovereigns	74 459	156	-	343	74 958	76 783	60 385	70 934
Standardised approach								
Banks	28 010	647	-	98	28 755	28 576	20 395	33 041
Corporate exposure	46 946	27 166	-	112	74 224	59 304	53 486	63 679
Public sector entities	2 120	250	-	-	2 370	2 267	-	1 094
Retail exposure	46 112	14 321	-	-	60 433	46 287	43 134	49 636
Mortgages (including any home loan equity lines of credit)	7 232	37	-	-	7 269	7 172	5 714	7 248
Other	26 651	14	-	-	26 665	25 825	22 895	27 729
Revolving credit	11 426	14 264	-	-	25 690	12 534	13 923	13 850
Credit cards	11 426	14 264	-	-	25 690	12 534	11 720	13 850
Non credit cards	-	-	-	-	-	-	2 203	-
SME	803	6	-	-	809	756	602	809
Sovereigns	37 085	189	-	-	37 274	37 088	30 305	43 507
Total	899 589	300 297	37 768	92 332	1 329 986	1 069 826	956 303	1 034 636

RWA and minimum required capital

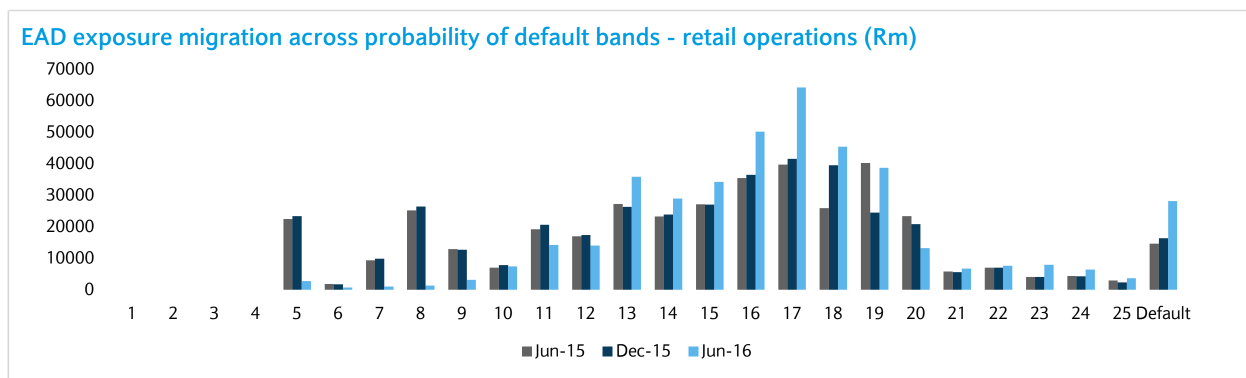
Group	30 June 2016 RWAs Rm	30 June 2016 Required capital Rm	30 June 2015 RWAs Rm	30 June 2015 Required capital Rm	31 December 2015 RWAs Rm	31 December 2015 Required capital Rm
Banks	**19 438**	**2 017**	16 111	1 611	19 892	1 989
Corporate exposure	**177 182**	**18 382**	168 340	16 834	171 281	17 128
Corporate	110 616	11 476	104 093	10 409	105 052	10 505
SME Corporate	60 238	6 250	59 064	5 906	58 427	5 843
Specialised lending – income producing real estate	2 624	272	2 853	285	2 404	240
Specialised lending – project finance	3 704	384	2 330	233	5 398	540
Local governments and municipalities	**623**	**65**	813	81	823	82
Public sector entities	**7 358**	**763**	2 944	294	3 849	385
Retail exposure	**169 265**[1]	**17 563**	151 465	15 147	153 156	15 315
Mortgages (incl. home equity line of credit)	**64 913**	**6 735**	51 571	5 157	52 673	5 267
Other	**60 011**	**6 227**	54 746	5 475	54 484	5 448
Unsecured lending ≤30 000	3 437	357	3 599	360	3 755	375
Unsecured lending >30 000	17 983	1 866	14 713	1 471	16 902	1 690
Other - other	2 418	251	1 923	192	1 809	181
Vehicle and asset finance	36 173	3 753	34 511	3 451	32 018	3 202
Revolving credit	**30 800**	**3 196**	33 267	3 327	32 493	3 250
Credit cards	28 308	2 937	30 787	3 079	30 046	3 005
Non-credit cards	2 492	259	2 480	248	2 447	245
SME	**13 541**	**1 405**	11 881	1 188	13 506	1 350
Secured lending	5 051	524	3 206	321	5 085	508
Unsecured lending	8 490	881	8 675	868	8 421	842
Securities firms	**2 543**	**264**	795	80	2 643	264
Sovereign	**5 897**	**612**	4 160	416	3 953	395
Securitisation	**454**	**47**	532	53	482	48
Standardised approach	155 800	16 164	122 411	12 241	154 252	15 425
Total	**538 560**	**55 875**	467 571	46 757	510 331	51 031

Notes
[1] .The RWA increase reported for Retail exposure is due to the new PD, EAD and LGD models implemented in H1 2016. Important to note is that post model adjustment (PMAs) providing for the increased RWA were in place from 2015, although not reported in the table above. New model implementation did not increase capital demand in H1 2016 as these were already accounted for via the mentioned post model adjustments.

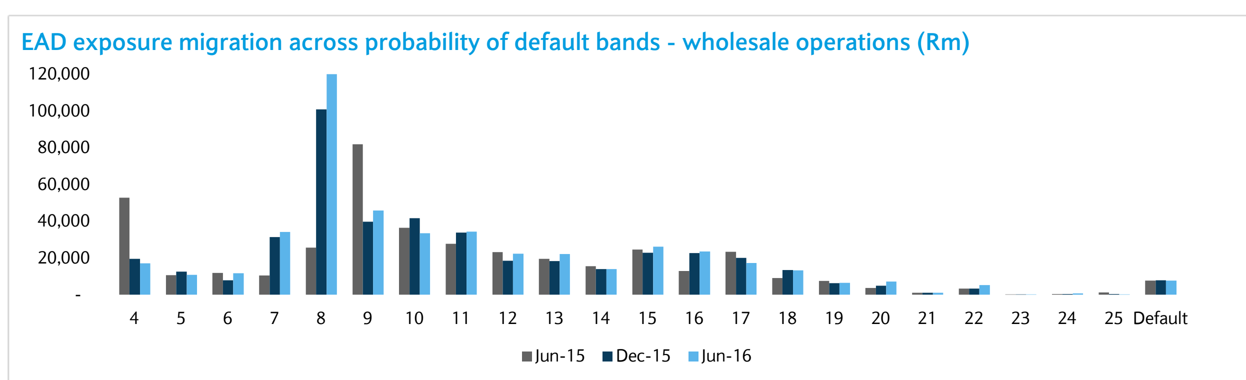
Indicative mapping of DG to PD band, alphanumeric agency grades and regulatory bands

Barclays PD/DG Scale			External rating equivalent		SARB regulatory PD Scale			Rating Bucket	
	Min	Max	S&P	Moody's		Min	Max		
DG1	0.00%	0.02%	AAA	Aaa	1	0.00%	0.012%	AAA	Investment Grade
					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					
DG10	0.40%	0.50%	BB+	Baa3/Ba1	12	0.381%	0.538%	BB	Non-Investment Grade
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 SARB regulatory PD scale.



EAD weighted average PD (performing): June 2016: 3.98% (June 2015: 3.24%). During the reporting period, new PD models were implemented across all Retail products resulting in the reported movements in the performing risk grades in the graph above. Defaulted exposures increased due to the new regulatory requirement to classify distressed restructures as regulatory default.



EAD weighted average PD (performing): June 2016: 1.01% (June 2015: 1.09%). The distribution of exposures across default bands within the wholesale credit portfolio remained consistent. EAD weighted average PD (performing) improved due to increased Sovereign exposures.

Analysis of risk

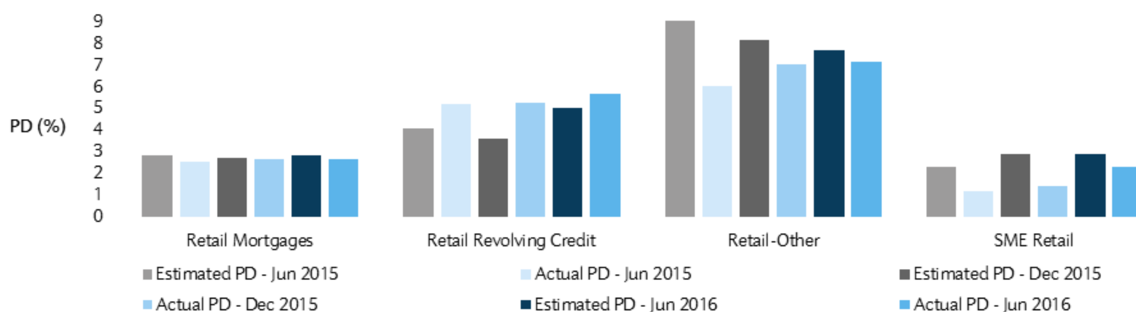
The principal objective of credit risk measurement is to produce the most accurate possible quantitative assessment of credit risk to which the Group is exposed from the level of individual facilities up to total portfolio. Integral to this is the calculation of internal ratings that are used in numerous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

- PD
- EAD
- LGD and
- Maturity

Comparison of PD estimates with actual default rate

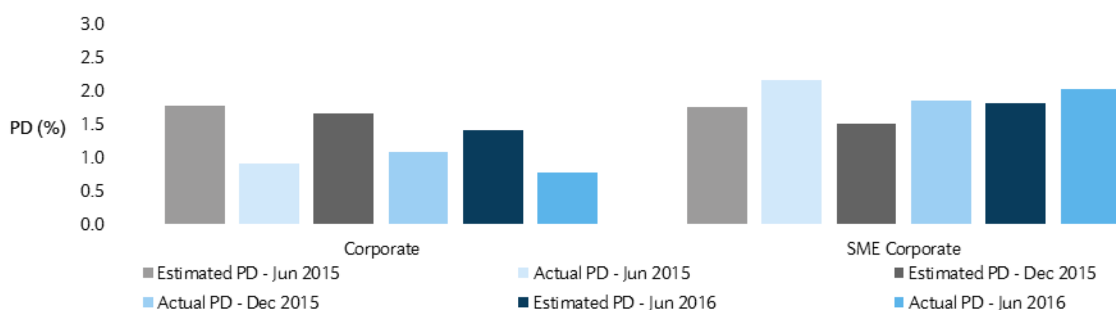
The objective of PD back testing is to compare the accuracy of the PD estimates for regulatory purposes with actual default data. For RC a TTC PD is used. However in order to test the performance of the PD models, for each retail and wholesale Basel III asset class, the PIT PD at the previous reporting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



Implementation of new PD models across all retail products have resulted in more accurate model estimation. 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 (%)

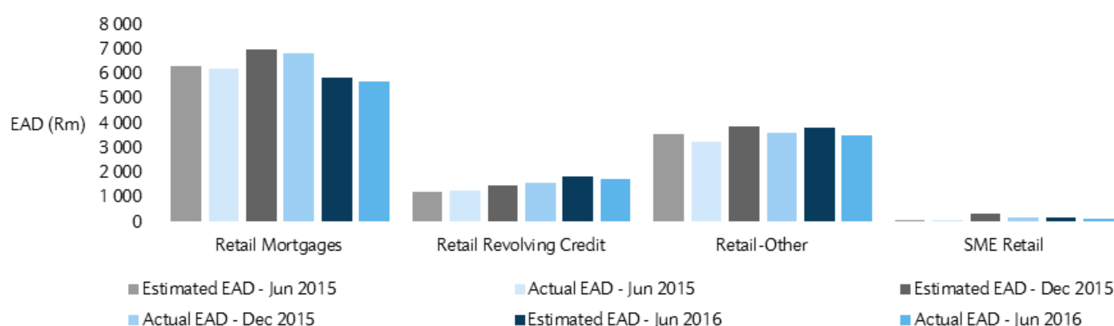


Back testing indicates that the Corporate PD model estimates remain conservative. SME Corporate model under estimation decreased due to marginal increase in the year on year model estimates while the actual default rate improved.

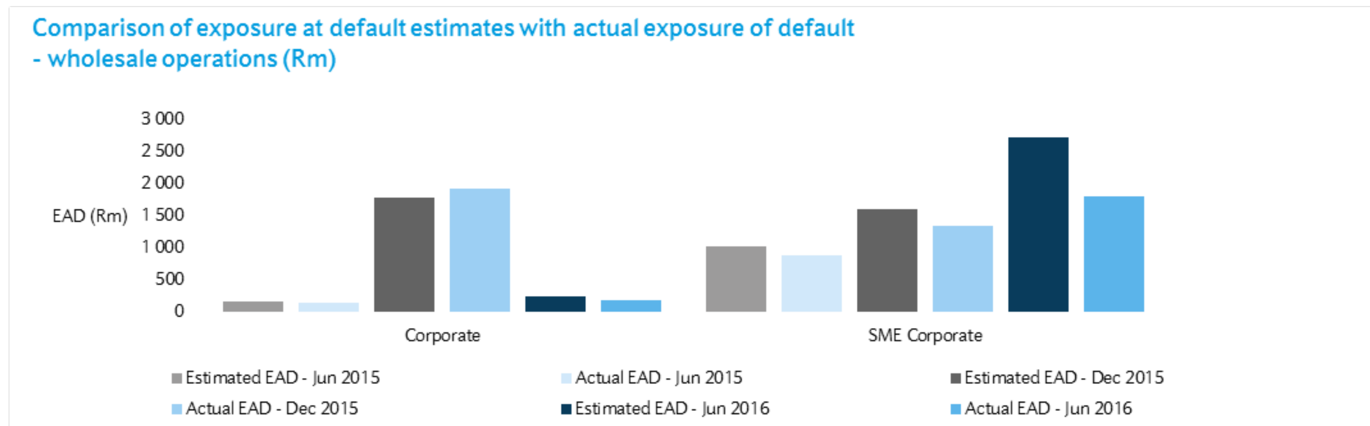
Comparison of EAD with actual EAD (L4

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)

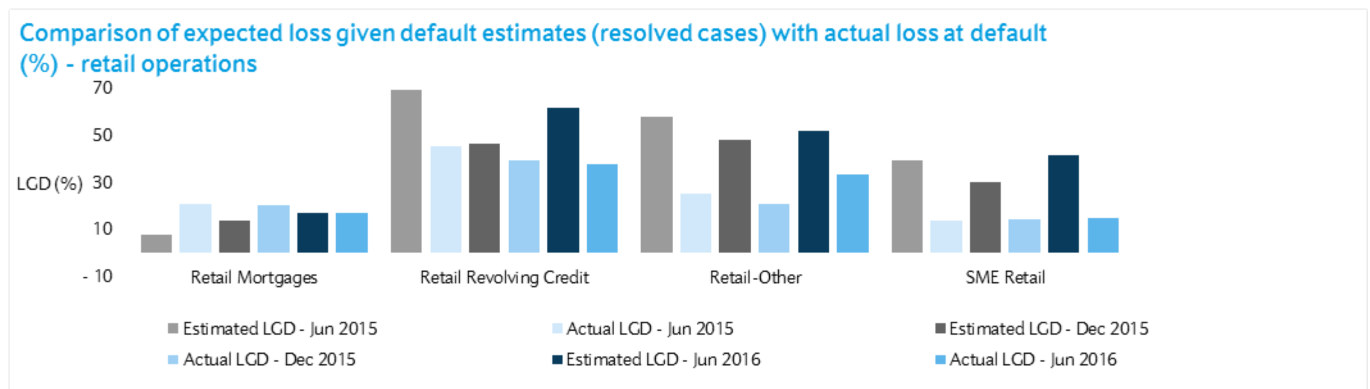


Across asset classes the level of accuracy of the EAD estimates align well to actual EAD. There is some overestimation evident with the main driver in these instances being the flooring of the estimated EAD at the balance at the time of conducting the estimate. New EAD models have been implemented across all Retail products during the reporting period.

