Barclays Africa Group Limited

Risk management

for the reporting period ended 31 December 2014

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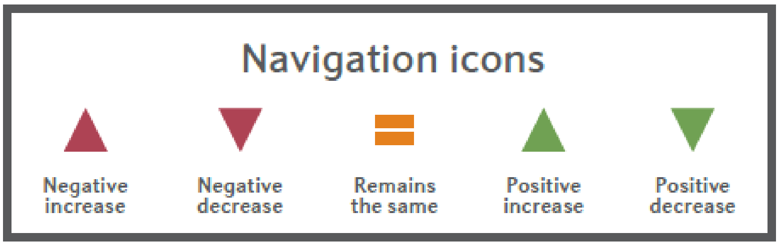


Reporting suite

The notice of risk management report forms part of our annual reporting suite. The following reports and fact sheets are available at barclaysafrica.com

- Integrated Report 2014
- Annual financial statements
- Notice of annual general meeting
- Financial results booklet
- Citizenship fact sheet
- Environmental fact sheet
- Broad-based black economic empowerment (BBBEE) (South Africa) fact sheet
- Global Reporting Initiative (GRI) index
- Stakeholder fact sheet
- King III fact sheet

Forward looking statements

Certain statements (words such as 'anticipates', 'estimates', 'expects', 'projects', 'believes', 'intends', 'plans', 'may', 'will' and 'should' and similar expressions in this document are forward looking. These relate to, among other things, the plans, objectives, goals, strategies, future operations and performance of Barclays Africa Group Limited and our subsidiaries (Barclays Africa). These statements are not guarantees of future operating, financial or other results and involve certain risks, uncertainties and assumptions and so actual results and outcomes may differ materially from these expressed or implied by such statements. We make no express or implied representation or warranty that the results we anticipated by such forward-looking statements will be achieved. These statements represent one of many possible scenarios and should not be viewed as the most likely or standard scenario. We are not obligated to update the historical information or forward-looking statements in this document.

Risk management overview

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

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

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

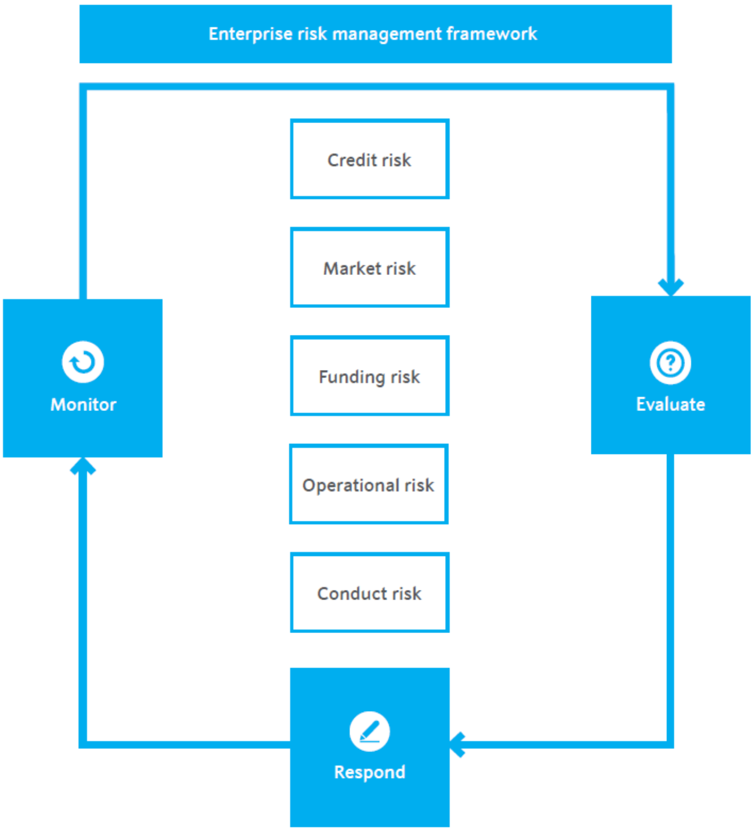
The ERMF includes those risks taken by the Group that are foreseeable, continuous, and material enough to merit establishing specific group-wide control frameworks. These are known as key risks and are grouped into five principal risks. In the current year, reputation risk has been added as a key risk under conduct risk.

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

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

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

Principal Risks



Review of 2014

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

- As loans and advances increased, driven by growth in Wholesale and certain Retail portfolios, credit performance continued to improve across major portfolios. Both impairment charges and the impairment loss ratio reduced year-on-year.
- Against the backdrop of continuing challenges in the macro-economic environment, overall coverage increased on both performing and non-performing loans.
- Market risk exposures remained within risk appetite.
- Operational risk losses increased year-on-year, with fraud and reconciliation losses in the Card business being the primary drivers of losses.

- The Group remained well capitalised above the minimum regulatory requirements and Board approved target capital ranges.
- The liquidity position remained healthy and well managed within key limits and metrics.
- The Group developed an approach to the management of conduct risk.
- The Group introduced a new risk appetite framework for insurance risk.

Future priorities

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

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

Credit risk

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

Factors that influence this risk

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

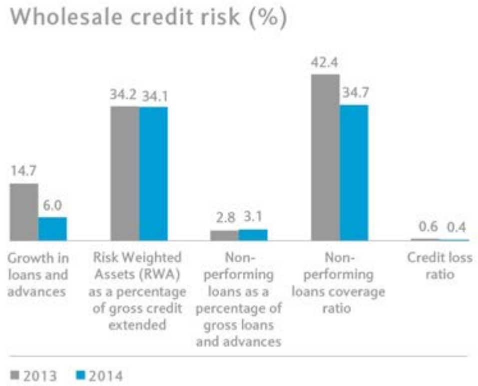
- Persistent electricity supply constraints in South Africa reducing growth prospects. Lower oil prices will, however, help to constrain increases in the import bill, reduce inflation and increase consumer disposable income.
- The slowdown in China's economy could further undermine commodity prices, especially copper, platinum and crude oil. This poses downside risks, especially in Sub-Saharan Africa. Country and sovereign risk will be closely monitored in those countries with high exposure to commodity prices.
- Continuing macroeconomic uncertainty, especially arising from US monetary policy changes, and the instability of the Euro Monetary Area, could negatively impact investment flows in Africa.

How the Group manages this risk

- Understand the target market.
- Define clear risk appetite thresholds and triggers, using applicable stress test measures.
- Establish risk acceptance criteria.
- Undertake sound credit origination, monitoring and account management.
- Ensure appropriate risk infrastructure and controls.