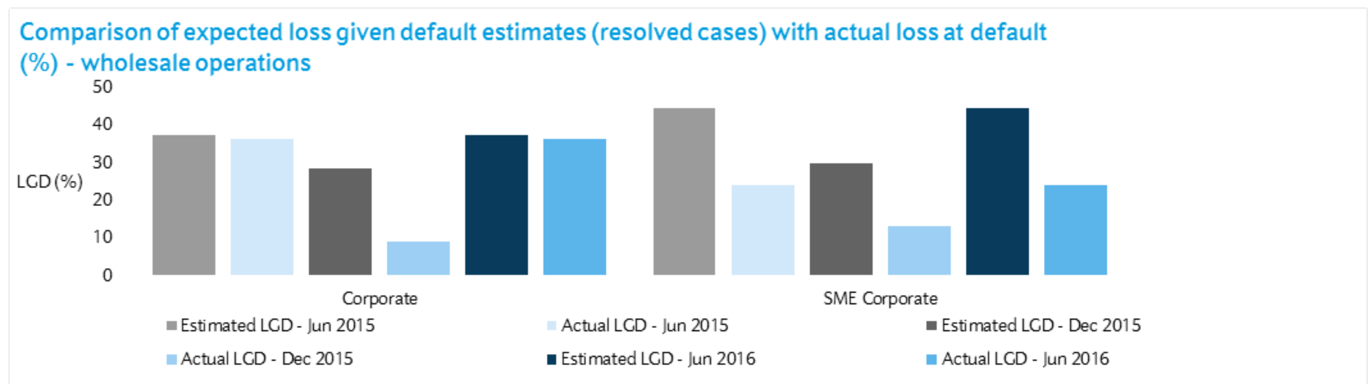


Comparison of loss given default estimates with actual loss given default

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.



The results of this analysis are dependent on the nature of the workouts during the period. . 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 have been implemented fors the Retail portfolio.



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

Credit risk mitigation

	30 June 2016						30 June 2015	31 December 2015
	Original credit and counter-party exposure Rm	Effects of netting agree-ments Rm	Net expo-sure after netting and redistribu-tion effects Rm	Eligible financial collateral Rm	Other eligible IRB collateral Rm	Credit risk mitigation affecting LGD estimates Rm	Credit risk mitigation affecting LGD estimates Rm	Credit risk mitigation affecting LGD estimates Rm
AIRB approach								
Banks	118 537	33 848	84 689	2 894	-	2 894	13 826	3 906
Corporate exposure	408 947	3 116	405 831	38 313	60 070	98 382	89 014	97 319
Corporate	301 251	3 115	298 136	25 660	7 044	32 703	27 489	28 780
SME Corporate	95 196	-	95 196	12 653	47 197	59 850	54 313	60 528
Specialised lending – income producing real estate	5 968	-	5 968	-	5 829	5 829	7 212	8 011
Specialised lending – project finance	6 531	1	6 530	-	-	-	-	-
Local governments and municipalities	10 681	-	10 681	-	90	90	95	94
Public sector entities	22 904	1 261	21 643	75	18	92	21	82
Retail	446 714	-	446 714	3 317	634 282	637 598	651 606	671 143
Mortgages (including home equity lines of credit)	274 537	-	274 537	-	567 427	567 427	586 063	598 124
Other	78 395	-	78 395	-	60 027	60 027	56 742	62 673
Unsecured lending ≤ 30 000	3 389	-	3 389	-	-	-	4	-
Unsecured lending > 30 000	16 096	-	16 096	-	-	-	164	-
Other	4 629	-	4 629	-	-	-	-	-
Vehicle and asset finance	54 281	-	54 281	-	60 027	60 027	56 574	62 673
SME	24 068	-	24 068	1 590	6 828	8 417	7 531	8 612
Secured lending	12 421	-	12 421	1 512	6 828	8 339	4 655	8 527
Unsecured lending	11 647	-	11 647	78	-	78	2 876	85
Revolving credit	69 714	-	69 714	1 727	-	1 727	1 270	1 734
Credit cards	63 798	-	63 798	-	-	-	-	-
Non-credit cards	5 916	-	5 916	1 727	-	1 727	1 270	1 734
Securities firms	6 209	2 164	4 045	1 089	-	1 089	357	1 368
Sovereign	74 901	-	74 901	-	-	-	-	-
	1 088 893	40 389	1 048 504	45 688	694 460	740 145	754 919	773 912

Derivative exposures

Credit derivatives

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

Exposure by instrument bought or sold

	30 June 2016				30 June 2015				31 December 2015			
	Intermediation portfolio				Intermediation portfolio				Intermediation portfolio			
	As protection buyer		As protection seller		As protection buyer		As protection seller		As protection buyer		As protection seller	
	Banking	Trading	Banking	Trading	Banking	Trading	Banking	Trading	Banking	Trading	Banking	Trading
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Credit derivative product type												
Credit-default swaps	75	451	14 601	14 518	11 324	7 293	6 947	12 085	12 099	13 798	2 335	19 016
Other	-	-	-	-	1 837	57	-	4 213	1 783	-	1,844	5 473
Total notional exposure to Credit derivative transactions	75	451	14 601	14 518	13 161	7 350	6 947	16 298	13 882	13 798	4 179	24 489

Derivatives exposure breakdown

Exposure by derivative underlying

	30 June 2016						
	Gross positive fair value Rm	Current netting benefits Rm	Current exposure Rm	Expected positive exposure (CEM) Rm	Expected positive exposure netting (CEM) Rm	Exposure at default Rm	Notional value Rm
Commodities	194	107	87	250	153	211	10 165
Credit derivatives	930	560	43	1 120	529	328	29 645
Equity derivatives	1 560	1 264	151	2 967	1 654	1 599	640 201
Foreign exchange derivatives	45 111	34 903	10 142	21 352	10 060	16 015	1 041 340
Interest rate derivatives	85 950	15 210	4 042	12 201	6 550	8 108	4 272 486
	133 744	52 043	14 466	37 891	18 946	26 261	5 993 838

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

	31 December 2015						
	Gross positive fair value Rm	Current netting benefits Rm	Current exposure Rm	Expected positive exposure (CEM) Rm	Expected positive exposure netting (CEM) Rm	Exposure at default Rm	Notional value Rm
Commodities	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
	107 962	85 803	21 731	39 384	20 413	29 468	5 217 772

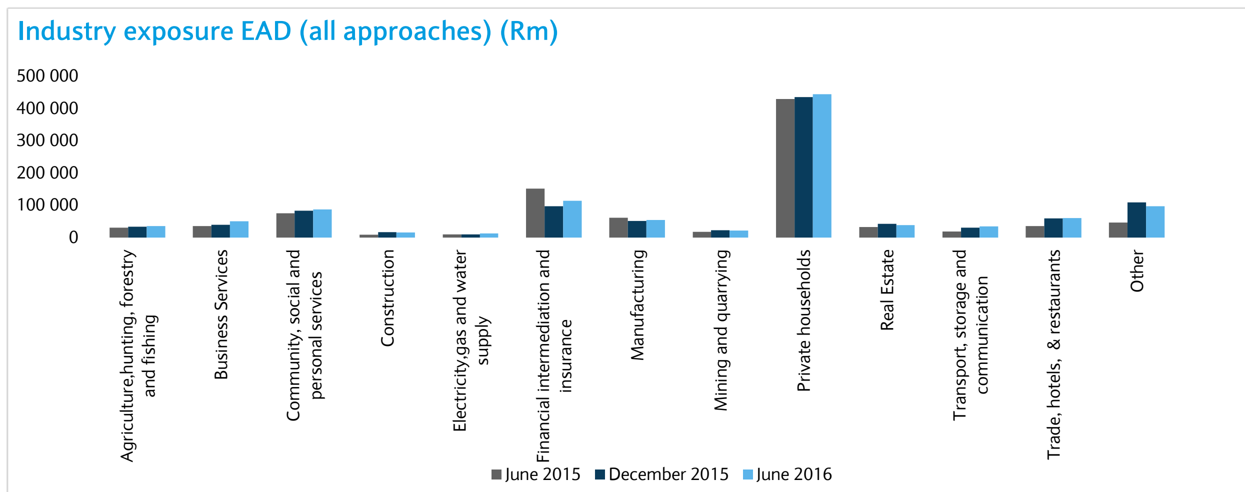
Residual contractual maturity of exposures

	30 June 2016 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	**39 278**	**32 951**	**19 340**	**-**	**91 569**
Corporate exposure	**4 083**	**135 049**	**189 676**	**43 740**	**372 548**
Corporate	3 269	100 866	153 133	15 869	273 137
SME Corporate	723	31 757	33 600	22 200	88 280
Specialised lending - income producing real estate	91	201	2 060	2 822	5 174
Specialised lending - project finance	-	2 225	883	2 849	5 957
Local governments and municipalities	**-**	**2 160**	**1 085**	**2 249**	**5 494**
Public sector entities	**-**	**6 474**	**7 004**	**6 705**	**20 183**
Retail exposures	**103 856**	**9 410**	**116 227**	**233 866**	**463 359**
Mortgages (including any home loan equity line of credit)	**34 538**	**1 360**	**7 943**	**220 043**	**263 884**
Other	**6 895**	**3 501**	**86 635**	**8 733**	**105 764**
Unsecured lending ≤ 30 000	297	402	1 637	1 064	3 400
Unsecured lending > 30 000	931	732	6 790	7 492	15 945
Other	3 980	640	1 574	177	6 371
Vehicle and asset finance	1 687	1 727	76 634	-	80 048
Revolving credit	**53 145**	**124**	**14 959**	**3**	**68 231**
Credit cards	45 621	-	14 931	-	60 552
Non credit cards	7 524	124	28	3	7 679
SME	**9 278**	**4 425**	**6 690**	**5 087**	**25 480**
Secured lending	110	2 422	5 345	4 424	12 301
Unsecured lending	9 168	2 003	1 345	663	13 179
Securities firms	**329**	**981**	**1 085**	**407**	**2 802**
Sovereigns	**11 760**	**15 609**	**50 465**	**36 036**	**113 870**
	159 306	**202 634**	**384 882**	**323 003**	**1 069 825**

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

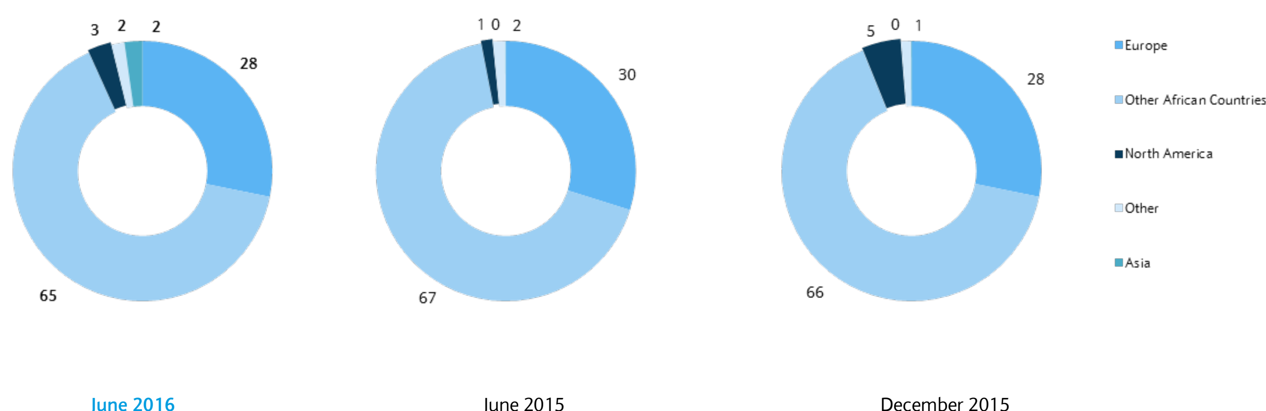
	31 December 2015				
	EAD				
	Current to 6 months Rm	6 months to 1 year Rm	1 year to 5 years Rm	More than 5 years Rm	Total Rm
Banks	39 044	27 445	19 818	2 309	88 616
Corporate exposure	3 105	126 096	186 765	40 154	356 118
Corporate	2 235	93 156	152 866	13 472	261 729
SME Corporate	674	30 487	30 903	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
Sovereign	12 083	10 494	60 970	30 894	114 441
Total	159 796	182 964	384 951	306 922	1 034 635

Breakdown of exposure per industry



Breakdown of exposure per geography

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



June 2016 June 2015 December 2015

Breakdown of gross exposure by geographical area

30 June 2016

	Asia Rm	Europe[1] Rm	North America Rm	Other African Countries Rm	Other Rm	South Africa Rm	South America Rm	Total Rm
AIRB approach	6 731	84 946	8 920	17 031	4 832	1 004 307	163	1 126 930
Standardised approach	-	-	-	180 156	-	22 900	-	203 056
	6 731	84 946	8 920	197 187	4 832	1 027 207	163	1 329 986

30 June 2015

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

31 December 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

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

Securitisation

The Group's securitisation activities

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

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

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

Roles played by the Group in securitisation schemes

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

Portfolio securitised

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

		30 June		31 December
	ECAI	2016 Amount securitised Rm	2015 Amount securitised Rm	2015 Amount securitised Rm
Mortgage advances	Moody's and Standard and Poor's	3 020	3 868	3 061

Investment Grades Notes Issued reduced due to notes that were repurchased. No securitised assets existed at the reporting date which related to instalment finance. The Group originated securitisation transactions performed according to expectations and no triggers were breached.

Outstanding securitisation balances

	30 June		31 December
IRB exposure	**2016 Rm**	2015 Rm	2015 Rm
On-statement of financial position			
Retail - mortgages	3 020	3 454	3 061
Total IRB exposures	**3 020**	3 454	3 061
Of which notes issued			
Investment grade	0.66	1 788	436
Sub-investment grade[1]	0	0	0

Notes
[1] BBB and below.

Originator	30 June 2016 Amount securitised originator Rm	30 June 2016 Past due originator Rm	30 June 2015 Amount securitised originator Rm	30 June 2015 Past due originator Rm	31 December 2015 Amount securitised originator Rm	31 December 2015 Past due originator Rm
Mortgage advances[1]	3 433	20	3 433	20	3 061	93

Retained or purchased securitisation exposures per asset class

Exposure type - Retail	30 June 2016 Retained Rm	30 June 2016 Purchased Rm	30 June 2016 Total Rm	30 June 2015 Retained Rm	30 June 2015 Purchased Rm	30 June 2015 Total Rm	31 December 2015 Retained Rm	31 December 2015 Purchased Rm	31 December 2015 Total Rm
Mortgages	3 020	-	3 020	-	-	-	3 061	-	3 061
Other	-	-	-	-	-	-	-	-	-
	3 020	-	3 020	-	-	-	3 061	-	3 061

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

Risk-weighted band (%)	30 June 2016 Retained Rm	30 June 2016 Purchased Rm	30 June 2015 Retained Rm	30 June 2015 Purchased Rm	31 December 2015 Retained Rm	31 December 2015 Purchased Rm
11 – 19	3 562	-	-	-	3 061	-
20 – 49	0.66	-	-	-	436	-
50 – 75	-	-	-	-	-	-
250	-	-	-	-	-	-
1 250 or deducted	-	-	-	-	-	-
	3 563	-	-	-	3 498	-

Rated securitised exposures (Ratings based approach)

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

Exposures	30 June 2016 Total senior exposure rated BBB or better Rm	30 June 2016 Total base risk weight exposure rated BBB or better Rm	30 June 2016 Total exposure rated BBB or below Rm	30 June 2015 Total senior exposure rated BBB or better Rm	30 June 2015 Total base risk weight exposure rated BBB or better Rm	30 June 2015 Total exposure rated BBB or below Rm	31 December 2015 Total senior exposure rated BBB or better Rm	31 December 2015 Total base risk weight exposure rated BBB or better Rm	31 December 2015 Total exposure rated BBB or below Rm
Instalments sales and leasing	-	-	-	39	-	-			
Mortgages	-	-	-	414	21	-	-		
Other	543	-	543	-	-	-	436		
	543	-	543	453	21	-	436		

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

Retail RWA and capital deductions (Look-Through approach)

	30 June				31 December	
	2016		2015		2015	
	RWAs	Required capital	RWAs	Required capital	RWAs	Required capital
Exposures - Retail	Rm	Rm	Rm	Rm	Rm	Rm
Instalment sales and leasing	-	-	-	-	-	-
Mortgages	384	31	437	35	390	31
Other			-	-		
	384	31	437	35	390	31

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 315m (2015: R3 178m). Of the R3 315m investment exposure at the reporting date, R2 584m is held for capital gains purposes and the remainder for strategic and other purposes.

	30 June		31 December
	2016	2015	2015
Equity investments in the banking book	Rm	Rm	Rm
Statement of financial position	3315	3 322	3178
Exchange traded investments, associates and joint ventures	175	251	184
Privately held traded investments, associates and joint ventures	3 140	3 070	2 994
Fair value of exchange traded investments, associates and joint ventures	175	251	184
RWA	11 785	10 416	10 868
Exchange traded investments, associates and joint ventures	446	553	473
Privately held traded investments, associates and joint ventures	11 339	9 863	10 396
Economic capital	1 742	1 768	1 696
Exchange traded investments, associates and joint ventures	142	209	149
Privately held traded investments, associates and joint ventures	1 600	1 559	1 547

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

Realised and unrealised gains on equity investments	30 June 2016 Rm	30 June 2015 Rm	31 December 2015 Rm
Cumulative realised gains/(losses) arising from sales and liquidations	1	49	82
Total unrealised gains/(losses) recognised directly in the statement of financial position	(160)	1	(184)

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 TSA, 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, decreased to R21.8m for the first half 2016, which is down 6% compared to R23,2m for the full 2015 financial year. This was driven mainly by active risk management against increased market volatility continued through the first half of the year which impacted foreign exchange, interest rate, inflation 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

	30 June								31 December			
	2016				2015				2015			
	Average Rm	High[1] Rm	Low[1] Rm	At the reporting date Rm	Average Rm	High[1] Rm	Low[1] Rm	At the reporting date Rm	Average Rm	High[1] Rm	Low[1] Rm	At the reporting date Rm
Interest rate risk	21.73	37.46	15.83	17.99	19.24	33.61	13.42	14.54	20.41	33.61	13.36	23.95
Foreign exchange risk	7.82	19.69	2.85	6.83	6.33	18.01	2.69	3.85	6.54	24.26	1.83	5.86
Equity risk	6.00	20.25	2.82	4.89	7.14	14.46	2.90	8.00	6.23	14.46	1.97	4.92
Commodity risk	0.37	1.24	0.02	0.08	0.57	1.76	0.18	0.22	0.59	1.76	0.07	0.14
Inflation risk	14.78	32.59	5.44	8.77	7.20	12.37	3.14	7.07	9.49	24.75	3.14	15.81
Credit spread risk	9.55	16.47	6.43	6.43	9.69	13.69	7.27	11.82	10.94	15.79	7.27	15.77
Diversification effect	(38.45)	n/a	n/a	(24.44)	(25.98)	n/a	n/a	(23.36)	(31.00)	n/a	n/a	(36.75)
Total DVaR[2]	21.81	37.02	15.03	20.55	24.19	39.65	18.45	22.14	23.19	39.65	16.98	29.71
Expected shortfall	33.33	21.02	55.29	32.87	46.02	26.75	80.40	49.21	35.52	24.58	61.85	50.30
Regulatory VaR[3]	38.19	60.66	23.91	36.50	41.01	81.15	26.67	37.25	39.61	81.15	26.14	47.76
Regulatory sVaR[3]	81.59	144.51	60.34	79.46	56.64	91.95	31.36	56.95	62.79	125.17	31.36	89.97

The following graph indicates the daily history of the trading book DVaR, along with the period averages, highs and lows. The average decreased risk trend in H1 2016 is evident, as low levels of risk were maintained for the reporting period. However, despite the actively managed risk position, increased market volatility in the first half of the year,

Notes

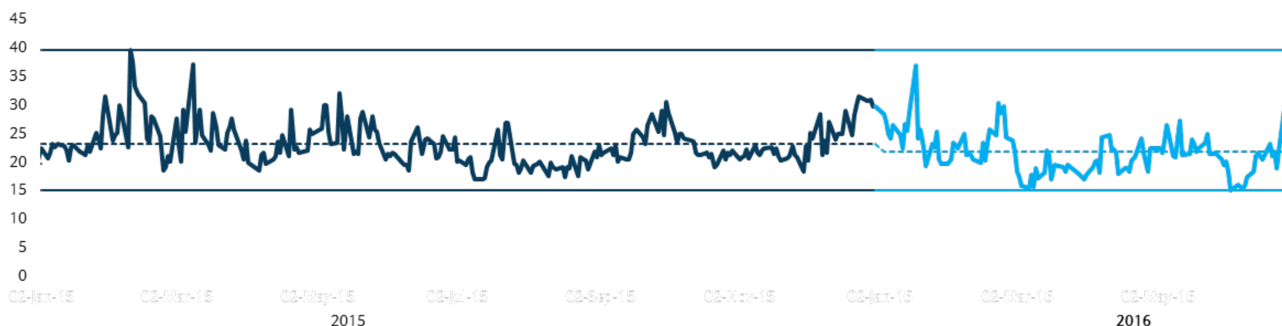
[1] The high and low DVaR figures reported for each category did not necessarily occur on the same day as the high (and low) total DVaR. Consequently, a diversification effect number for the high (and low) DVaR figures would not be meaningful and is therefore omitted.

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

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

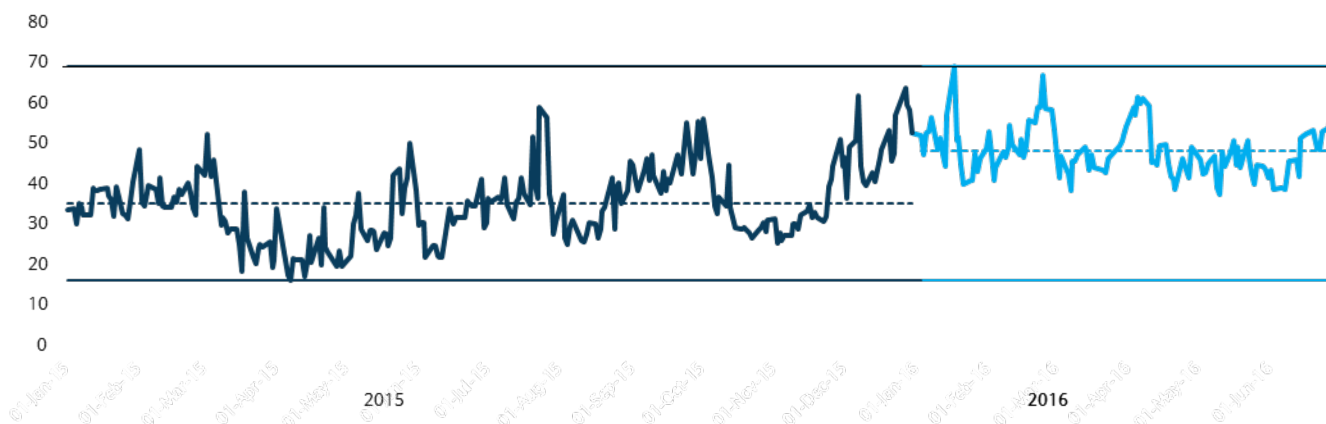
notable market events resulted in increased risk periods primarily driven by interest rate, foreign exchange, credit and equity profiles.

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. There was an increase in the first half of 2016, driven by temporary foreign exchange positions as well as increases in interest rate positions which were actively risk managed, with sVaR being more sensitive to curve profiles than overall positions.

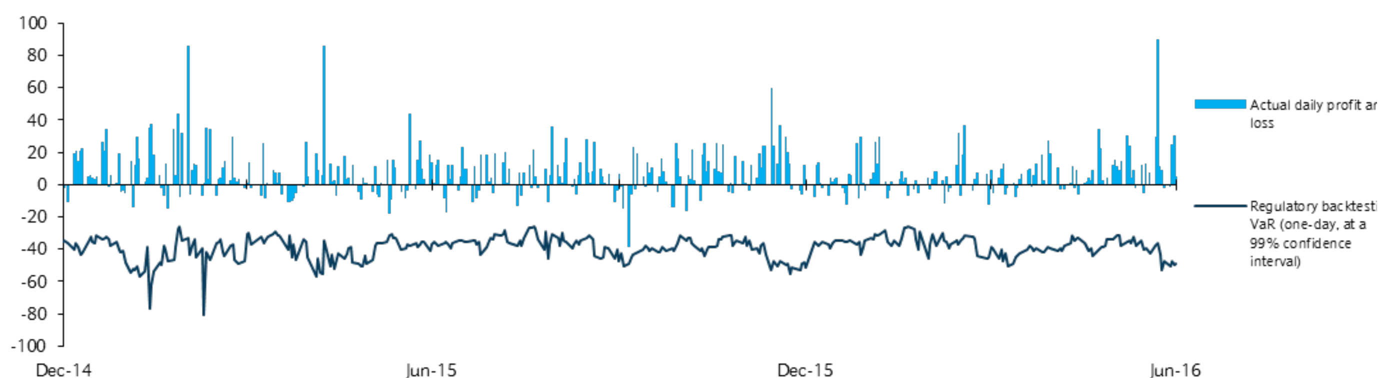
Trading book management stressed value at risk (daily values, period average, high and low) (Rm)



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 NII, as required for regulatory backtesting purposes. There were no actual losses that exceeded the VaR estimate during the current reporting period.

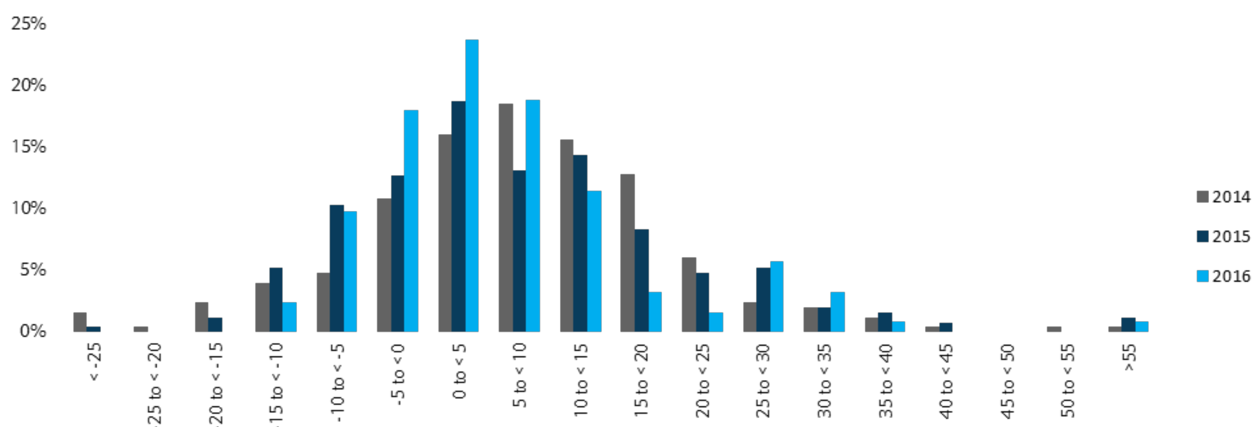
The Group's trading book revenue backtested against regulatory value at risk (Rm)



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 NII for 100 and 200 bps up and down movements in market interest rates for the Group's banking books. Assuming no management action is taken in response to market interest rate movements, a hypothetical, immediate and sustained parallel decrease of 200 bps in all market interest rates would, at the reporting date, result in a pre-tax reduction in projected 12-month NII of R1,99bn (2015: R1.96bn). 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 NII of R2.08bn (2015: R2.26bn). AEaR decreased by 0.3% to 4.8% of the NII (2015: 5.1%). A sensitivity analysis by major currency market interest rates indicates that earnings sensitivity to South African Rand (ZAR) market interest rates constitutes 66% of the total earnings at risk at the reporting date (2015: 70%), therefore indicating that the Group remains primarily exposed to South African market interest rates..

AEaR for 100 and 200 bps changes in market interest rates

AEaR for 100 and 200 bps changes in market interest rates

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

	30 June 2015			
	200 bps decrease	100 bps decrease	100 bps increase	200 bps increase
Domestic bank book[1] (Rm)	(1 369)	(682)	642	1 315
Foreign subsidiaries[1] banks books[2] (Rm)	(473)	(237)	237	473
Total (Rm)	(1 842)	(919)	879	1 789
Percentage of the Group's net interest income (%)	(5.1)	(2.5)	2.4	4.9
Percentage of the Group's equity (%)	(2.0)	(1.0)	1.0	1.9

	30 December2015			
	200 bps decrease	100 bps decrease	100 bps increase	200 bps increase
Domestic bank book[1] (Rm)	(1 376)	(701)	865	1 672
Foreign subsidiaries[1] banks books[2](Rm)	(586)	(293)	293	586
Total (Rm)	(1 962)	(994)	1 158	2 258
Percentage of the Group's 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

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

Interest return on average balances

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

Group average statement of financial position

	30 June						30 December		
	2016			2015[1]			2015		
Group average statement of financial position	Average balance[2] Rm	Average rate %	Interest income/ (expense) Rm	Average Balance[2] Rm	Average Rate %	Interest income/ (expense) Rm	Average Balance[2] Rm	Average Rate %	Interest income/ (expense)[5] Rm
Assets									
Cash, cash balances and balances with central banks	894	1.57	7	1,371	2.21	15	950	2.32	22
Investment securities	94,657	9.64	4,536	85,053	8.26	3,485	84 662	8.70	7 365
Loans and advances to banks and customers	758,754	9.96	37,588	706,071	8.63	30,211	713 704	9.03	64 450
Other interest[3]	-	-	428	-	-	840	-	-	1 766
Interest-bearing assets	854,305	10.02	42,559	792,495	8.79	34,551	799 316	9.21	73 603
Non-interest-bearing assets	274,518	0.00	-	234,773	-	-	245 388	0.00	-
Total assets	1,128,823	7.58	42,559	1,027,268	6.78	65,646	1 044 704	7.05	73 603
Liabilities									
Deposits from banks and due to customers	688,880	(4.80)	(16,447)	621,334	(4.02)	(12,386)	637 454	(4.18)	(26 663)
Debt securities in issue	133,513	(8.23)	(5,466)	114,184	(6.91)	(3,911)	119 511	(6.92)	(8 271)
Borrowed funds	13,356	(10.34)	(687)	11,476	(8.19)	(466)	11 891	(12.28)	(1 460)
Other interest[3]	-	-	1,134	-	-	675	-	-	1 198
Interest-bearing liabilities	835,749	(5.17)	(21,466)	746,994	(4.34)	(16,088)	768 856	(4.58)	(35 196)
Non-interest-bearing liabilities	191,027	-	-	186,544	-	-	181 718	-	-
Total liabilities	1,026,776	(4.20)	(21,466)	933,538	(3.48)	(16,088)	950 574	(3.70)	(35 196)
Total equity	102,047	-	-	93,730	-	-	94 130	-	-
Total liabilities and equity	1,128,823	(3.82)	(21,466)	1,027,268	(3.16)	(16,088)	1 044 704	(3.37)	(35 196)
Net interest margin on average interest-bearing assets	-	4.97	-	-	4.70	-	-	4.81	-

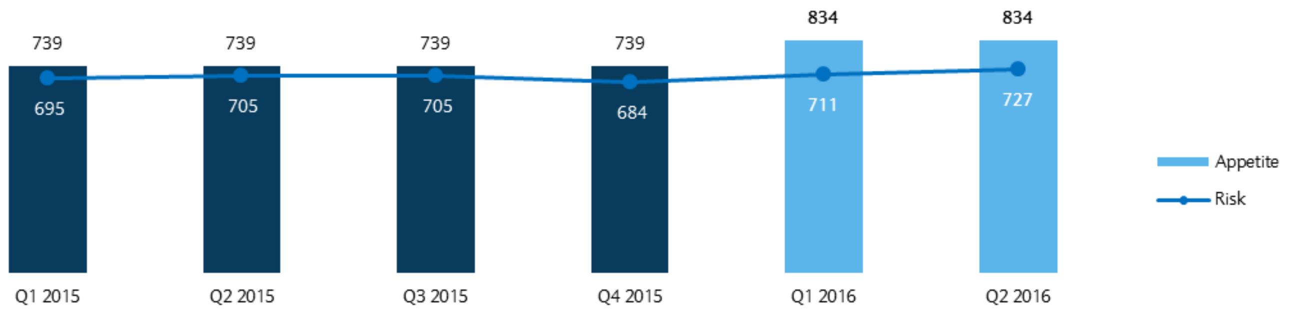
Insurance risk

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 EC modelling results at 1 in 250 event levels. Insurance models are subject to the Group's model governance requirements.