> Wholesale credit risk

	YoY trend	2014 %	2013 %
Growth in loans and advances	▼	6.0	14.7
Risk Weighted Assets (RWA) as a percentage of gross credit extended[1 2]	▼	34.1	34.2
Non-performing loans as a percentage of gross loans and advance	▲	3.1	2.8
Non-performing loans coverage ratio	▼	34.7	42.4
Credit loss ratio	▲	0.4	0.6



Notes

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

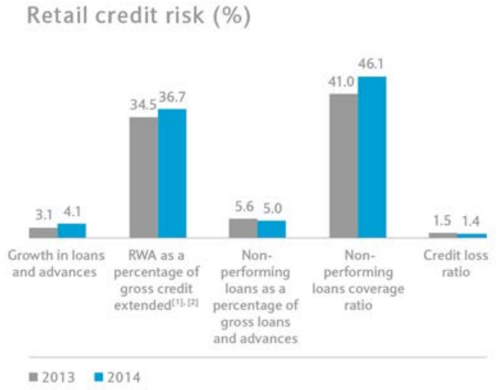
- **Growth:** Total loans and advances growth was fairly muted at 6% when compared to 14.7% in 2013. Growth continued to be dominated by Corporate and Investment Banking with the Rest of Africa growing strongly at 12.7%.
  - While regional diversification continues to grow in the CIB portfolio as new opportunities across Africa are explored, new business within South Africa has been buoyed by increased corporate activity across the mining, transportation and retail sectors.
  - The SA Business Banking portfolio remained stable. The growth in lending was offset by a decline in the commercial property finance book of 9%, as a result of significant repayment and the early settlement of existing loans.
- **Portfolio performance:** The non-performing coverage ratio further decreased to 34.7% (2013: 42.4%) due to a number of write-offs in the defaulted exposure and a slowing down of new defaults in Business Banking.
- **Impairments:** The wholesale portfolio credit impairment charge decreased 18% to R815m (2013: R990m). This improvement was largely driven by the overall positive Rest of Africa and Business Banking South Africa portfolios' performance, down 52% and 36% respectively.

Future priorities

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

> Retail credit risk

	YoY trend	2014 %	2013 %
Growth in loans and advances	▲	4.1	3.1
RWA as a percentage of gross credit extended[1,2]	▲	36.7	34.5
Non-performing loans as a percentage of gross loans and advances	▼	5.0	5.6
Non-performing loans coverage ratio	▲	46.1	41.0
Credit loss ratio	▼	1.4	1.5



- **Growth:** The 0.1% growth in Home Loans new applications was offset by the reducing legal book, resulting in a net decrease of 1.4%. Both these drivers are positive developments. Vehicle and Asset Finance (VAF) grew 9.1% (2013: 8.9%) and the Credit Card portfolio 10.0%, driven by new product launches and campaigns. Portfolios in the Rest of Africa grew 34.8%.
- **RWA:** Overall RWA as a percentage of gross credit extended increased to 36.7% from 34.5%, driven by additional capital requirements specific to forbearance/restructure exposures.
- **Non-performing loans (NPL's):** NPL's continued to decrease. The NPL coverage increased to 46.1% (2013: 41.0%) as coverage was increased on unsecured lending, including Cards.
- **Impairments:** The credit loss ratio improved to 1.4% from 1.5%, reflecting our enhanced collections capability and the improving quality of new business. The loss ratio decreased in Home Loans, increased in VAF and Credit Cards and remained stable in Personal Loans. The impairment loss ratio in the Rest of Africa reduced to 1.7% from 2.2%.

Future priorities

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

Notes

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

Market risk

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

- Traded market risk: the risk of the Group being impacted by changes in the level or volatility of positions in trading books, primarily in the Investment Bank.
- Non-traded market risk: the risk of being unable to hedge the interest rate risk in the banking book, primarily in the retail, business banking, and corporate portfolios.
- Insurance risk: the risk that future experiences relating to claims, expenses, policyholder behaviour and investment returns are different from the assumptions made when setting premiums or valuing policyholder liabilities.
- Pension risk: the risk that arises when an adverse movement between pension assets and liabilities results in a pension deficit.

Factors that influence this risk

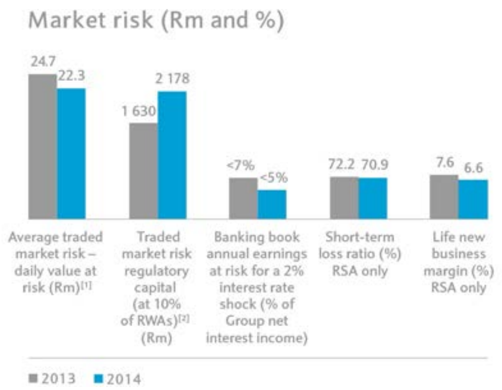
Specific scenarios which could result in significantly lower revenues include:

- Reduced client activity and decreased market liquidity, as the Corporate and Investment Banking business model is focused on client intermediation. Lower levels of liquidity could result in longer holding periods.
- Significant unexpected capital outflows could arise as a result of a decline in demand for African and other emerging market local currency government bonds.
- Further pressure on the oil price could have a notable impact on the trading environment in a number of African countries.
- Changes in the composition of the assets and liabilities of the Group, which if not adequately identified and managed, could lead to increased levels of exposure to interest rate and exchange rate volatility of earnings.
- Inadequate product pricing, insufficient assets held for policyholder liabilities and inappropriate reinsurance strategies in the management of insurance claims.

How the Group manages this risk

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

	YoY trend	2014	2013
Average traded market risk – daily value at risk (Rm)[1]	▼	22.3	24.7
Traded market risk regulatory capital (at 10% of RWAs)[2] (Rm)	▲	2 178	1 630
Banking book annual earnings at risk for a 2% interest rate shock (% of Group net interest income)	▼	< 5%	< 7%
Short-term loss ratio (%) South Africa only	▼	70.9	72.2
Life new business margin (%) South Africa only	▼	6.6	7.6



- Traded market risk: The Group managed trading exposures within risk appetite. The trading business remained resilient as the market experienced the start of the interest rate hiking cycle and weakness in the rand. Revenues are underpinned by a strong client franchise, with a focus on sustainable client flow and facilitation and the careful management of risk across the Group. This was supported by continued strengthening of the control environment and the implementation of the Group's trading platform in seven additional countries during 2014. In line with SEC requirements, the Group also implemented reporting as stipulated by the Volcker rule during the year.

Notes

[1] Daily value at risk for outside South Africa is based on a historical simulation model that uses sensitivity-based inputs rather than full revaluation as is done for South Africa.
[2] At 9.5% of RWAs for 2013 and 10% of RWAs for 2014.

- **Non-traded market risk:** The Group remained positively exposed to further increases in interest rates in South Africa after the impact of hedging. The Group continues to be exposed to prime-JIBAR basis risk in South Africa, arising from the funding of predominantly prime-linked assets with liabilities that are primarily JIBAR-linked after hedging. Basis risks also exist across the Rest of Africa business. There has been continued enhancement of interest rate risk measurement across the Rest of Africa. The interest rate environment remained divergent across the region, with countries such as Ghana and Zambia tightening monetary policy rates in response to weakening currencies and inflationary pressures, while in Mozambique and Uganda, relatively low inflation prompted monetary authorities to relax policy rates further.
- **Insurance risk:** The Group continued to pursue diversified growth between life insurance and short term insurance exposures. The economic capital assessments for the constituent risks and overall insurance risk remained within approved levels. The insurance entities remained solvent as there was sufficient capital retention above the regulatory minimum capital requirements. To further reduce short term insurance volatility, a decision was made fully to reinsure current crop insurance exposures and to exit the crop insurance business in 2015.
- **Pension risk:** Pension plans and benefits are provided in all countries where the Group has a footprint. With the South African pension arrangement, the Absa Pension Fund, remaining the largest fund.