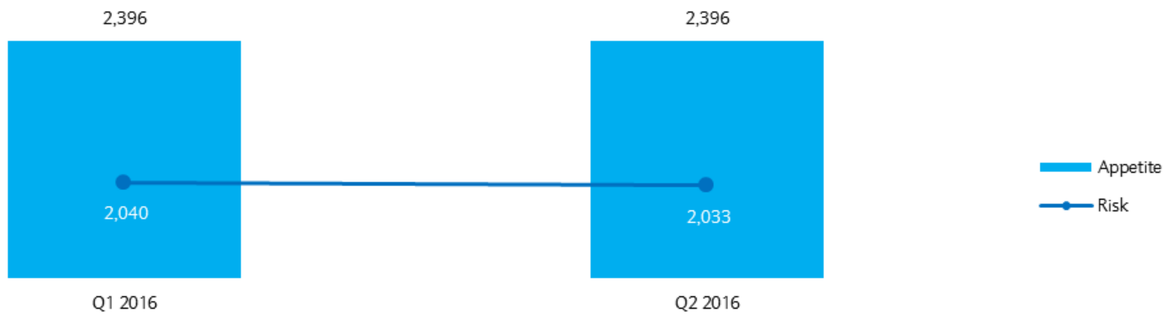
The following graphs show detailed matrices in the Group's insurance business:

Notes
[1] These numbers have been restated, refer to the reporting changes overview on the inside front cover of the booklet.
2 Average balances are calculated based on daily and monthly weighted average balances.
3 'Other interest' on assets and liabilities includes fair value adjustments on hedging instruments and hedged items.

Short term insurance underwriting risk (Rm)

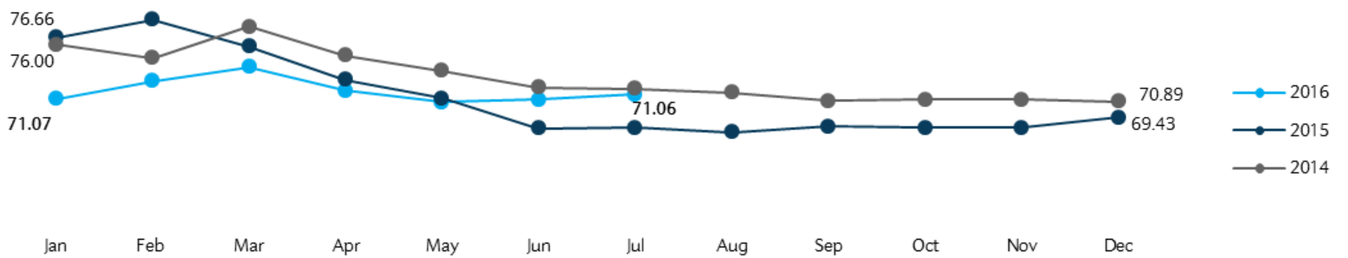


Life insurance underwriting risk (Rm)[1]



The life insurance underwriting risk appetite for 2016 was based on the new EC model. The model was validated by the independent actuarial function. The model was necessary in order to be ready for the Solvency Assessment Management (SAM) regime which is equivalent to Solvency II in the UK and is due to go live in 2017. Under the regulatory parallel run requirements, entities remain solvent under the current Capital Adequacy Requirement (CAR) and the upcoming SAM regimes.

Short term loss ratio (%)



The short-term insurance loss ratios have been similar to those in previous years.

Notes
[1] Underwriting risk figures are not graphed above and remained within appetite throughout 2015.

Funding Risk

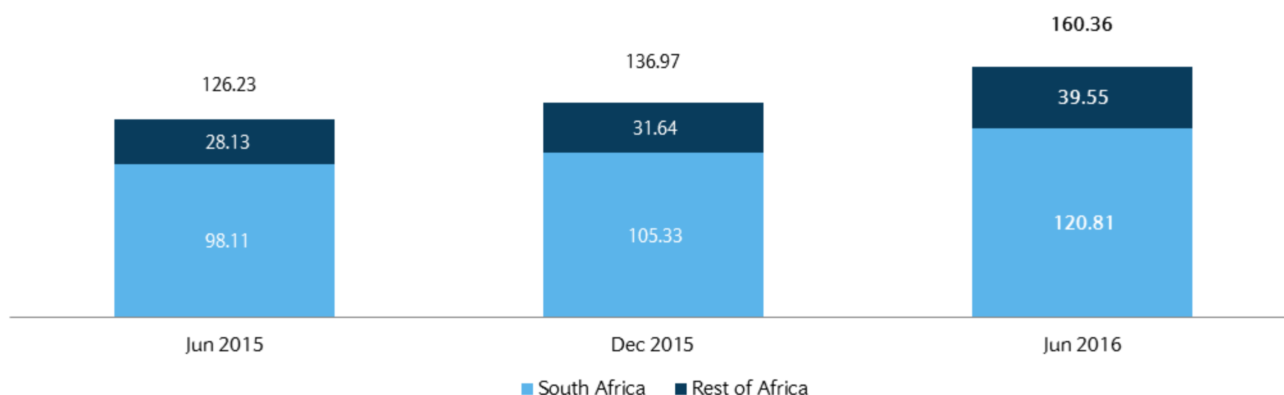
The Group sources of liquidity (Rm)

	30 June		31 December
	2016	2015	2015
The Group sources of liquidity (Rm)	**233 746**	202 007	199 024
High quality liquid assets	**120 812**	98 106	105 332
Other liquid assets (outside South Africa)	**39 552**	28 126	31 640
Other sources of liquidity	**73 382**	75 775	62 052

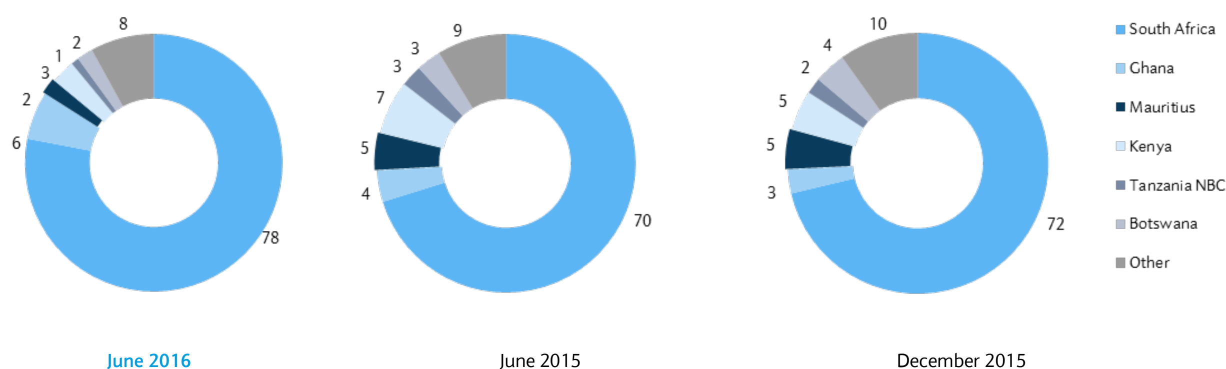
Liquid assets

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)

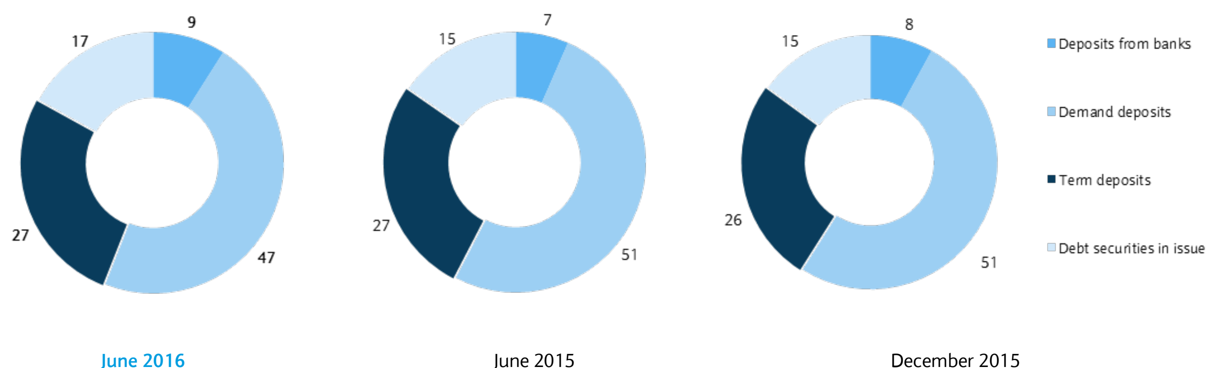


Composition of liquid assets (%)



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.

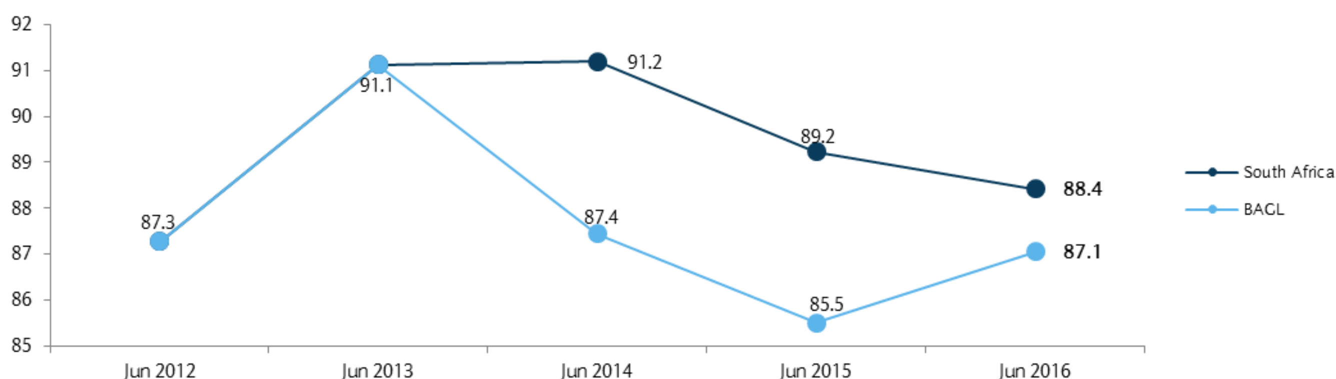


June 2016 June 2015 December 2015

Loan–to-deposit ratio

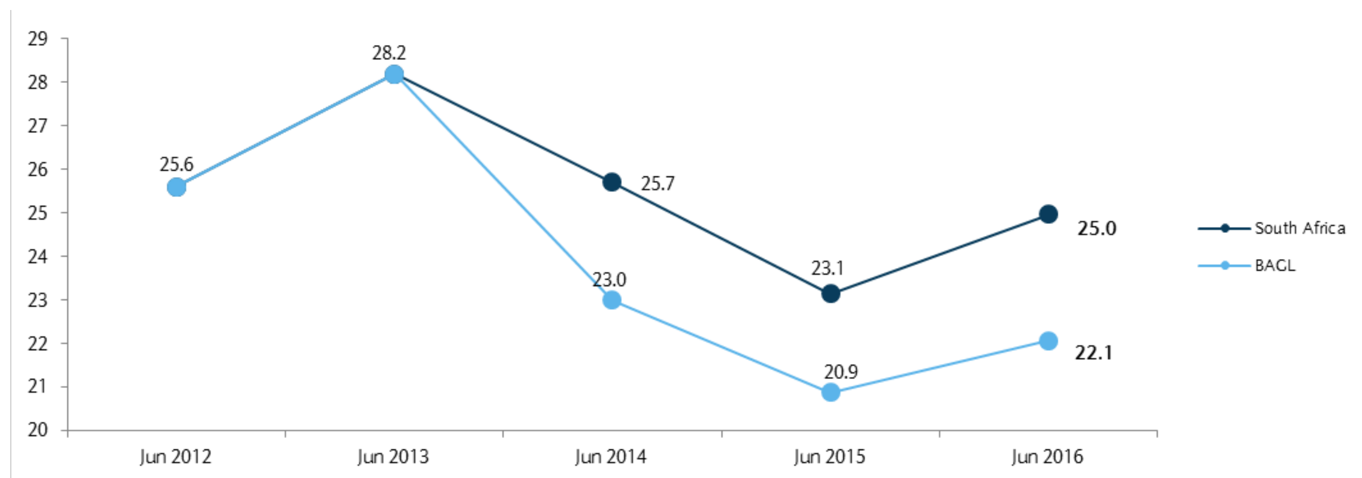
	30 June 2016	30 June 2015	31 December 2015
Advances			
Loans and advances to customers	**715 209**	657 412	703 359
Deposits	**821 490**	768 770	817 102
Deposits due to customers	**676 968**	649 226	688 419
Debt securities in issue	**144 522**	119 544	128 683
Loan-to-deposit ratio (%)	**87.1**	85.5	86.1

The progression of the loan-to-deposit ratio is summarised in the graph below. From June 2015 to June2016 the South African loan-to-deposit ratio increased to 88.4%. The Group ratio of 87.1% is 1.6% higher compared to 30 June 2015.



Long-term funding ratio

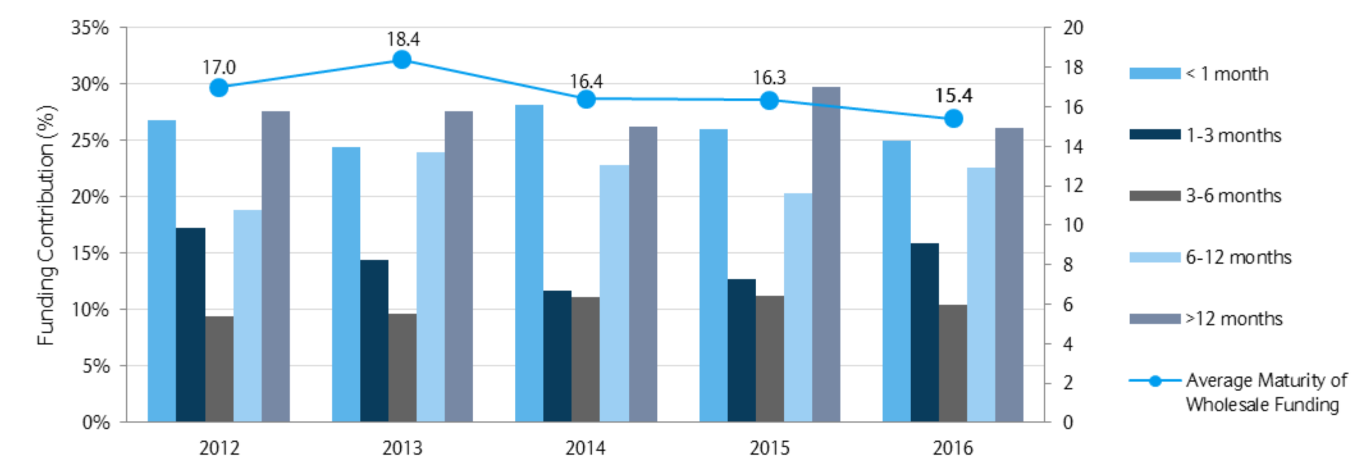
A key metric used to track the funding structure is the average long-term funding ratio. This ratio reflects the proportion of total funding with an outstanding term in excess of six months. The progression in the South African average long-term funding ratio is shown below. Between June 2015 and June 2016 the South African average long-term funding ratio increased to 25.0% to match the growth in longer term assets. The Rest of Africa entities reduced the Group ratio by 2.9% to 22.1%. These Rest of Africa entities are predominantly deposit-led banks funded through retail and corporate deposits. While these deposits are behaviourally very stable they are generally contractually short term.



Weighted average maturity of South African wholesale funding

The graph below summarises the extent to which we have been able to extend the South African wholesale funding profile.

The weighted average remaining term of wholesale funding has decreased marginally since 30 June 2015 to 15.4 months at 30 June 2016. Volatile market conditions resulted in institutional investors showing a preference for liquidity. Sufficient and robust term funding remains in place as the market continues to position itself for the full implementation of Basel III.

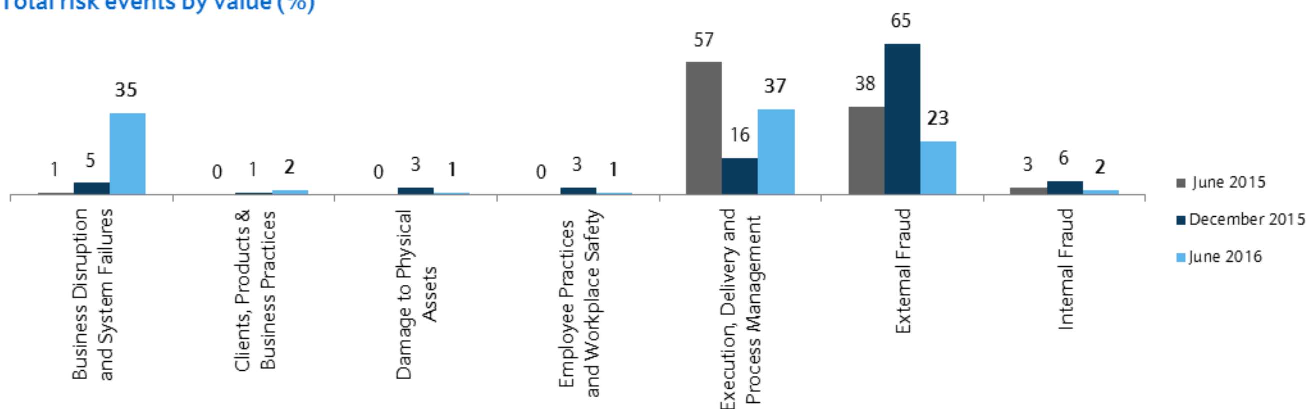


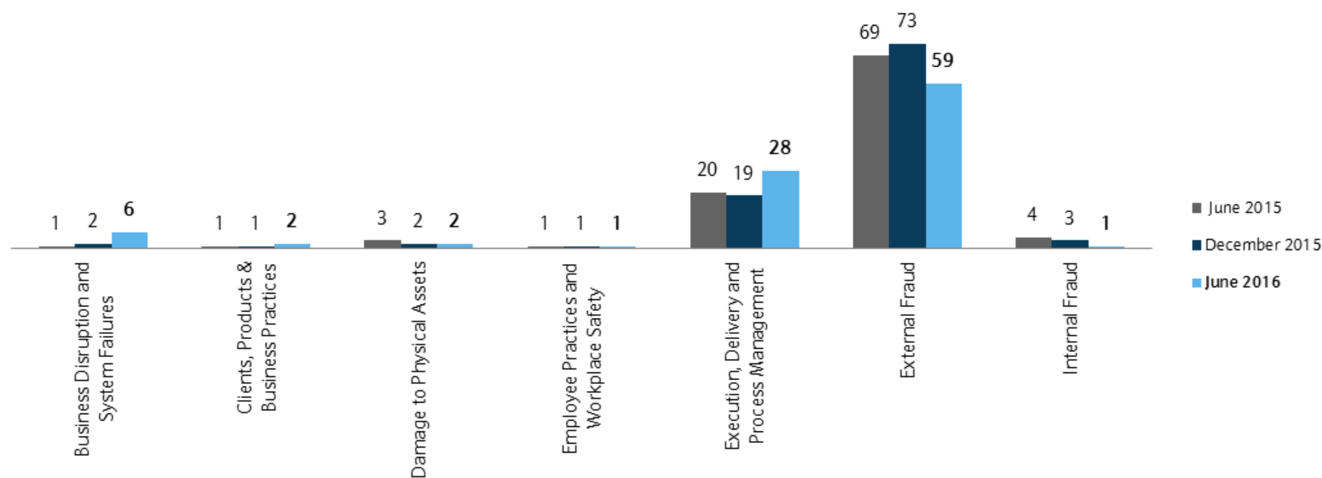
Operational risk

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

The Group monitors trends in operational risk events by size (count and value), product line and internal risk categories (including Key Risk). For comparative purposes, the analysis below presents the operational risk events by Basel II category. The highest frequency of events for the period occurred in external fraud (59%). This pattern is in line with the nature of operational risk and the environment in which the Group operates.

The highest portion of losses by value during H1 2016 occurred in Execution, Delivery and Process Management (37%) and Business Disruptions and System Failures (35%).





Annexures

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

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

Annexure C: Capital management disclosure

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

Annexure D: Liquidity Risk: LCR Common disclosure template

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

Retail portfolio[1]

	June 2015	June 2016																				
			Mortgages *(including home equity line of credit)*				SME: Secured lending				SME: Unsecured lending				Revolving: Credit cards				Revolving: Non-credit cards			
Risk Grade	Average PD	Average PD	LGD	Exposure Weighted average Risk weight	Expected loss	EAD	LGD	Exposure weighted average risk weight	Expected loss	EAD	LGD	Exposure weighted average risk weight	Expected loss	EAD	LGD	Exposure weighted average risk weight	Expected loss	EAD	LGD	Exposure weighted average risk weight	Expected loss	EAD
	%	%	%	%	Rm	Rm	%	%	Rm	Rm	%	%	Rm	Rm	%	%	Rm	Rm	%	%	Rm	Rm
Non-default	3.24	3.98	12.3	25.0	573	239 315	27.6	40.2	131	12 132	74.6	67.6	297	12 290	57.7	51.7	908	43 504	49.8	27.4	51	7 477
4		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	0.03	0.03	12.1	1.3	-	421	53.1	6.3	0	157	81.9	2.1	0	1 199	35.8	1.1	0	144	52.5	1.8	0	449
6	0.05	0.06	-	-	-	-	17.2	3.2	0	69	82.0	3.7	0	0	65.0	2.5	0	361	53.2	2.1	0	337
7	0.09	0.08	-	-	-	-	10.0	3.1	0	4	82.0	4.0	0	0	59.0	3.1	0	756	53.5	2.7	0	334
8	0.10	0.12	-	-	-	-	21.2	5.9	0	3	80.6	6.7	0	25	61.0	4.4	0	693	50.3	3.6	0	438
9	0.16	0.17	10.1	3.9	0	1 478	35.6	13.2	0	8	81.9	7.4	0	14	60.8	5.9	1	1 135	54.4	5.3	0	532
10	0.22	0.24	15.9	7.8	2	5 098	45.4	19.6	0	83	82.0	9.2	0	1	59.7	7.6	2	1 593	49.7	7.3	0	348
11	0.30	0.31	13.1	7.8	3	7 831	63.5	40.2	0	51	80.4	19.3	1	447	59.7	9.9	3	1 842	50.3	9.8	1	493
12	0.46	0.47	13.3	10.6	4	9 994	13.1	9.3	0	431	81.6	18.8	2	531	59.0	13.0	5	2 046	50.0	11.1	1	601
13	0.66	0.65	12.9	12.7	14	30 245	43.8	38.7	0	50	80.8	28.8	3	562	58.4	16.9	8	2 358	47.6	14.2	1	405
14	0.88	0.92	12.7	15.9	16	22 438	11.4	13.1	1	932	79.3	43.6	3	408	57.7	21.8	12	2 588	46.6	17.7	2	507
15	1.25	1.29	12.7	20.0	29	24 529	17.0	20.8	3	1 324	75.3	51.7	16	1 726	57.4	28.2	17	2 633	47.7	23.4	2	423
16	1.85	1.87	11.7	23.4	53	37 341	16.2	24.8	5	1 928	76.1	56.6	21	1 633	57.0	36.2	23	2 542	46.6	28.6	3	453
17	2.51	2.59	11.4	27.4	87	47 902	33.4	48.4	25	2 939	65.6	78.0	39	2 231	56.9	46.4	30	2 387	48.3	37.9	5	483
18	3.66	3.60	11.8	34.1	68	26 757	36.7	55.8	30	2 353	69.5	87.3	33	1 298	56.8	59.0	39	2 182	50.5	53.1	7	499
19	4.81	4.77	12.1	41.0	33	10 059	35.6	55.9	11	638	73.3	103.6	37	976	57.6	68.4	374	15 003	47.8	64.5	8	493
20	7.42	6.96	13.3	54.4	13	2 795	32.5	54.0	7	331	76.6	131.5	32	525	56.3	91.7	51	1 524	40.4	64.6	4	230
21	9.97	10.04	18.6	90.0	14	1 435	38.6	69.3	8	195	78.1	149.1	17	212	56.3	112.0	55	1 200	53.1	101.4	7	233
22	15.36	15.09	13.2	72.5	44	2 690	35.9	73.9	18	341	76.4	176.1	27	234	55.7	133.1	54	869	55.6	139.7	6	138
23	20.90	21.42	10.9	66.5	62	3 693	39.1	93.6	10	128	78.0	209.6	11	70	55.5	154.4	51	611	51.8	141.8	3	76
24	29.77	28.49	11.8	72.6	60	3 172	34.4	97.2	4	46	78.3	230.3	18	83	55.6	172.7	51	412	64.2	194.8	0	5
25	45.27	54.78	11.7	44.6	71	1 437	13.6	59.3	8	120	80.8	257.5	37	114	55.1	151.5	134	625	-	-	-	-
Default	100.00	100.00	17.0	-	2 050	17 398	18.0	101.5	69	168	90.0	-	99	133	71.7	22.3	1 570	4 515	82.7	4.7	120	201
Total	6.82	10.46	12.6	23.3	2 623	256 712	27.5	41.1	200	12 300	74.7	66.9	396	12 423	59.0	48.9	2 478	48 018	50.7	26.8	171	7 678

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

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

Retail portfolio (continued)[1]

	June 2016																				June 2015
	Other: Vehicle and asset finance				Other: Unsecured lending ≤30 000				Other: Unsecured lending >30 000				Other				Total				Total
Risk Grade	LGD	Exposure Weighted average Risk weight	Expected loss	EAD	LGD	Exposure weighted average risk weight	Expected loss	EAD	LGD	Exposure weighted average risk weight	Expected loss	EAD	LGD	Exposure weighted average risk weight	Expected loss	EAD	LGD	Exposure weighted average risk weight	Expected loss	EAD	EAD
	%	%	Rm	Rm	%	%	Rm	Rm	%	%	Rm	Rm	%	%	Rm	Rm	%	%	Rm	Rm	Rm
Non-default	34.9	55.7	1 165	50 691	60.8	92.4	118	2 912	66.6	105.5	605	14 252	25.9	37.3	232	6 336	26.0	37.5	4 080	388 907	382 474
4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	32.3	3.8	0	85	74.7	8.7	0	130	76.8	9.0	0	160	-	-	-	-	60.1	2.9	1	2 744	22 529
6	-	-	-	-	68.8	12.7	0	0	42.3	9.6	0	9	-	-	-	-	55.4	2.5	0	776	1 859
7	-	-	-	-	54.1	11.3	0	4	-	-	-	-	-	-	-	-	57.2	3.0	0	1 098	9 392
8	-	-	-	-	49.3	15.5	0	41	65.6	20.9	0	113	-	-	-	-	57.8	6.0	1	1 312	25 252
9	-	-	-	-	57.4	21.3	0	12	72.2	27.5	0	26	-	-	-	-	36.5	5.1	1	3 204	12 916
10	-	-	-	-	60.2	26.2	0	138	62.1	27.4	0	172	18.1	8.3	0	19	29.0	8.7	5	7 453	7 017
11	-	-	-	-	74.9	44.1	0	89	74.2	43.2	1	239	18.3	9.7	2	3 330	25.3	9.9	12	14 323	19 279
12	23.0	17.1	0	367	61.0	41.9	0	20	62.3	44.3	0	29	14.1	10.0	0	12	24.5	11.5	13	14 031	16 996
13	30.4	26.9	3	1 594	61.3	53.2	0	93	68.6	59.7	2	483	18.0	14.8	0	112	19.0	14.6	32	35 901	27 297
14	31.3	32.0	4	1 508	53.1	55.9	0	106	63.8	68.1	3	578	-	-	-	-	20.3	18.8	42	29 065	23 313
15	30.3	35.9	10	2 559	58.9	70.6	1	133	69.6	83.2	10	938	17.7	20.6	0	84	22.9	25.4	87	34 349	27 208
16	33.4	44.5	31	4 986	57.0	74.9	1	174	66.1	88.5	13	1 222	-	-	-	-	20.2	29.1	150	50 279	35 569
17	34.2	49.5	58	6 400	58.0	83.7	3	229	66.5	96.7	25	1 758	-	-	-	-	20.2	35.2	273	64 329	39 788
18	33.3	50.6	123	9 870	59.2	89.8	3	186	65.5	99.6	21	1 061	19.1	29.3	24	1 275	23.6	43.3	348	45 483	25 932
19	36.8	58.6	183	9 577	57.8	90.7	6	281	63.2	100.4	46	1 769	-	-	-	-	40.8	61.2	697	38 796	40 296
20	38.3	62.1	158	6 107	59.8	98.5	9	270	65.9	109.0	60	1 503	-	-	-	-	40.1	72.5	334	13 284	23 474
21	38.8	67.8	64	1 747	61.4	111.9	14	294	66.5	121.3	75	1 397	-	-	-	-	46.1	97.3	252	6 713	5 796
22	33.1	70.1	33	632	64.5	132.8	14	214	69.8	144.4	96	1 089	50.0	108.4	205	1 504	39.9	102.4	497	7 711	7 042
23	36.4	83.6	162	2 366	62.1	145.6	17	204	67.1	157.7	77	777	-	-	-	-	30.2	91.8	393	7 924	4 150
24	37.6	98.6	221	2 187	62.2	166.1	14	115	68.8	185.1	71	462	-	-	-	-	29.3	99.7	440	6 481	4 426
25	39.2	109.5	115	706	60.9	152.3	36	179	64.5	163.9	103	468	-	-	-	-	35.8	103.2	503	3 650	2 943
Default	42.3	-	757	3 539	68.8	0.3	246	487	67.5	12.1	869	1 688	56.1	-	-	37	33.7	4.9	5 780	28 164	14 697
Total	35.4	52.0	1 922	54 229	62.0	79.2	365	3 399	66.7	95.6	1 474	15 939	26.1	37.1	232	6 372	26.6	35.3	9 860	417 071	397 171