Future priorities

- Ensure appropriate risk management responses to higher traded market volatility and continued pressure on market liquidity.
- Respond to regulatory and capital change, specifically preparing for the adoption of the Fundamental Review of the Trading Book
- Continue to service the client franchise, and continue to increase client flow.
- Continue to build trading capacity and controls across Africa, with the launch of integrated risk technology to ensure all entities across the Group are using the same risk management infrastructure and systems.
- Reduce margin volatility through the ongoing structural hedge programme in South Africa.
- Further refine risk measurement of structural products and optimisation of balance sheet structures as a risk mitigant.
- Monitor the insurance risk profiles against the approved risk appetites for 2015.
- Enhance and further develop the rigour of models for life and non-life insurance entities.
- Embed the ORSA principles into the operations and governance of insurance entities to improve the Group's risk management policies, controls and processes.
- Finalise the insurance entities preparations for the Solvency Assessment Management regime coming into effect in 2016.

Funding risk

The risk that the Group is unable to achieve its business plans as a result of capital, liquidity and structural 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.
- **Structural risk:** the risk arising from the impact of interest rate and foreign exchange movements on the balance sheet and income statement.

Factors that influence this risk

- Ability of the business to generate positive equity driven by profit, and changes in capital requirements.
- Regulatory change and structural reform of the financial sector is an ongoing process internationally.
- Structural risk is affected by changes in the composition of the assets and liabilities of the Group, which could lead to increased levels of exposure to interest rate and exchange rate volatility of earnings.

How the Group manages this risk

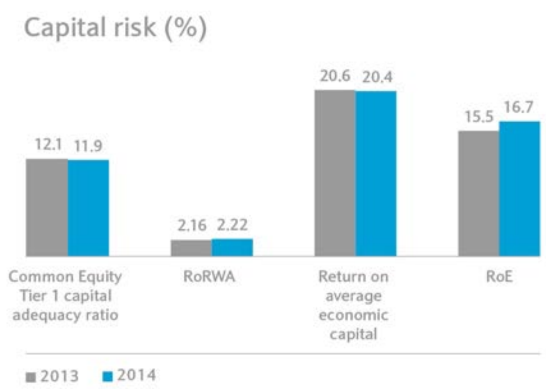
The Group manages funding risk by adhering to the Board's approved funding risk appetite and by maximising shareholder value through RWA precision, optimising capital supply mix, liquidity and structural components.

> Capital risk

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

- Meeting capital ratios required by regulators and the target ranges approved by the Board.
- Maintaining an adequate level of capital resources prudently in excess of economic capital requirements.
- Optimising returns and net generation of equity through capital and balance sheet management.

			YoY trend	2014 %	2013 %
Common Equity Tier 1 capital adequacy ratio	Board target range	9.5 – 11.0	Above board target range	11.9	12.1
RoRWA			▲	2.22	2.16
Return on average economic capital			▼	20.4	20.6
RoE			▲	16.7	15.5



- The cost of equity increased to13.5% from 13.0% with effect from January 2014 due to a higher market view of the risk free rate.
- RWAs increased 10.5% to R619.7bn as at 31 December 2014 (R560.9bn: 31 December 2013) mainly due to increased regulatory requirements, and the prevailing economic environment negatively impacting certain credit portfolios. This was partly offset by RWA precision initiatives.
- The Group is capitalised above the minimum regulatory and Board-approved capital target ranges due to continued economic uncertainty, as well as anticipated future changes in regulations.
- The Group issued inaugural[1] Basel III compliant instruments at the holding company level in November 2014, qualifying as Tier 2 capital.

Future priorities

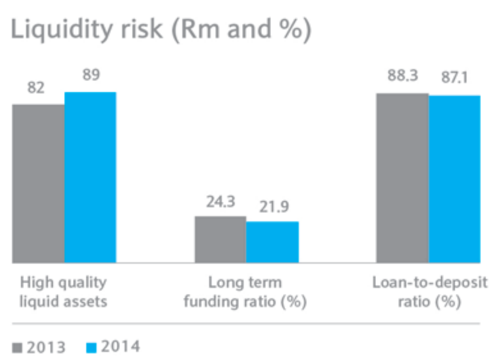
- Ensure all entities remain adequately capitalised relative to minimum regulatory requirements, Board-approved target capital ranges and the Board-approved risk appetite.
- Further improve the approach to capital management and consider:
  - continued focus on RWA precision;
  - enhancing the economic capital framework;
  - improving performance metrics such as positive capital generation and return on equity;
  - optimising the mix of capital supply; and
  - appropriate capital allocation.
- Issuance of Basel III compliant Tier 2 instruments to replace instruments being called.
- Keeping abreast of regulatory and capital changes.

> Liquidity risk

The liquidity risk management process includes:

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

	YoY trend	2014	2013
Sources of liquidity (Rm)		175 836	153 871
High quality liquid assets	▲	88 537	81 974
Statutory liquid assets and cash reserves[2]	▲	53 562	49 915
Surplus liquid assets[1]	▲	34 975	32 059
Other liquid assets[3]	▲	31 841	31 697
Other sources of liquidity	▲	55 458	40 200
Long term funding ratio (%)	▼	21.9	24.3
Loan-to-deposit ratio (%)	▼	87.1	88.3



Notes
[1] The first Tier 2 issuance by the Group under the newly established BAGL DMTN Programme
[2] South Africa
[3] Rest of Africa

- The Group's liquidity risk position remained healthy and is managed within key limits and metrics. The Group expects to maintain a healthy liquidity position throughout 2015 which supports its growth targets.
- From 1 January 2015, the Group is required to maintain a liquidity coverage ratio (LCR) in excess of 60%. To ensure continuous compliance, the bank holds a volatility buffer above the minimum requirement.
- The Group has a well-diversified deposit base, and concentration risk is managed within appropriate guidelines. Sources of liquidity are reviewed regularly to maintain a wide diversity of provider, product and term. The long-term funding ratio was reduced 2.4% to 21.9%, due to an increase in short-term funding raised in RBB and CIB.
- The loan-to-deposit ratio improved 1.2% to 87.1% year over year.
- The net stable funding ratio (NSFR) is currently being incorporated into local regulations and will become effective on 1 January 2018.

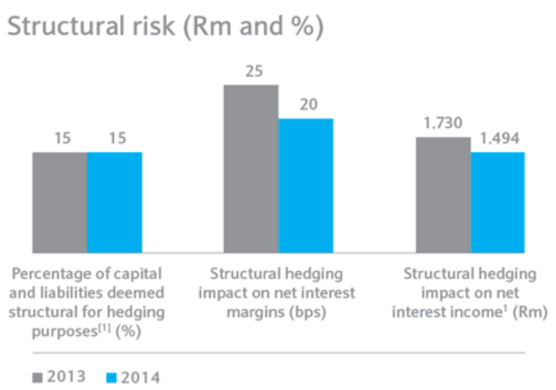
Future priorities

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

> Structural risk

Structural risk exposures continue to be identified and managed within well-defined risk limits. The qualification criteria for structural exposures are well defined and tested, and structural risk management approaches continue to follow strict internal governance processes.

	YoY trend	2014	2013
Capital and liabilities deemed structural for hedging purposes[1] (%)	=	15	15
Structural hedging impact on net interest margins (bps)	▼	20	25
Structural hedging impact on net interest income[1] (Rm)	▼	1 494	1 730



- The size of the structural hedging programme has remained stable at 15% of capital and liabilities. The process whereby structural balances are identified for structural hedging has remained materially unchanged in 2014. Structural exposures continue to be actively reviewed to ensure the programme remains representative of changes in the composition of the balance sheet.
- Exchange rate and interest rate volatility re-emphasised the importance of structural risk management, with the structural hedging programme in South Africa continuing to play an important role in reducing margin volatility during the interest rate cycle. The impact of the structural hedging programme on net interest margins and net interest income remained material, but was at levels lower than those experienced in 2013. This was mainly due to the increase in short term interest rates experienced during 2014.
- The acquisition of countries outside South Africa introduced additional risk through interest rate and exchange rate exposures. The Group has enhanced risk identification and measurement approaches in the region.