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

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

Wholesale portfolio[1]

June 2015		June 2016																				
			Corporate exposure																Public sector entities			
			Corporate				SME				Income producing real estate				Project finance							
Risk Grade	Average PD	Average PD	LGD	Exposure Weighted average Risk weight	Expected loss	EAD	LGD	Exposure weighted average risk weight	Expected loss	EAD	LGD	Exposure weighted average risk weight	Expected loss	EAD	LGD	Exposure weighted average risk weight	Expected loss	EAD	LGD	Exposure weighted average risk weight	Expected loss	EAD
	%	%	%	%	Rm	Rm	%	%	Rm	Rm	%	%	Rm	Rm	%	%	Rm	Rm	%	%	Rm	Rm
Non-default	1.07	1.01	36.8	50.4	553	216 742	35.4	71.8	687	78 727	20.5	45.4	15	4 736	26.8	54.6	5	5 383	25.0	41.1	14	17 917
4	0.03	0.03	38.9	11.0	1	9 222	60.1	11.6	0	382	-	-	-	-	-	-	-	-	-	-	-	-
5	0.04	0.04	41.3	9.7	2	7 577	51.0	12.0	0	372	-	-	-	-	-	-	-	-	-	-	-	-
6	0.06	0.06	34.9	11.0	1	8 387	44.1	16.4	0	384	10.0	2.2	0	14	-	-	-	-	37.0	12.2	0	2
7	0.08	0.08	37.5	23.3	1	5 354	44.1	27.0	0	50	10.0	6.9	0	8	-	-	-	-	43.9	14.9	0	250
8	0.12	0.13	42.7	26.4	20	27 969	42.4	24.1	0	288	13.6	14.0	0	81	43.9	23.9	0	57	26.4	17.2	1	2 778
9	0.18	0.17	32.5	28.3	12	30 218	38.3	28.9	1	2 172	15.6	18.8	0	223	25.0	37.1	0	229	29.2	31.5	2	6 161
10	0.23	0.23	31.9	29.3	9	20 778	35.7	34.0	4	4 510	12.8	16.9	0	132	19.5	23.1	0	170	28.3	73.4	3	5 604
11	0.32	0.31	33.7	33.6	15	26 273	36.2	39.7	6	5 015	13.1	18.2	0	330	18.9	37.8	1	2 301	10.2	10.5	0	55
12	0.46	0.45	35.6	47.8	25	14 895	33.9	45.4	9	6 235	19.6	36.1	0	369	43.3	54.7	1	783	15.1	27.6	0	27
13	0.60	0.60	36.4	71.6	20	13 849	33.7	54.1	16	7 817	20.4	42.2	0	340	-	-	-	-	25.2	32.8	0	157
14	0.91	0.92	39.4	74.1	17	6 093	35.3	64.6	20	6 431	22.9	44.1	3	1 511	-	-	-	-	9.0	14.6	0	11
15	1.30	1.32	38.7	86.2	51	14 557	26.2	53.1	27	8 520	11.7	32.7	1	422	25.5	104.6	1	704	5.0	10.2	0	461
16	1.82	1.81	40.3	101.9	56	11 283	33.0	71.5	49	8 979	17.2	45.1	1	290	32.9	66.9	2	1 137	25.0	79.3	2	545
17	2.65	2.61	34.5	110.7	48	7 436	37.6	92.5	89	9 295	28.7	74.7	2	284	43.9	140.4	0	2	25.1	64.9	0	7
18	3.69	3.70	37.8	119.6	38	4 190	39.1	100.8	109	7 754	26.4	79.3	7	708	-	-	-	-	15.0	52.0	0	12
19	5.19	5.12	45.5	155.4	28	2 145	40.1	112.0	75	4 025	10.0	30.2	0	6	-	-	-	-	15.0	64.0	0	0
20	7.44	7.48	43.2	160.7	46	3 058	38.8	123.2	114	4 110	39.8	144.4	1	20	-	-	-	-	25.0	91.7	0	0
21	10.30	10.15	43.1	179.0	13	463	37.7	141.9	26	729	-	-	-	-	-	-	-	-	-	-	-	-
22	15.89	15.19	43.8	223.3	103	2 783	40.2	159.2	39	706	-	-	-	-	-	-	-	-	2.5	12.6	6	1 846
23	19.64	19.83	38.0	211.8	2	30	46.0	211.5	22	236	-	-	-	-	-	-	-	-	-	-	-	-
24	29.34	29.64	28.2	190.2	7	86	36.1	179.9	61	593	-	-	-	-	-	-	-	-	-	-	-	-
25	46.48	60.46	42.8	55.2	35	96	40.4	190.9	19	125	-	-	-	-	-	-	-	-	-	-	-	-
Default	100.00	100.00	33.3	1.5	992	2 105	31.7	82.5	1 301	4 540	29.1	108.3	87	437	38.0	133.7	160	573	-	-	-	-
Total	**2.93**	**2.59**	**36.8**	**49.9**	**1 545**	**218 847**	**35.2**	**72.3**	**1 988**	**83 267**	**21.2**	**50.7**	**102**	**5 173**	**27.9**	**62.2**	**165**	**5 956**	**25.0**	**41.1**	**14**	**17 917**

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

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

Wholesale portfolio (continued)[1]

	June 2016																				June 2015
	Local governments and municipalities				Sovereigns				Banks				Securities firms				Total				Total
Risk Grade	LGD	Exposure Weighted average Risk weight	Expected loss	EAD	LGD	Exposure weighted average risk weight	Expected loss	EAD	LGD	Exposure weighted average risk weight	Expected loss	EAD	LGD	Exposure weighted average risk weight	Expected loss	EAD	LGD	Exposure weighted average risk weight	Expected loss	EAD	EAD
	%	%	Rm	Rm	%	%	Rm	Rm	%	%	Rm	Rm	%	%	Rm	Rm	%	%	Rm	Rm	Rm
Non-default	13.5	11.3	1	5 494	9.1	7.7	15	76 783	39.3	30.9	27	62 993	43.5	90.7	4	2 803	31.4	43.8	1 322	471 577	404 076
4	-	-	-	-	43.9	20.0	0	907	38.2	11.6	1	5 631	42.8	14.4	0	992	39.7	11.9	2	17 134	52 808
5	16.1	5.3	0	9	-	-	-	-	43.9	31.8	0	2 986	-	-	-	-	42.3	15.8	3	10 943	10 686
6	10.9	7.7	0	799	-	-	-	-	43.8	13.0	0	1 896	43.9	27.8	0	215	35.1	11.6	1	11 698	11 884
7	5.0	1.5	0	0	-	-	-	-	34.9	25.9	4	28 571	-	-	-	-	35.4	25.4	5	34 233	10 604
8	16.9	13.5	0	1 697	8.4	6.3	7	74 583	43.9	36.9	6	15 306	43.9	155.1	0	338	21.3	15.5	34	123 097	25 677
9	14.5	10.4	0	1 008	5.0	3.2	0	360	43.9	27.3	1	5 601	-	-	-	-	33.0	28.0	17	45 972	81 928
10	10.0	8.9	0	1 689	5.0	17.2	0	336	51.6	38.4	0	124	43.9	59.6	0	148	30.4	36.3	16	33 491	36 440
11	8.9	9.8	0	225	-	-	-	-	43.9	48.4	0	124	43.9	52.2	0	130	32.8	34.5	23	34 452	27 695
12	43.9	63.1	0	27	-	-	-	-	44.1	62.0	0	13	-	-	-	-	35.1	47.2	36	22 349	23 217
13	44.7	77.6	0	27	-	-	-	-	43.9	73.4	0	13	43.9	44.8	0	0	35.1	64.8	37	22 203	19 673
14	42.8	95.7	0	3	-	-	-	-	43.9	94.7	0	3	-	-	-	-	35.7	66.5	40	14 051	15 612
15	45.0	131.3	0	0	-	-	-	-	43.9	98.9	2	490	43.9	169.5	4	979	33.5	77.1	86	26 133	24 630
16	45.0	131.1	0	0	5.0	8.7	-	0	43.9	97.1	8	1 429	-	-	-	-	36.8	87.2	117	23 664	13 028
17	42.8	121.4	0	10	43.9	108.2	2	206	34.2	84.2	0	72	-	-	-	-	36.2	100.2	142	17 313	23 446
18	-	-	-	-	-	-	-	-	43.6	125.3	5	696	-	-	-	-	38.2	106.8	160	13 360	9 078
19	54.9	179.6	0	0	43.9	187.4	6	391	40.0	160.5	0	5	-	-	-	-	42.1	130.6	109	6 572	7 520
20	-	-	-	-	-	-	-	-	43.9	202.1	0	27	-	-	-	-	40.7	139.4	161	7 215	3 679
21	-	-	-	-	-	-	-	-	43.9	184.1	0	4	-	-	-	-	39.8	156.4	40	1 196	1 142
22	-	-	-	-	-	-	-	-	43.9	217.2	0	0	-	-	-	-	29.0	141.9	148	5 335	3 419
23	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	45.1	211.5	23	266	237
24	-	-	-	-	-	-	-	-	28.0	74.1	0	2	-	-	-	-	35.1	180.9	68	681	411
25	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	41.4	132.1	54	220	1 262
Default	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	32.4	65.5	2 540	7 655	7 737
Total	13.5	11.3	1	5 494	9.1	7.7	15	76 783	39.3	30.9	27	62 993	43.5	90.7	4	2 803	31.4	44.2	3 862	479 233	411 812

Notes

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

Reconciliation of accounting capital to regulatory capital

Barclays Africa Group As at 30 June 2016	Step 1[1] Accounting balance sheet per published financial statements R million	Step 2[2] Balance sheet per regulatory scope of consolidation R million	Reference[3]
Assets			
Cash, Cash balances and balances with Central banks	47 734	45 672	
Investment securities	101 563	97 760	
Loans and advances to banks	83 663	81 804	
Trading portfolio assets	111 651	111 644	
Hedging portfolio assets	1 455	1 455	
Other Assets	37 275	35 886	
Current tax assets	1 714	1 682	
Non-Current assets held for sale	1 623	1 623	
Loans and advances to customers	734 640	734 640	
Less Impairments	(19 431)	(19 431)	
of which gross amount of eligible provisions: Standardised Approach	-	5 771	
of which general allowance for credit impairment, after deferred tax: standardised approach	-	606	(a)
of which gross amount of eligible provisions: IRB approach	-	13 660	
Reinsurance assets	814	-	
Investment linked to Investment contracts	19 910	-	
Investments in associates and Joint ventures	1 005	1 005	
Investment properties	894	687	
Property and equipment	13 336	13 245	
Goodwill and intangible assets	3 635	3 123	
of which goodwill	947	771	(b)
of which other intangibles	2 688	2 352	(c)
Deferred tax assets	988	960	
Total Assets	**1 142 469**	**1 111 755**	

Notes
[1] Barclays Africa Group Limited including insurances entities.
[2] Relates to Barclays Africa Group Limited excluding insurance entities.
[3] Relates to Barclays Africa Limited excluding insurance entities and references to Composition of Capital Disclosure table.

Barclays Africa Group As at 30 June 2016	Step 1[1] Accounting balance sheet per published financial statements R million	Step 2[2] Balance sheet per regulatory scope of consolidation R million	Reference[3]
Liabilities			
Deposits from banks	77 927	77 927	
Trading portfolio liabilities	53 020	53 020	
Hedging portfolio liabilities	2 357	2 357	
Other liabilities	37 085	35 388	
Provisions	2 126	2 083	
Current tax liabilities	94	85	
Non-current liabilities held for sale	9	9	
Deposits from customers	676 968	676 968	
Debt securities in issue	144 522	144 522	
Liabilities under investment contracts	28 019	6 568	
Policyholder liabilities under insurance contracts	4 506	19	
Borrowed funds	13 548	13 548	
of which instruments recognised as Tier 2 Capital	-	12 731	(d)
of which instruments not recognised as Tier 2 Capital	-	509	
of which minority Interest Consolidated	-	308	
Deferred tax liabilities	1 613	1 551	
Total Liabilities	**1041 794**	**1014 045**	
Equity			
Capital and reserves			
Attributable to ordinary equity holders:			
Paid-in share capital	6 106	6 106	
of which amount eligible for CET1	-	6 106	(e)
Retained earnings	78 078	75 291	(f)
Accumulated other comprehensive income	7 180	7 209	
of which amount eligible for CET1	-	5 458	(g)
of which amount related to non qualifying reserves	-	1 751	
Non-Controlling interest - Ordinary shares	4 667	4 460	(h)
of which relate to Surplus Deduction CET1	-	2 241	(i)
Non-Controlling interest - Ordinary Preference shares	4 644	4 644	(j)
of which relate to Surplus Deduction AT1	-	877	(k)
Total equity	**100 675**	**97 710**	
Total liabilities and equity	**1142 469**	**1111 755**	

Notes
[1] Barclays Africa Group Limited including insurances entities.
[2] Relates to Barclays Africa Group Limited excluding insurance entities.
[3] Relates to Barclays Africa Limited excluding insurance entities and references to Composition of Capital Disclosure table.

Reconciliation of accounting capital to regulatory capital

Absa Bank Limited[1] As at 30 June 2016	Step 1[1] Accounting balance sheet per published financial statements R million	Step 2[2] Balance sheet per regulatory scope of consolidation R million	Reference[3]
Assets			
Cash, Cash balances and balances with Central banks	25 902	25 902	
Investment securities	75 011	75 011	
Loans and advances to banks	62 411	62 411	
Trading portfolio assets	85 853	85 853	
Hedging portfolio assets	1 438	1 438	
Other Assets	26 858	26 858	
Current tax assets	1 167	1 167	
Non-Current assets held for sale	369	369	
Loans and advances to customers	634 702	634 702	
Less Impairments	(13 801)	(13 801)	
of which gross amount of eligible provisions: Standardised Approach	-	1 533	
of which general allowance for credit impairment, after deferred tax: standardised approach	-	181	(a)
of which gross amount of eligible provisions: IRB approach	-	12 268	
Loans to Absa Group Companies	32 980	32 980	
Investments in associates and Joint ventures	1 005	1 005	
Investment properties	240	240	
Property and equipment	11 271	11 271	
Goodwill and intangible assets	1 826	1 826	
of which goodwill	-	112	(b)
of which other intangibles (excluding MSRs)	-	1 714	(c)
Deferred tax assets	9	9	
Total Assets	**947 241**	**947 241**	

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

Reconciliation of accounting capital to regulatory capital

Absa Bank Limited[1] As at 30 June 2016	Step 1[1] Accounting balance sheet per published financial statements R million	Step 2[2] Balance sheet per regulatory scope of consolidation R million	Reference[3]
Liabilities			
Deposits from banks	82 743	82 743	
Trading portfolio liabilities	49 209	49 209	
Hedging portfolio liabilities	2 357	2 357	
Other liabilities	30 537	30 537	
Provisions	1 166	1 166	
Current tax liabilities	8	8	
Non-current liabilities held for sale	9	9	
Deposits from customers	557 940	557 940	
Debt securities in issue	144 281	144 281	
Borrowed funds	13 416	13 416	
of which instruments recognised as Tier 2 Capital	-	12 731	(d)
of which instruments not recognised as Tier 2 Capital	-	685	
Deferred tax liabilities	1 336	1 336	
Total Liabilities	**883 002**	**883 002**	
Equity			
Capital and reserves			
Attributable to ordinary equity holders:			
Paid-in share capital	23 268	23 268	
of which amount eligible for CET1	-	23 268	(e)
Preference share capital	1	1	
Retained earnings	33 125	33 125	(f)
Accumulated other comprehensive income	3 177	3 177	
of which amount eligible for CET1	-	2 168	(g)
of which amount related to non qualifying reserves	-	1 009	
Non-Controlling interest - Ordinary shares	25	25	
of which relate to Surplus Deduction CET1	-	-	
Non-Controlling interest - Ordinary Preference shares	4 643	4 643	(h)
of which relate to Surplus Deduction AT1	-	-	
Total equity	**64 239**	**64 239**	
Total liabilities and equity	**947 241**	**947 241**	

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

Composition of capital disclosure

Barclays Africa Group Limited

		Amount subject to Basel III Rm	Amount subject to Pre-Basel III treatment Rm	Reference
	Common Equity Tier 1 capital: instruments and reserves			
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	6 106		(e)
2	Retained earnings	75 291		(f)
3	Accumulated other comprehensive income (and other reserves)	5 458		(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)	2 219	-	(h) - (i)
6	**Common Equity Tier 1 capital before regulatory adjustments**	89 074		
	Common Equity Tier 1 capital: regulatory adjustments			
7	Prudential valuation adjustments	-	-	
8	Goodwill (net of related tax liability)	771	-	(b)
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	2 352	-	(c)
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	179	-	
11	Cash-flow hedge reserve	(303)	-	
12	Shortfall of provisions to expected losses	1 082	-	
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	616	-	
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**	4 697		
29	Common Equity Tier 1 capital (CET1)	84 377		
	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	-		

Composition of capital disclosure

Barclays Africa Group Limited

		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)	3 767		(j) - (k)
35	of which: instruments issued by subsidiaries subject to phase out	4 644		(j)
36	**Additional Tier 1 capital before regulatory adjustments**	3 767		
	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)**	3 713		
45	**Tier 1 capital (T1 = CET1 + AT1)**	88 090		
	Tier 2 capital and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	12 731		(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)	12 731		
49	of which: instruments issued by subsidiaries subject to phase out	7 500		
50	Provisions	606		(a)
51	Tier 2 capital before regulatory adjustments	13 645		
	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)**	13 645		
59	**Total capital (TC = T1 + T2)**	101 735		
	RISK WEIGHTED ASSETS IN REPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	-		
	of which: Basel III amendments	-		
60	**Total risk weighted assets**	698 685		
	Capital ratios			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	12.1		

Composition of capital disclosure

Barclays Africa Group Limited

		Amount subject to Basel III Rm	Amount subject to Pre-Basel III treatment Rm	Reference
62	Tier 1 (as a percentage of risk weighted assets)	12.6		
63	Total capital (as a percentage of risk weighted assets)	14.6		
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)	6.9		
65	of which: capital conservation buffer requirement	0.6		
66	of which: bank specific countercyclical buffer requirement	0		
67	of which: G-SIB buffer requirement	0		
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	12.1		
	National minima (if different from Basel 3)			
69	National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)	6.3		
70	National Tier 1 minimum ratio (if different from Basel 3 minimum)	7.5		
71	National total capital minimum ratio (if different from Basel 3 minimum)	9.8		
	Amounts below the thresholds for deduction (before risk weighting)			
72	Non-significant investments in the capital of other financials	1 577		
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)	882		
	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)	606		
77	Cap on inclusion of provisions in Tier 2 under standardised approach	606		
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	23 268		(e)
2	Retained earnings	33 125		(f)
3	Accumulated other comprehensive income (and other reserves)	2 168		(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)	-	-	
6	**Common Equity Tier 1 capital before regulatory adjustments**	58 561		
	Common Equity Tier 1 capital: regulatory adjustments			
7	Prudential valuation adjustments	-	-	
8	Goodwill (net of related tax liability)	112	-	(b)
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	1 714	-	(c)
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	(303)	-	
12	Shortfall of provisions to expected losses	2 162	-	
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**	4 151		
29	Common Equity Tier 1 capital (CET1)	54 410		
	Additional Tier 1 capital: instruments			
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	2 786		
31	of which: classified as equity under applicable accounting standards	2 786		
32	of which: classified as liabilities under applicable accounting standards	-		
33	Directly issued capital instruments subject to phase out from Additional Tier 1	4 644	(h)	

Composition of capital disclosure

Absa Bank Limited

		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)	-		
35	of which: instruments issued by subsidiaries subject to phase out	-		
36	**Additional Tier 1 capital before regulatory adjustments**	2 786		
	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)	18	-	
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**	18		
44	**Additional Tier 1 capital (AT1)**	2 768		
45	**Tier 1 capital (T1 = CET1 + AT1)**	57 178		
	Tier 2 capital and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	12 731		(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)	-		
49	of which: instruments issued by subsidiaries subject to phase out	-		
50	Provisions	181		(a)
51	Tier 2 capital before regulatory adjustments	12 912		
	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)**	12 912		
59	**Total capital (TC = T1 + T2)**	70 091		
	RISK WEIGHTED ASSETS IN REPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	-		
	of which: Basel III amendments	-		
60	**Total risk weighted assets**	501 840		
	Capital ratios			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	10.8		

Composition of capital disclosure

Absa Bank Limited

		Amount subject to Basel III Rm	Amount subject to Pre-Basel III treatment Rm	Reference
62	Tier 1 (as a percentage of risk weighted assets)	11.4		
63	Total capital (as a percentage of risk weighted assets)	14.0		
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)	6.9		
65	of which: capital conservation buffer requirement	0.6		
66	of which: bank specific countercyclical buffer requirement	-		
67	of which: G-SIB buffer requirement	-		
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	10.8		
	National minima (if different from Basel 3)			
69	National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)	6.3		
70	National Tier 1 minimum ratio (if different from Basel 3 minimum)	7.5		
71	National total capital minimum ratio (if different from Basel 3 minimum)	9.8		
	Amounts below the thresholds for deduction (before risk weighting)			
72	Non-significant investments in the capital of other financials	253		
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)	23		
	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)	181		
77	Cap on inclusion of provisions in Tier 2 under standardised approach	181		
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-		
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-		
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	-		
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-		
82	Current cap on AT1 instruments subject to phase out arrangements	-		
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-		
84	Current cap on T2 instruments subject to phase out arrangements	-		
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-		

Leverage ratio common disclosure template & Summary

Barclays Africa Group Limited

Summary comparison of accounting assets versus leverage ratio exposure

Table 1

	Item	R'million
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 to 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 to 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 to 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

Table 3

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

Leverage ratio common disclosure template & Summary

Absa Bank

Summary comparison of accounting assets vs leverage ratio exposure

Table 1

	Item	R'million
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 t 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 to 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 to 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 to 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

Table 3

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

Main features disclosure

Barclays Africa Group

	Disclosure template for main features of regulatory capital instruments	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
1	Issuer	Barclays Africa Group Limited	Absa Bank Limited	Absa Bank Limited	Absa Bank Limited	Absa Bank Limited	Absa Bank Limited	Absa Bank Limited	Absa Bank Limited	Barclays Africa Group Limited	Barclays Africa Group Limited	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
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	ZAE000174124	ZAE000079810	ZAG000073669	ZAG000077074	ZAG000077082	ZAG000101221	ZAG000101239	ZAG000101254	ZAG000121476	ZAG000121484	ZAG000123100	ZAG000123118	ZAG000129354	ZAG000129362	ZAG000129388	ZAG000129396	ZAG000129966	ZAG000135997	ZAG000136003
3	Governing law(s) of the instrument	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (As amended)	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (As amended)	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (As amended). The subordinated callable notes are listed on the JSE.	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (As amended). The subordinated callable notes are listed on the JSE.	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (As amended). The subordinated callable notes are listed on the JSE.	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (As amended). The subordinated callable notes are listed on the JSE.	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (As amended). The subordinated callable notes are listed on the JSE.	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (As amended). The subordinated callable notes are listed on the JSE.	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (As amended). The subordinated callable notes are listed on the JSE.	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (As amended). The subordinated callable notes are listed on the JSE.	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																			
4	Transitional Basel III rules	Common Equity Tier 1	Additional Tier 1	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional Basel III rules	Common Equity Tier 1	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/group/group &solo	Group	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Group	Group	Group	Group	Group	Group	Group	Group	Group	Group	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	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes
8	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	R 1 694	R 2 786	R 1 500	R 400	R 600	R 1 805	R 2 007	R 1 188	R 370	R 130	R 1 693	R 807	R508	R437	R737	R30	R288	R31	R200
9	Par value of instrument	R 1 694	R 4 644	R 845	R 400	R 600	R 1 805	R 2 007	R 1 188	R 370	R 130	R 1 693	R 807	R508	R437	R737	R30	R288	R31	R200
10	Accounting classification	Shareholders' equity	Shareholders' equity	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option
11	Original date of issuance	1986	2006 and 2007	10 Dec 2009	03 May 2010	03 May 2010	21 Nov 2012	21 Nov 2012	21 Nov 2012	18 Nov 2014	18 Nov 2014	04 Feb 2015	04 Feb 2015	03 Sep 2015	03 Sep 2015	03 Sep 2015	03 Sep 2015	28 Sep 2015	4 May 2016	4 May 2016
12	Perpetual or dated	Perpetual	Perpetual	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	NA	NA	07 Dec 2028	03 May 2022	03 May 2022	21 Nov 2022	21 Nov 2023	21 Nov 2023	19 Nov 2024	19 Nov 2024	05 Feb 2025	05 Feb 2025	04 Sep 2025	04 Sep 2025	03 Sep 2027	03 Sep 2027	29 Sep 2025	5 May 2026	5 May 2026
14	Issuer call subject to prior supervisory approval	NA	NA	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

	Disclosure template for main features of regulatory capital instruments	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
15	Optional call date, contingent call dates and redemption amount	NA	NA	07 Dec 2023, tax and regulatory contingent events call, nominal amount plus CPI adjustment if the amount is not less than R 845.283.052 otherwise redemption amount equal to Principal Amount issued.	03 May 2017, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	03 May 2017, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	21 Nov 2017, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	21 Nov 2018, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	21 Nov 2018, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	19 Nov 2019, tax and regulatory contingent events call, 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	5 May 2021, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued	5 May 2021, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued
16	Subsequent call dates, if applicable.	NA	NA	NA	NA	NA	Quarterly after the first optional call date until maturity.	Quarterly after the first optional call date until maturity.	Semiannualy after the first optional call date until maturity.	Quarterly after the first optional call date until maturity.	Semiannualy after the first optional call date until maturity.	Quarterly after the first optional call date until maturity.	Semiannualy after the first optional call date until maturity.	Semiannualy after the first optional call date until maturity	Quarterly after the first optional call date until maturity.	Semiannualy after the first optional call date until maturity	Quarterly after the first optional call date until maturity.	Semiannualy after the first optional call date until maturity.	Quarterly after the first optional call date until maturity.	Semiannualy after the first optional call date until maturity.
	Coupons / dividends																			
17	Fixed or floating dividend/coupon	Floating	Fixed	Floating	Floating	Fixed to floating	Floating	Floating	Fixed	Floating	Fixed	Floating	Fixed	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed
18	Coupon rate and any related index	NA	70% of the prime overdraft lending rate	5.5 % indexed to ZAR revised CPI	3M JIBAR+210bps	10.28%	3M JIBAR+195bps	3M JIBAR+205bps	8.2950%	3M JIBAR+330bps	10.835%	3M JIBAR+350bps	10.05%	11.365%	3M JIBAR+350bps	11.810%	3M JIBAR+360bps	11.400%	3M JIBAR+400bps	12.430%
19	Existence of a dividend stopper	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	NA	No	Yes	Yes	Yes	No	No	No	No	No	No	No	No	No	No	No	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	NA	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
25	If convertible, fully or partially	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
26	If convertible, conversion rate	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
30	Write-down feature	No	No	No	No	No	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

	Disclosure template for main features of regulatory capital instruments	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
31	If write-down, write-down trigger(s)	NA	NA	NA	NA	NA	NA	NA	NA	At SARB's discretion in accordance with Condition 11.12 of the Terms and Conditions and Regulation 38(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 SARB's 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 SARB's 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 SARB's 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 SARB's 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 SARB's 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 SARB's 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 SARB's 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 SARB's 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 SARB's 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 SARB's discretion in accordance with Condition 11.12 of the Terms and Conditions and Regulation 38(14)(a)(i) of the Tier 2 Capital Regulations, upon the receipt by the Issuer of written notice from the Registrar of Banks of the occurrence of a Non-Viability Trigger Event
32	If write-down, full or partial	NA	NA	NA	NA	NA	NA	NA	NA	The Principal Amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written-off permanently, in full or in part on a pro rata basis (in the case of a write off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks	The Principal Amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written-off permanently, in full or in part on a pro rata basis (in the case of a write off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks	The Principal Amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written-off permanently, in full or in part on a pro rata basis (in the case of a write off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks	The Principal Amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written-off permanently, in full or in part on a pro rata basis (in the case of a write off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks	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
33	If write-down, permanent or temporary	NA	NA	NA	NA	NA	NA	NA	NA	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Columns 3 to 19, then Column 2	Columns 3 to 19	Deposits and other general debits of the bank including non subordinated notes	Deposits and other general debits of the bank including non subordinated notes	Deposits and other general debits of the bank including non subordinated notes	Deposits and other general debits of the bank including non subordinated notes	Deposits and other general debits of the bank including non subordinated notes	Deposits and other general debits of the bank including non subordinated notes	Deposits and other general debits of the bank including non subordinated notes	Deposits and other general debits of the bank including non subordinated notes	Deposits and other general debits of the bank including non subordinated notes	Deposits and other general debits of the bank including non subordinated notes	Deposits and other general debits of the bank including non subordinated notes	Deposits and other general debits of the bank including non subordinated notes	Deposits and other general debits of the bank including non subordinated notes	Deposits and other general debits of the bank including non subordinated notes	Deposits and other general debits of the bank including non subordinated notes	Deposits and other general debits of the bank including non subordinated notes	Deposits and other general debits of the bank including non subordinated notes
36	Non-compliant transitioned features	NA	Yes	Yes	Yes	Yes	Yes	Yes	Yes	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
37	If yes, specify non-compliant features	NA	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