Future priorities

- Ensure that structural risks continue to be managed in line with the Group's risk appetite.
- Continue to manage structural interest rate risks in South Africa in accordance with the structural interest rate hedging programme.
- Continue to enhance the approach in Rest of Africa to optimise balance sheet structures further in line with risk appetite and return objectives.

Operational risk

Operational risk arises when there is potential for direct and indirect loss resulting from human factors, inadequate or failed internal processes, systems or external events. The Group actively seeks to minimise the impact of losses suffered, both in the normal course of business (expected losses) and in extreme events (unexpected losses), to improve effective management of the Group, and strengthen its brand and external reputation.

Factors that influence this risk

- The scale and type of fraud, both internal and external.
- Increasing and changing regulatory requirements affecting the internal control environment.

Notes
[1] Structural interest rate risk hedging is conducted only in respect of the South Africa business.

- The extent, nature and management of change in the organisation, including the type and scale of growth.
- The rate of technological evolution and progress, and the complexities of IT recovery.
- External factors, including the disruption of key services, such as energy load shedding and the postal strike.

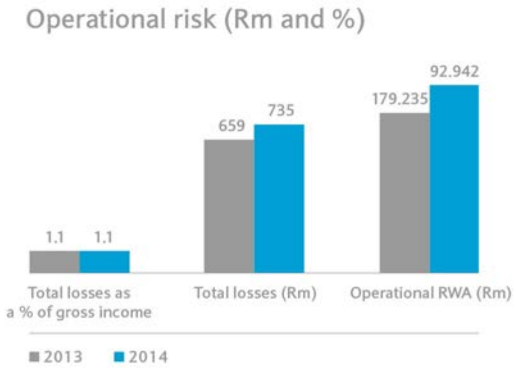
How the Group manages this risk

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

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

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

	YoY trend	2014	2013
Total losses as a % of gross income	=	1.1	1.1
Total losses (Rm)	▲	735	659
Operational RWA (Rm)	▲	92 942	79 235



Total operational risk losses for 2014 were within the Group's appetite, but exceeded those of 2013. Incidents relating to fraud and transaction processing remained the largest contributors, accounting for 57% and 30% of total losses respectively. The most significant loss events in the reporting period related to an external identity theft fraud (R104m) and a payment and settlement reconciliation issue (R153m), both in the card business.

- Technology Risk: Technology stability and disaster recovery remained a challenge in 2014, specifically within the payments environment, although the Group made good progress in addressing issues relating to unsupported infrastructure and systems.
- Fraud Risk: Plastic fraud losses remain the key driver behind overall fraud losses, but these have improved and stabilised across all card portfolios.
- Financial Reporting, Transaction Operations and Payments: the Group is actively remediating an issue within the Card business relating to reconciling payment and settlement transactions. This is an industry-wide issue affecting multiple parties to the payments system. The issue is managed via a group-level control remediation project.

Future priorities

- Technology Risk: Continue to invest in systems to improve and maintain technology resilience. There is a need to consolidate and simplify platforms across Africa and, where relevant, replace legacy systems. In addition, the migration of services to a new data centre will improve the Group's disaster recovery capability. Cyber risk management is also receiving additional attention as this risk escalates globally.
- Regulatory and Financial Crime Risk: Continued focus on the management of regulatory risk in step with recent and planned regulatory changes. Financial Crime compliance will be strengthened through investment in technology and refining the customer on-boarding and monitoring processes.
- Fraud Risk: Improve the Group's fraud capability with a focus on the digital banking, the insurance businesses and operations in the Rest of Africa.
- Product Risk: Monitoring and managing risks associated with the expansion of the businesses across Africa, specifically within the corporate, life insurance and digital businesses.
- The energy challenge in South Africa is being closely monitored, with Business Continuity plans being updated for various scenarios ranging from energy curtailment, load shedding and blackouts.

Conduct risk

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

Factors that influence this risk

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

How the Group manages this risk

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

Review of 2014

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

- Impact of unavailability of technology and support to users that can impede straight-through processing, thereby adversely impacting service delivery.
- Continued levels of regulatory change, resulting in increased expectations and enhanced requirements that impact customer experience.
- Strategic drive to develop and implement a multi-channel proposition and solution to cater for diverse segments and customer preference that may lead to a lack of service, and ineffective products.
- Along with various financial institutions in South Africa, we received a financial fine of R10m, issued by the SARB during the current reporting period, originating from an administrative sanction (FICA - Section 45C).

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

- The Group exited a number of high profile citizenship programmes, given their non-alignment to the approved strategy and/or governance and compliance standards. Communities, customers and other affected parties were appropriately engaged with.
- A number of accounts deemed to be non-compliant with know your customer (KYC) regulations were blocked with a consequent negative impact on the customer experience. The Bank remained in contact with customers and the general public through various channels of communication during this period, providing timely and consistent responses to customer complaints.
- A number of legacy legal cases were heard in 2014, several of which were high profile and involved former senior staff members. The bank filed the appropriate appeals and issued accompanying media statements.
- Following engagement with political parties and governments, the Group ceased financial support to political parties.
- The bank closed several branches, affecting customers in some areas. Stakeholders' responses were monitored and used to inform the engagement strategy.
- The Group managed reputation risk associated with both internal and external fraud by ensuring a transparent and appropriate level of communication with customers.
- Following a thorough review of the Satinsky business model and associated reputation risks in April 2014, the Absa Master Service Agreement with Satinsky was terminated. The stakeholder engagement plan considered Satinsky customers, the broader customer base, investors, the media and the South African Reserve Bank.

Future priorities

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

Basis of preparation

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

Scope of consolidation

Disclosure in this report is presented on a consolidated basis for the Group. The new Group is called Barclays Africa Group Limited (the Group) (The Group). The consolidation is similar to that used for reporting to the South African Reserve Bank (SARB), and for subsidiary reporting to Absa Bank Limited (the Bank) and Barclays Africa Group Limited. Where a different treatment is applied for regulatory reporting compared to statutory reporting, the following approach is followed:

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

Changes to comparative numbers

Prior period figures were restated where appropriate. Where changes to numbers and disclosures are noted in this report it will be due to the following:

Prior period figures restated

- The Group's statutory accounts (annual financial statements) were restated and therefore all financial ratios and disclosures in this report will align to those disclosures.
- Continued improvement on disclosures in terms of Regulation 43 as well as value adding disclosure to the readers of this report.

New disclosure with no effect on prior period numbers

- Regulatory approved changes in approach in accordance with Basel III, implementation 1 January 2013.
- Newly acquired capital management disclosure in terms of Directive 8 /2013 was issued on 7 June 2013 by the SARB.
- Disclosure of the Group entities in current reporting period

Policy, validation and sign-off

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

Credit risk

Basel measurement elected

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

Where this document discloses credit exposure or capital requirements, the Group has followed the scope and application of the Pillar 1 capital adequacy calculations (unless otherwise stated). Where figures for impairment or losses are disclosed within this document, the Group has followed the IFRS definitions used in the annual financial statements. The Group applies both the standardised (TSA) and advance internal ratings-based (AIRB) approaches to various portfolios to calculate Regulatory Capital (RC) requirements, as illustrated in the table below:

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

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

Advanced internal ratings-based approach
To assess credit risk under this approach, the Group analyses this risk in terms of its common components of probability of default (PD), exposure at default (EAD) and loss given default (LGD), modelled on an exposure specific basis in the case of wholesale exposures and on a pooled level in the case of retail exposures.

These risk components are then used in the calculation of a number of aggregate risk measures such as expected loss (EL), Regulatory Capital (RC) and Economic Capital (EC). Under the AIRB approach, the Group's own measures of PD, EAD and LGD can be used. The assessment of credit risk relies heavily on quantitative models and tools developed internally. These are supplemented by vendor solutions in a number of areas.

Credit models are classified by materiality, based on a combination of measures aimed at assessing the value at stake (VAS) for us. The VAS measure used for a specific model is determined by its relevance to the respective portfolio and the risk it is intended to assess. All models are subject to an initial validation and approved by the appropriate governance forums. High materiality models require Absa Bank Models Committee (MC) approval. Models are monitored on an ongoing basis and validated, at least annually, by an independent validation unit in the Group's risk department. The monitoring information and validation results are regularly reported to and discussed at the appropriate governance forums.

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

Equity investment
Equity investment risk is monitored monthly in terms of regulatory and EC requirements and is complemented by a range of additional risk metrics and stress testing. The equity investment risk profile is further tracked across a range of dimensions such as geography, industry and currency. Risk monitoring is done in accordance with a risk appetite, mandate and scale limits framework.

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, we apply a 300% risk weight 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%. Amended Basel regulations effective January 2012 prescribe a scaling factor of 1.06. Consequently, RWAs are calculated using weightings of 318% and 424% for listed and unlisted equity investments respectively. For those investments for which 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 (in common and non-common share capital) with a shareholding percentage of more than 20% we apply a capital deduction. EC for equity investment risk in the banking book is based on investment type and portfolio risk modelling and varies from 35.2% to 100%.

Applicable accounting policies
Retail and wholesale portfolios
Under IFRS, impairment allowances are recognised where there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition of the asset, and where these events had an impact on the estimated future cash flows of the financial asset or portfolio of financial assets. To determine if a loss event has occurred, historical economic information similar to the current economic climate, overall customer risk profile, payment record and the realisable value of any collateral, are taken into consideration. The replacement of IAS 39 with IFRS 9 Financial Instruments (IFRS 9) will have a significant impact on Banks' financial statements, the biggest impact being the calculation of impairments. IFRS 9 will replace the current incurred loss model with the requirement to calculate expected losses.

Securitisation
At the start of a securitisation transaction, assets are sold to the securitisation vehicle at par value and no gains or losses are recognised. The transactions are treated as sales (rather than financing) and for financial reporting purposes the respective vehicles are consolidated at a Group level. Any retained interest in the securitisation vehicle is valued on the basis of the respective asset's performance. Key valuation assumptions for retained interests of this nature include spreads to discount rates, default and recovery rates and prepayment rates that may be observable or unobservable. Where the Group acts as a service provider, normal impairment policies are applied and retained tranches are ultimately written off once sufficient capital losses accumulate.

Equity investment risk
IAS 39 requires all equity investments to be measured at fair value. Equity investment risk is included in note 63.4 of the Group's annual financial statements, and the accounting policies relating to subsidiaries and investments in associates and joint ventures are discussed separately in note 1.3. The fair value of equity investments is determined using appropriate valuation methodologies which, depending on the nature of the investment, include discounted cash flow analysis, listed price, earnings multiple and price of recent investment.

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

Market risk

Basel measurement elected

Traded market risk

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

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

Total traded market risk minimum capital requirement increased by 34% or R548 million in 2014 compared to the 2013 financial year. The increase was predominantly as a result an uptick in standardised approach capital emanating from Interest rate risk.

	2014 %	2013 %
Internal model based approach	1 238	1 184
Value at risk	470	527
Stressed value at risk	768	657
Standardised approach	940	446
Interest rate risk	775	349
Equity risk	109	74
Foreign exchange risk	56	23
Total traded market risk capital requirement[1]	2 178	1 630

Liquidity risk

South African banks have been monitoring and reporting their Basel III positions on both the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) since January 2013 in preparation for the introduction of the LCR minimum regulatory standard of 60% as from 1 January 2015. 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 an acute stress scenario lasting for 30 days. Work continues on the NSFR. Banks are currently monitoring and reporting their NSFR positions through an observation period running until end 2017. The NSFR is due to become a binding requirement from 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 Regulatory Capital floor. The Basic Indicator Approach (BIA) or The Standardised Approach (TSA) is applied for the remaining entities not included in the AMA, namely:

- joint ventures and non-controlling interests where the Group is unable to dictate the implementation of the operational risk framework (ORF) or capital methodology; and
- cross-border legal entities 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 2013 and 10% of RWAs for 2014.

Capital management

Key points

- The Group maintained a strong capital adequacy position above the Board approved target ranges.
- R1.7 billion call of the AB07 bond qualifying as Tier 2 on 7March 2014.
- R3.0 billion call of the ABCPI2 bond qualifying as Tier 2 on 20 September 2014.
- Issuance of R0.5 billion bonds qualifying as Tier 2 on 18 November 2014 at holding company level.
- Tier 2 issuances in certain Africa subsidiaries.
- Strong focus on positive capital generation.
- Capital management framework rolled out across Africa.
- Recovery Plan in place detailing potential options available to restore capital, liquidity and balance sheet positions during times of stress.

Group	2014 %	2013 %
Common Equity Tier 1 capital adequacy ratio[1]	11.9	12.1
Return on average risk-weighted assets[2]	2.22	2.16
Return on average economic capital	20.4	20.6
Cost of equity[3]	13.5	13.0

Absa Bank Limited	2014 %	2013 %
Common Equity Tier 1 capital adequacy ratio[2]	10.6	11.0
Return on average risk-weighted assets	2.05	2.03

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 capital ratios required by regulators and the target ranges approved by the Board.
- Maintain an adequate level of capital resources for both regulatory capital and economic capital requirements.
- To increase business and legal entity accountability for the use of capital and, where relevant, the use of capital per client or portfolio.
- Assess, manage and efficiently implement regulatory changes to optimise capital usage.
- Maintain a strong credit rating.

Internal capital adequacy assessment process (ICAAP)

The efficient use of capital resources is fundamental to ensure the enhancement of shareholder value as capital inefficiency results in lower returns. Capital risk is considered a key risk, forming part of the funding principal risk, and thus receives the requisite focus required for a risk of this nature. Capital management is an integral part of decision making within the Group and is considered to be proportional to the nature, scale and complexity of the activities of the Group. The capital management process in the Group encompasses the capital management function of all regulated entities within the Group. The ICAAP reflects the level of capital required to be held against identified material risks the Group is or may become exposed to and the management actions required in the event of severe stress.

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

Stress testing is conducted on a regular basis[4] to identify market condition changes that could adversely impact the Group. Management actions are identified to mitigate risks on a timely basis.