Main features disclosure

Absa Bank

	Disclosure template for main features of regulatory capital instruments	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
1	Issuer	Absa Bank Limited	Absa Bank Limited	Absa Bank Limited	Absa Bank Limited	Absa Bank Limited	Absa Bank Limited	Absa Bank Limited	Absa Bank Limited	Absa Bank Limited	Absa Bank Limited	Absa Bank Limited	Absa Bank Limited	Absa Bank Limited	Absa Bank Limited	Absa Bank Limited	Absa Bank Limited	Absa Bank Limited	Absa Bank Limited	Absa Bank Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	ZAE000079810	ZAE000079810	ZAG000073669	ZAG000077074	ZAG000077082	ZAG000101221	ZAG000101239	ZAG000101254	ZAG000121492	ZAG000121500	ZAG000123126	ZAG000123134	ZAG000129412	ZAG000129420	ZAG000129438	ZAG000129446	ZAG000129958	ZAG000136045	ZAG000136052
3	Governing law(s) of the instrument	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (As amended)	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (As amended)	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (As amended). The subordinated callable notes are listed on the JSE.	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (As amended). The subordinated callable notes are listed on the JSE.	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (As amended). The subordinated callable notes are listed on the JSE.	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (As amended). The subordinated callable notes are listed on the JSE.	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (As amended). The subordinated callable notes are listed on the JSE.	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (As amended). The subordinated callable notes are listed on the JSE.	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (As amended).	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (As amended).	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (As amended).	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (As amended).	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																			
4	Transitional Basel III rules	Common Equity Tier 1	Additional Tier 1	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional Basel III rules	Common Equity Tier 1	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
6	Eligible at solo/group/ group & solo	Solo	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Solo	Solo	Solo	Solo	Solo	Solo	Solo	Solo	Solo	Solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares	Preference shares	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes
8	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	R303	R2 786	R1 500	R400	R600	R1 805	R2 007	R1 188	R370	R130	R 1 693	R 807	R508	R437	R737	R30	R288	R31	R200
9	Par value of instrument	R303	R4 644	R845	R400	R600	R1 805	R2 007	R1 188	R370	R130	R 1 693	R 807	R508	R437	R737	R30	R288	R31	R200
10	Accounting classification	Shareholders' equity	Shareholders' equity	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option
11	Original date of issuance	1986	2006 and 2007	10 Dec 2009	03 May 2010	03 May 2010	21 Nov 2012	21 Nov 2012	21 Nov 2012	18 Nov 2014	18 Nov 2014	04 Feb 2015	04 Feb 2015	03 Sep 2015	03 Sep 2015	03 Sep 2015	03 Sep 2015	28 Sep 2015	4 May 2016	4 May 2016
12	Perpetual or dated	Perpetual	Perpetual	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	NA	NA	07 Dec 2028	03 May 2022	03 May 2022	21 Nov 2022	21 Nov 2023	21 Nov 2023	19 Nov 2024	19 Nov 2024	05 Feb 2025	05 Feb 2025	04 Sep 2025	04 Sep 2025	03 Sep 2027	03 Sep 2027	29 Sep 2025	5 May 2026	5 May 2026
14	Issuer call subject to prior supervisory approval	NA	NA	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

	Disclosure template for main features of regulatory capital instruments	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
15	Optional call date, contingent call dates and redemption amount	NA	NA	07 Dec 2023, tax and regulatory contingent events call, nominal amount plus CPI adjustment if the amount is not less than R 845.283.052 otherwise redemption amount equal to Principal Amount issued.	03 May 2017, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	03 May 2017, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	21 Nov 2017, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	21 Nov 2018, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	21 Nov 2018, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued.	19 Nov 2019, tax and regulatory contingent events call, however not applicable before 5-years as per regulations redemption amount equal to Principal Amount issued	19 Nov 2019, tax and regulatory contingent events call, however not applicable before 5-years as per regulations redemption amount equal to Principal Amount issued	05 Feb 2020, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued	05 Feb 2020, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued	04 Sep 2020, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued	04 Sep 2020, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued	03 Sep 2022, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued	03 Sep 2022, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued	29 Sep 2020, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued	5 May 2021, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued	5 May 2021, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued
16	Subsequent call dates, if applicable	NA	NA	NA	NA	NA	Quarterly after the first optional call date until maturity	Quarterly after the first optional call date until maturity	Semiannualy after the first optional call date until maturity	Quarterly after the first optional call date until maturity	Semiannualy after the first optional call date until maturity	Quarterly after the first optional call date until maturity.	Semiannualy after the first optional call date until maturity.	Semiannualy after the first optional call date until maturity	Quarterly after the first optional call date until maturity.	Semiannualy after the first optional call date until maturity	Quarterly after the first optional call date until maturity.	Semiannualy after the first optional call date until maturity.	Quarterly after the first optional call date until maturity.	Semiannualy after the first optional call date until maturity.
	Coupons / dividends																			
17	Fixed or floating dividend/coupon	Floating	Fixed	Floating	Floating	Fixed to floating	Floating	Floating	Fixed	Floating	Fixed	Floating	Fixed	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed
18	Coupon rate and any related index	NA	70% of the prime overdraft lending rate	5.5 % indexed to ZAR revised CPI	3M JIBAR+210bps	10.28%	3M JIBAR+195bps	3M JIBAR+205bps	8.295%	3M JIBAR+330bps	10.835%	3M JIBAR+350bps	10.05%	11.365%	3M JIBAR+350bps	11.810%	3M JIBAR+360bps	11.400%	3M JIBAR+400bps	12.430%
19	Existence of a dividend stopper	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	NA	No	Yes	Yes	Yes	No	No	No	No	No	No	No	No	No	No	No	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	NA	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
25	If convertible, fully or partially	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
26	If convertible, conversion rate	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
28	If convertible, specify	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

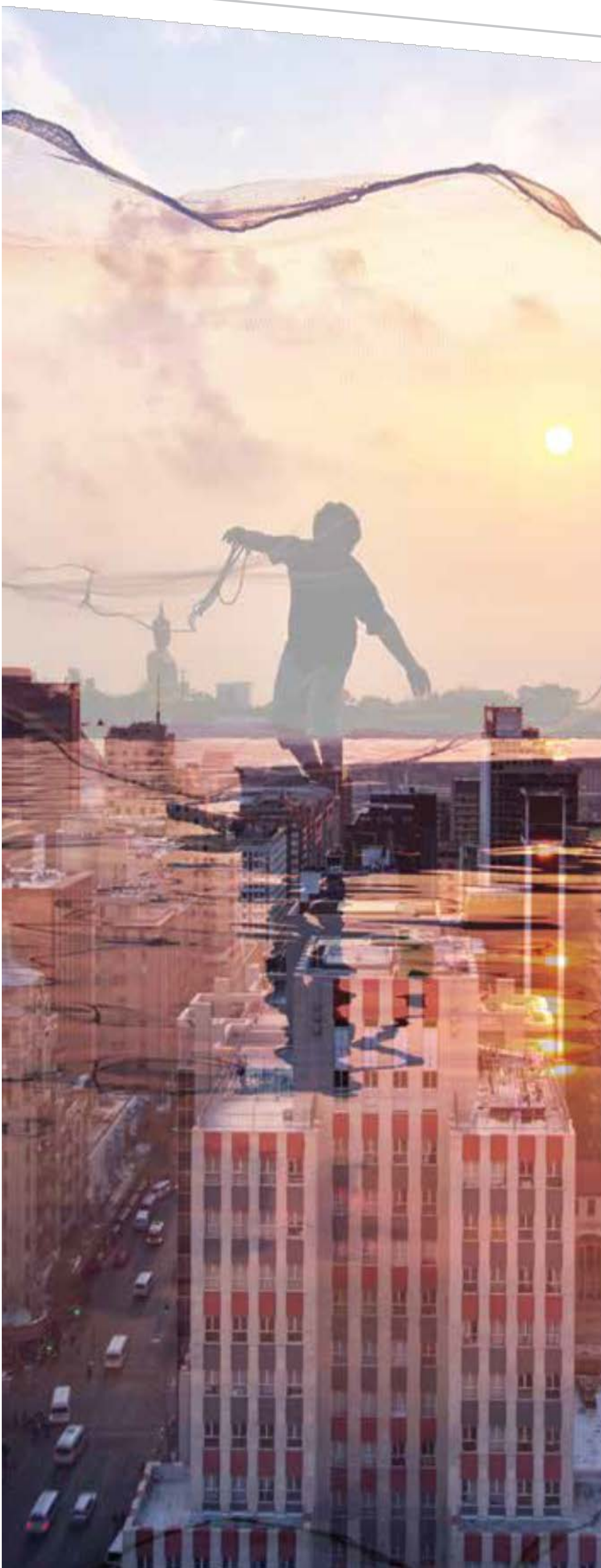
	Disclosure template for main features of regulatory capital instruments	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
	instrument type convertible into																			
29	If convertible, specify issuer of instrument it converts into	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
30	Write-down feature	No	No	No	No	No	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
31	If write-down, write-down trigger(s)	NA	NA	NA	NA	NA	NA	NA	NA	At SARB's discretion in accordance with Condition 11.12 of the Terms and Conditions and Regulation 38(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 SARB's 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 SARB's 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 SARB's 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 SARB's 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 SARB's 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 SARB's 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 SARB's 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 SARB's 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 SARB's 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 SARB's discretion in accordance with Condition 11.12 of the Terms and Conditions and Regulation 38(14)(a)(i) of the Tier 2 Capital Regulations, upon the receipt by the Issuer of written notice from the Registrar of Banks of the occurrence of a Non-Viability Trigger Event
32	If write-down, full or partial	NA	NA	NA	NA	NA	NA	NA	NA	The Principal Amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written-off permanently, in full or in part on a pro rata basis (in the case of a write off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks	The Principal Amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written-off permanently, in full or in part on a pro rata basis (in the case of a write off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks	The Principal Amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written-off permanently, in full or in part on a pro rata basis (in the case of a write off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks	The Principal Amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written-off permanently, in full or in part on a pro rata basis (in the case of a write off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks	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
33	If write-down, permanent or temporary	NA	NA	NA	NA	NA	NA	NA	NA	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

	Disclosure template for main features of regulatory capital instruments	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**18**	**19**
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Columns 3 to 19, then Column 2	Columns 3 to 19	Deposits and other general debits of the bank including non subordinated notes	Deposits and other general debits of the bank including non subordinated notes	Deposits and other general debits of the bank including non subordinated notes	Deposits and other general debits of the bank including non subordinated notes	Deposits and other general debits of the bank including non subordinated notes	Deposits and other general debits of the bank including non subordinated notes	Deposits and other general debits of the bank including non subordinated notes	Deposits and other general debits of the bank including non subordinated notes	Deposits and other general debits of the bank including non subordinated notes	Deposits and other general debits of the bank including non subordinated notes	Deposits and other general debits of the bank including non subordinated notes	Deposits and other general debits of the bank including non subordinated notes	Deposits and other general debits of the bank including non subordinated notes	Deposits and other general debits of the bank including non subordinated notes	Deposits and other general debits of the bank including non subordinated notes	Deposits and other general debits of the bank including non subordinated notes	Deposits and other general debits of the bank including non subordinated notes
36	Non-compliant transitioned features	NA	Yes	Yes	Yes	Yes	Yes	Yes	Yes	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
37	If yes, specify non-compliant features	NA	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

LCR Common disclosure template[1]

		Barclays Africa Group Limited		Absa Bank Limited	
		TOTAL UNWEIGHTED VALUE (average)	TOTAL WEIGHTED VALUE (average)	TOTAL UNWEIGHTED VALUE (average)	TOTAL WEIGHTED VALUE (average)
HIGH-QUALITY LIQUID ASSETS					
1	Total high-quality liquid assets (HQLA)		129 086		118 301
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	294 630	23 673	217 534	16 941
3	Stable deposits	-	-	-	-
4	Less stable deposits	294 630	23 673	217 534	16 941
5	Unsecured wholesale funding, of which:	328 134	175 183	274 306	153 785
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	93 388	23 347	93 388	26 849
7	Non-operational deposits (all counterparties)	227 649	144 739	176 867	122 885
8	Unsecured debt	7 097	7 097	4 051	4 051
9	Secured wholesale funding		1 317		1 316
10	Additional requirements, of which:	224 005	22 725	167 630	19 143
11	Outflows related to derivative exposures and other collateral requirements	12 409	6 438	12 381	6 411
12	Outflows related to loss of funding on debt products	-	-	-	-
13	Credit and liquidity facilities	211 596	16 287	155 249	12 732
14	Other contractual funding obligations	806	310	102	102
15	Other contingent funding obligations	169 158	8 359	162 224	7 870
16	TOTAL CASH OUTFLOWS		231 567		199 157
CASH INFLOWS					
17	Secured lending (eg reverse repos)	20 644	4 985	20 644	4 985
18	Inflows from fully performing exposures	101 519	68 933	69 957	50 318
19	Other cash inflows	2 993	2 993	2 983	2 983
20	TOTAL CASH INFLOWS	125 156	76 911	93 584	58 286
			TOTAL ADJUSTED VALUE		TOTAL ADJUSTED VALUE
21	TOTAL HQLA		129 086		118 301
22	TOTAL NET CASH OUTFLOWS		154 656		140 871
23	LIQUIDITY COVERAGE RATIO (%)		83.5		84.0

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



Abbreviations and acronyms

A

AEaR	annual earnings at risk
AFS	Absa Financial Services
AIRB	advanced internal ratings-based approach
AMA	advanced measurement approach
ATC	Africa Treasury Committee

B

Basel	Basel Capital Accord
BBBEE	broad-based black economic empowerment
BBM	Barclays Bank Mozambique
BBT	Barclays Bank of Tanzania
BCBS	Basel Committee on Banking Supervision
BIA	basic indicator approach
bps	basis points

C

CAR	capital adequacy requirement
CEM	current exposure method
CET1	Common Equity Tier 1
CFP	contingency funding plan
CIB	Corporate and Investment Bank
CLGD	country loss given default
CMRA	conduct material risk assessments
CPF	Commercial Property Finance
CPRF	Conduct Principal Risk Framework
CRC	Control Review Committee
CRCC	Country Risk and Control Review Committee
CRM	credit risk mitigation
CRRC	Conduct and Reputational Risk Committee
CSA(s)	collateral support annexure(s)

D

DG	default grade
D-SIBs	domestic systemically important banks
DVaR	daily value at risk

E

EAD	Exposure at default
EC	economic capital
ECAI	external credit assessment institutions
Edcon	Edcon Store Card Portfolio
EL	expected loss
ERMF	Enterprise Risk Management Framework
EVE	economic value of equity
EWI	early warning indicators

F

FRC	Financial Risk Committee
FRTB	Fundamental Review of the Trading Book

G

GACC	Group Audit and Compliance Committee
GCE	Group Chief Executive
GCRO	Group Chief Risk Officer
GMRA	Global Master Repurchase Agreement
GMRC	Group Market Risk Committee
GMSLA	Global Master Securities Lending
GRCMC	Group Risk and Capital Management Committee
Group	Barclays Africa Group Limited

I

IAS	International Accounting Standard(s)
IAS 28	IAS 28 Investments in Associates
IAS 39	IAS 39 Financial Instruments: Recognition and Measurement
ICAAP	internal capital adequacy assessment process
ICMA	International Capital Market Association
IFRS	International Financial Reporting Standard(s)
IFRS-IC	IFRS Interpretations Committee
FRS 3	Business Combinations
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations
IFRS 9	Financial Instruments
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IMA	internal models approach
IRB	internal ratings-based approach
IRRBB	interest rate risk in the banking book
ISDA	International Swaps and Derivatives Association
ISLA	International Securities Lending Association
IT	information technology

J

JIBAR	Johannesburg Interbank Agreed Rate
JSE	Johannesburg Stock Exchange

K

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

L

LCR	liquidity coverage ratio
LGD	Loss Given Default
LLR	Loan Loss Rate
LRA	liquidity risk appetite
LTV	Loan-to-Value

M

MC	BAGL Models Committee
MTM	mark-to-market

N

NBC	National Bank of Commerce Limited (Tanzania)
NII	net interest income
NPL(s)	non-performing loan(s)
NSFR	net stable funding ratio

O

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

P

PD	probability of default
PFE	potential future exposure
PKIs	predictive key indicators
PIT	point-in-time
PRO	Principal Risk Officer

R

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

S

SA	South Africa
SAM	Solvency Assessment Management
SARB	South African Reserve Bank
SME	small and medium enterprises
sVaR	stressed value at risk

T

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

V

VAF	Vehicle and Asset Finance
VaR	value at risk

W

WL	watch list