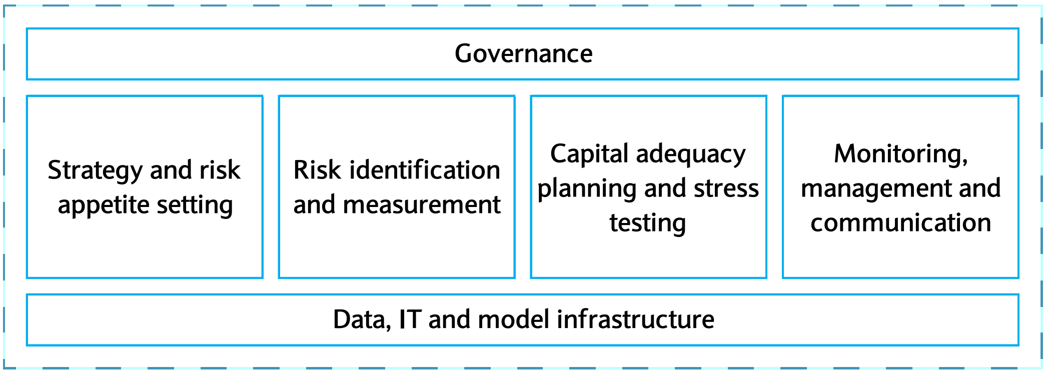
Furthermore, the ICAAP framework ensures that internal systems, controls and management information are in place to enable the Board and senior management to track changes in the economic environment, which may require adjustments to the business strategy in order to remain within the risk appetite on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

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

Notes

[1] Reported ratios include unappropriated profits.
[2] The December 2013 pro forma historical risk-weighted assets of the Group are restated for purpose of RoRWAs of Barclays Africa Limited as if they had always been a part of the Group's RWAs. This does not alter any submissions made to the SARB.
[3] The average CoE is based on the capital asset pricing model (CAPM).
[4] In addition to the annual stress testing performed as part of the budgeting process, ad hoc stress testing is conducted during the year. Stress testing may also be required should macroeconomic variables change.

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



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

From an ICAAP perspective, stress testing represents the link between risk management and capital management. As a result of better risk management practices and global events, stress testing has become fundamental in assessing appropriate levels of capital to ensure that the Group can absorb stress events to protect its depositors and other stakeholders in line with Board approved risk appetite. The Board considers dividend payments after careful review of business plans, growth objectives, and environmental factors. This can result in a dividend being paid to shareholders at 2.5 times cover and up to 1 in 25 year risk event. In more severe circumstances dividends may not be paid.

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

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

Recovery plan

The Group has a Board approved Recovery Plan in place which was developed in line with SARB guidance. The Group Recovery Plan includes a formalised process for the implementation of the plan and the approvals and notifications required if invoked during times of stress.

Capital transferability

The Group's capital policy stipulates that capital held in the Group's entities in excess of Board approved target ranges should be repatriated in the form of dividends and/or capital repatriation, subject to local regulatory requirements, exchange controls and strategic management decisions. Apart from the aforesaid, the Group is not aware of any material impediments to the prompt transfer of capital resources or repayment of intra-group liabilities when due.

Future priorities

The Group's strategic focus is to maintain an optimal mix of high quality capital while continuing to generate sufficient capital to support profitable asset growth. As in the current reporting period, RWA precision, positive generation of capital and capital allocation remain key focus areas for the Group.

Statutory capital adequacy

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

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

Group	2014	2013	Board target ranges %	2014 Minimum regulatory capital requirements %
Capital adequacy ratios (%)[1]				
Common Equity Tier 1	11.9	12.1	9.5 – 11.0	5.5
Tier 1	12.7	13.0	10.5 – 12.0	7.0
Total	14.4	15.5	12.5 – 14.0	10.0
Capital supply and demand for the reporting period (Rm)				
Net generated equity[2]	(964)	(1 901)		
Qualifying capital	89 004	87 070		
Total RWA	619 705	560 933		

11.7	13.0	13.0	12.1	11.9	Common Equity Tier 1 Ratio (%)
15.5	16.7	17.4	15.5	14.4	Total Capital Adequacy Ratio (%)

Statutory capital adequacy

Absa Bank Limited	2014	2013	Board target ranges %	2014 Minimum regulatory capital requirements %
Capital adequacy ratios (%)[5]				
Common Equity Tier 1	10.6	11.0	9.0 – 10.5	5.5
Tier 1	11.4	12.0	10.0 – 11.5	7.0
Total	13.7	15.6	12.0 – 13.5	10.0
Capital supply and demand for the reporting period (Rm)				
Net generated equity	(1 499)	(3 830)		
Qualifying capital	60 763	63 292		
Total RWA	443 955	406 010		

Notes

[1] Reported ratios include unappropriated profits.

[2] Net generated equity for the December 2013 comparatives is adjusted for ordinary dividends paid, the special dividend, growth in RWA as well as for the increase in equity under the Barclays Africa acquisition.

[3] BII: Basel II.

[4] BII.5: Basel II.5.

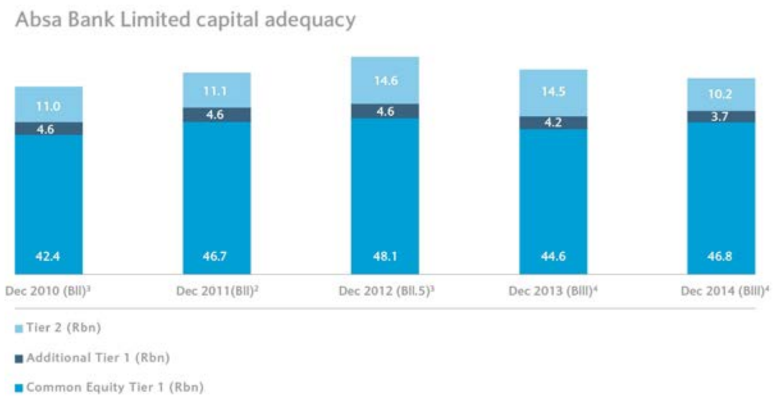
[5] BIII: Basel III.

[5] Reported ratios include unappropriated profits.

[6] BII: Basel II.

[7] BII.5: Basel II.5.

[8] BIII: Basel III.



10.7	12.1	12.5	11.0	10.6	Common Equity Tier 1 Ratio (%)
14.8	16.2	17.5	15.6	13.7	Total Capital Adequacy Ratio (%)

Statutory capital adequacy

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

		2014			2013			2014 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 %	Regulatory minimum %	Board Target %
Local entities (South Africa)									
Group	SARB								
Including unappropriated profits		89 004	12.7	14.4	87 070	13.0	15.5		12.5-14.0
Excluding unappropriated profits		80 889	11.4	13.1	76 014	11.0	13.5	10.0	
Absa Bank	SARB								
Including unappropriated profits		60 763	11.4	13.7	63 292	12.0	15.6		12.0-13.5
Excluding unappropriated profits		56 499	10.4	12.7	57 890	10.7	14.3	10.0	
Foreign banking entities									
Barclays Bank of Mozambique[1]	Banco de Mozambique	1 395	18.2	27.3	471	11.0	11.0	8.0	15.0
Barclays Bank of Botswana[1]	Bank of Botswana	1 789	15.6	18.6	1 496	18.1	19.4	15.0	16.0
Barclays Bank of Ghana[1]	Bank of Ghana	1 569	10.8	18.2	1 765	15.1	23.6	10.0	12.0
Barclays Bank of Kenya[1,2]	Central Bank of Kenya	4 216	15.7	16.0	4 473	21.6	22.5	12.0	14.5
Barclays Bank of Mauritius[1]	Bank of Mauritius	4 243	17.0	17.9	3 921	15.3	15.9	10.0	11.0
National Bank of Commerce[1]	Bank of Tanzania	1 282	16.1	19.2	908	14.8	14.8	12.0	13.0
Barclays Bank of Tanzania[1]	Bank of Tanzania	322	15.4	15.4	345	15.7	15.7	12.0	14.0
Barclays Bank of Uganda[1]	Bank of Uganda	894	18.5	22.0	696	23.8	28.3	12.0	16.0
Barclays Bank of Seychelles[1]	Bank of Seychelles	496	16.4	22.3	683	26.7	34.1	12.0	14.0
Barclays Bank of Zambia[1]	Bank of Zambia	1 087	14.5	14.7	1089	14.5	15.3	10.0	12.0
Insurance entities									
Absa Life Limited	FSB[3]	1 008	n/a	2.9xCAR[4]	1 198	n/a	3.5xCAR[4]	1.0xCAR[4]	2.0xCAR[4]
Absa Insurance Company Limited	FSB[3]	1 234	n/a	48.3%xNWP[4,5]	1 536	n/a	61.7%xNWP[4,5]	28.1%xNWP[4,5]	45%xNWP[4,5]
Absa idirect Limited	FSB[3]	148	n/a	44.2%xNWP[4,5]	134	n/a	48.5%xNWP[4,5]	23.9%xNWP[4,5]	45%xNWP[4,5]

Notes

[1] In country regulatory capital requirements.
[2] December 2014 capital position and ratios take into consideration proposed 2014 dividends due to be paid in 2015 as per Central Bank of Kenya regulatory requirements. It should be noted that similar treatment was not applied to the December 2013 capital position and ratios at the time of publication. Restated 2013 Capital position would equal to R3 707m with Tier 1 and Total Capital ratios reported as 15.2% and 15.9% respectively.
[3] Financial Services Board.
[4] Capital adequacy requirement (CAR): Actuarial calculation of value at risk on insurance liabilities. 2,0 times (2013: 2,0 times) being the required capital level determined by Absa Life Limited.
[5] NWP: Net Written Premiums,45%(2013:45%) of NWP being the required capital level determined by Absa Insurance Company Limited and Absa idirect Limited.

Group	2014 RWAs Rm	2014 Minimum required capital[1,2] Rm	2013 RWAs Rm	2013 Minimum required capital[6,7] Rm
Basel measurement approach				
Credit risk	468 705	46 870	423 771	40 258
Portfolios subject to the AIRB approach	325 213	32 521	305 850	29 056
Portfolios subject to the standardised approach	130 491	13 049	103 606	9 843
Securitisation	918	92	1 005	95
Counterparty credit risk[3]	12 083	1 208	13 310	1 264
Equity investment risk				
Market-based approach (simple risk-weight approach)	13 737	1 374	14 624	1 389
Market risk	21 781	2 178	17 079	1 623
Standardised approach	9 399	940	4 616	439
IMA	12 382	1 238	12 463	1 184
Operational risk	92 942	9 294	79 235	7 527
BIA	4 180	418	4 236	402
TSA	21 341	2 134	17 152	1 629
AMA	67 421	6 742	57 847	5 496
Non-customer assets	22 540	2 254	26 224	2 491
	619 705	61 970	560 933	53 288
Pillar 1 requirement (8%)		49 576		44 874
Pillar 2a requirement[4]		12 394		8 414

Absa Bank Limited	2014 RWAs Rm	2014 Minimum required Capital[5,6] Rm	2013 RWAs Rm	2013 Minimum required capital[1,2] Rm
Basel measurement approach				
Credit risk	338 910	33 891	310 426	29 490
Portfolios subject to the AIRB approach	308 191	30 819	286 496	27 217
Portfolios subject to the standardised approach	17 847	1 785	9 754	927
Securitisation	918	92	1 005	95
Counterparty credit risk[7]	11 954	1 195	13 171	1 251
Equity investment risk				
Market-based approach (simple risk-weight approach)	7 650	765	9 648	917
Market risk	18 260	1 826	16 163	1 535
Standardised approach	5 878	588	3 700	351
IMA	12 382	1 238	12 463	1 184
Operational risk	65 339	6 534	57 431	5 456
BIA	3 755	376	3 052	290
AMA	61 584	6 158	54 379	5 166
Non-customer assets	13 796	1 380	12 342	1 173
	443 955	44 396	406 010	38 571
Pillar 1 requirement (8%)		35 517		32 481
Pillar 2a requirement[8]		8 879		6 090

Notes
[1] The regulatory minimum required capital is 10% as at 31 December 2014 (9.5%: 31 December 2013).
[2] The regulatory minimum Common Equity Tier 1 requirement is 5.5% as at 31 December 2014 (4.5%: 31 December 2013).
[3] Counterparty credit risk amount reflects the net amount after applying the SARB's transitional exclusion of credit valuation adjustment emanating from rand over-the-counter derivatives.
[4] The Pillar 2a requirement is 2% as at 31December 2014 (1.5%: 31 December 2013).
[5] The regulatory minimum required capital is 10% as at 31 December 2014 (9.5%: 31 December 2013).
[6] The regulatory minimum Common Equity Tier 1 requirement is 5.5% as at 31December 2014 (4.5%: 31 December 2013).
[7] Counterparty credit risk amount reflects the net amount after applying the SARB's transitional exclusion of credit valuation adjustment emanating from rand over-the-counter derivatives.
[8] The Pillar 2a requirement is 2% as at 31 December 2014 (1.5%: 31 December 2013).

Capital adequacy

The Group's total qualifying capital supply for the reporting period increased by R1.9bn compared to 31 December 2013 (December 2012 to 2013: 11.3bn).

Movements in qualifying capital

	Group		Absa Bank Limited	
	2 014 Rm	2013 Rm	2 014 Rm	2013 Rm
Balance at the beginning of the reporting period (excluding unappropriated profits)	76 014	68 652	57 890	64 154
Share capital, premium and reserves	8 225	9 783	2 681	(3 609)
Non-controlling interest	150	(113)	-	-
Regulatory changes in Additional Tier 1	(283)	1 267	(465)	(464)
Tier 2 subordinated debt issued	500	-	500	-
Tier 2 subordinated debt matured	(4 725)	(1 886)	(4 725)	(1 886)
Regulatory changes in Tier 2	494	(418)	-	-
General allowances for impairment losses on loans and advances: Standardised Approached – SA	4	324	(23)	198
Regulatory deductions	510	(1 595)	641	(506)
Balance at the end of the reporting period (excluding unappropriated profits)	80 889	76 014	56 499	57 887
Add: unappropriated profits	8 115	11 056	4 264	5 402
Qualifying capital including unappropriated profit	89 004	87 070	60 763	63 289

Breakdown of qualifying capital

Group	Rm	%[1]	Rm	%[1]
Common Equity Tier 1	65 714	10.6	56 829	10.1
Ordinary share capital	1 694	0.3	1 694	0.3
Ordinary share premium	4 548	0.7	4 474	0.8
Reserves[2]	63 554	10.2	55 403	9.9
Non-controlling interest	2 250	0.4	2 100	0.3
Deductions	(6 332)	(1.0)	(6 842)	(1.2)
Goodwill	(762)	(0.1)	(760)	(0.1)
Financial and insurance entities not consolidated	(705)	(0.1)	(664)	(0.1)
Amount by which expected loss exceeds eligible provisions	(1 326)	(0.2)	(2 120)	(0.4)
Other deductions	(3 539)	(0.6)	(3 298)	(0.6)
Additional Tier 1 capital	4 572	0.8	4 855	0.9
Tier 1 capital	70 286	11.4	61 684	11.0
Tier 2 capital	10 603	1.7	14 330	2.5
Instruments recognised as Tier 2 capital	10 186	1.6	13 917	2.4
General allowance for impairment losses on loans and advances – standardised approach	417	0.1	413	0.1
Total qualifying capital (excluding unappropriated profits)	80 889	13.1	76 014	13.5
Qualifying capital (including unappropriated profits)				
Tier 1 capital	78 401	12.7	72 740	13.0
Common Equity Tier 1 (excluding unappropriated profits)	65 714	10.6	56 829	10.1
Unappropriated profits	8 115	1.3	11 056	2.0
Additional Tier 1	4 572	0.8	4 855	0.9
Tier 2 capital	10 603	1.7	14 330	2.5
Total qualifying capital (including unappropriated profits)	89 004	14.4	87 070	15.5

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

Breakdown of qualifying capital

Absa Bank Limited	2014 Rm	2014 %[1]	2013 Rm	2013 %[1]
Common Equity Tier 1	42 556	9.6	39 234	9,7
Ordinary share capital	303	0.1	303	0.1
Ordinary share premium	16 465	3.7	13 465	3.3
Reserves[2]	29 731	6.7	30 050	7.4
Deductions	(3 943)	(0.9)	(4 584)	(1.1)
Amount by which expected loss exceeds eligible provisions	(1 816)	(0.4)	(2 326)	(0.6)
Other deductions	(2 127)	(0.5)	(2 258)	(0.5)
Additional Tier 1 capital	3 715	0.8	4 180	1.0
Tier 1 capital	46 271	10.4	43 414	10.7
Tier 2 capital	10 228	2.3	14 476	3.6
Instruments recognised as Tier 2 capital	10 000	2.2	14 225	3.5
General allowance for impairment losses on loans and advances – standardised approach	228	0.1	251	0.1
Total qualifying capital (excluding unappropriated profits)	56 499	12.7	57 890	14.3
Qualifying capital (including unappropriated profits)				
Tier 1 capital	50 535	11.4	48 816	12.0
Common Equity Tier 1 (excluding unappropriated profits)	42 556	9.6	39 234	9.7
Unappropriated profits	4 264	1.0	5 402	1.3
Additional Tier 1	3 715	0.8	4 180	1.0
Tier 2 capital	10 228	2.3	14 476	3.6
Total qualifying capital (including unappropriated profits)	60 763	13.7	63 292	15.6

Economic capital adequacy

The economic capital (EC) framework covers Basel III Pillar 1 risks as well as additional economic risks not, or inadequately covered in Pillar 1, such as interest rate risk in the banking book. EC represents capital demand and supply according to internal estimates.

The total average EC required is determined by the risk assessment models and considering the Group's estimated portfolio effects if compared with the available financial resources (EC supply) to evaluate EC utilisation. The Group targets an EC supply versus EC demand of a minimum cover of 1.11 times.

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

Economic capital supply and equity

Group Total qualifying capital	2014 Shareholders equity Rm	2014 Economic capital Rm	2014 Tier 1 regulatory capital Rm	2013 Shareholders equity Rm	2013 Economic capital Rm	2013 Tier 1 regulatory capital Rm
Ordinary share capital and share premium	6 242	6 242	6 242	6 168	6 168	6 168
Preference share capital and share premium	-	4 644	4 572	–	4 644	4 855
Retained earnings	70 237	70 237	66 931	64 701	64 701	61 182
Other reserves	6 211	5 859	4 738	6 448	5 844	5 277
Non-controlling interest	-	3 611	2 250	–	3 240	2 100
Expected loss adjustment	-	-	(1 326)	–	–	(2 120)
Other deductions	-	(3 219)	(5 006)	–	(3 141)	(4 722)
	82 690	87 374	78 401	77 317	81 456	72 740
Average capital for the reporting period	78 009	82 414	74 690	77 206	73 549	67 256

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

Group

Capital demand - closing balance	2014 Risk-weighted assets Rm	2014 Economic capital[1] Rm	2013 Risk-weighted assets Rm	2013 Economic capital[2] Rm
Credit risk	468 705	44 698	423 771	40 311
- RBB	316 285	30 273	289 385	29 395
- CIB	132 425	13 699	117 267	10 168
- WIMI	8 301	523	8 213	669
- Other	11 694	203	8 906	79
Equity investment risk	13 737	2 187	14 624	2 952
Market risk	21 781	4 338	17 079	3 286
Operational risk	92 942	5 646	79 235	4 865
Non-customer assets	22 540	6 544	26 224	5 893
	619 705	63 413	560 933	57 307

Economic capital resources

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.

Economic capital demand[1] (%)

Notes

[1] Represent the average required economic capital (EC) (demand).

Capital Risk

Foreign exchange translation risk

Foreign exchange translation risk arises from capital resources (including investments in subsidiaries and branches, intangible assets, non-controlling interests, deductions from capital and debt capital instruments) and RWAs being denominated in foreign currencies. Changes in foreign exchange rates result in changes in the rand equivalent value of foreign currency denominated capital resources and RWAs.

The Group's investments in foreign currency subsidiaries and branches create capital resources denominated in foreign currencies. Changes in the rand value of investments resulting from foreign currency movements are captured in the currency translation reserve, which was excluded from qualifying capital resources under the SARB's Basel II.5 rules and now form part of Common Equity Tier 1 under Basel III.

To minimise volatility of capital ratios caused by foreign exchange rate movements, the Group aims to maintain an appropriate foreign currency capital structure by maintaining the ratio of foreign currency Common Equity Tier 1, Tier 1 and total capital resources to foreign currency RWAs in line with the Group's capital risk appetite. This is primarily achieved by subsidiaries issuing capital or holding retained earnings in local currencies or through the Group issuing debt capital in foreign currency. As a result foreign exchange translation risk relates to dividends.

Foreign exchange translation risk can be mitigated through derivatives or borrowings in the same currency as the functional currency involved, designated as net investment hedges, or through economic hedges. Hedging considerations include exchange control regulations, the market liquidity, cost of hedging, certainty of cash flow and the impact on capital ratios. Based on these considerations, only dividend from markets with cost effective hedges were applied in the reporting period.

Credit ratings	November 2014 Moody's Absa Bank	July 2014 Fitch ratings Absa Bank	Barclays Africa Group
National			
Short-term	Prime-1.za	F1+ (zaf)	F1+ (zaf)
Long-term	A1.za	AAA (zaf)	AAA (zaf)
Outlook	-	Stable	Stable
Local currency			
Short-term	Prime-2	-	-
Long-term	Baa2	A-	A-
Outlook	Stable	Stable	Stable
Foreign currency			
Short-term	Prime-2	F2	F2
Long-term	Baa2	A-	A-
Outlook	Stable	Negative	Negative
Bank's financial strength	C-	-	-
Baseline credit assessment	Baa2	-	-
Viability rating	-	bbb	bbb
Outlook	Stable	-	-
Support	-	1	1

Risk management strategy

The Group's approach to risk management

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

This three step risk management process:

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

The following three-step process in terms of the Group's risk management approach is employed as follows:

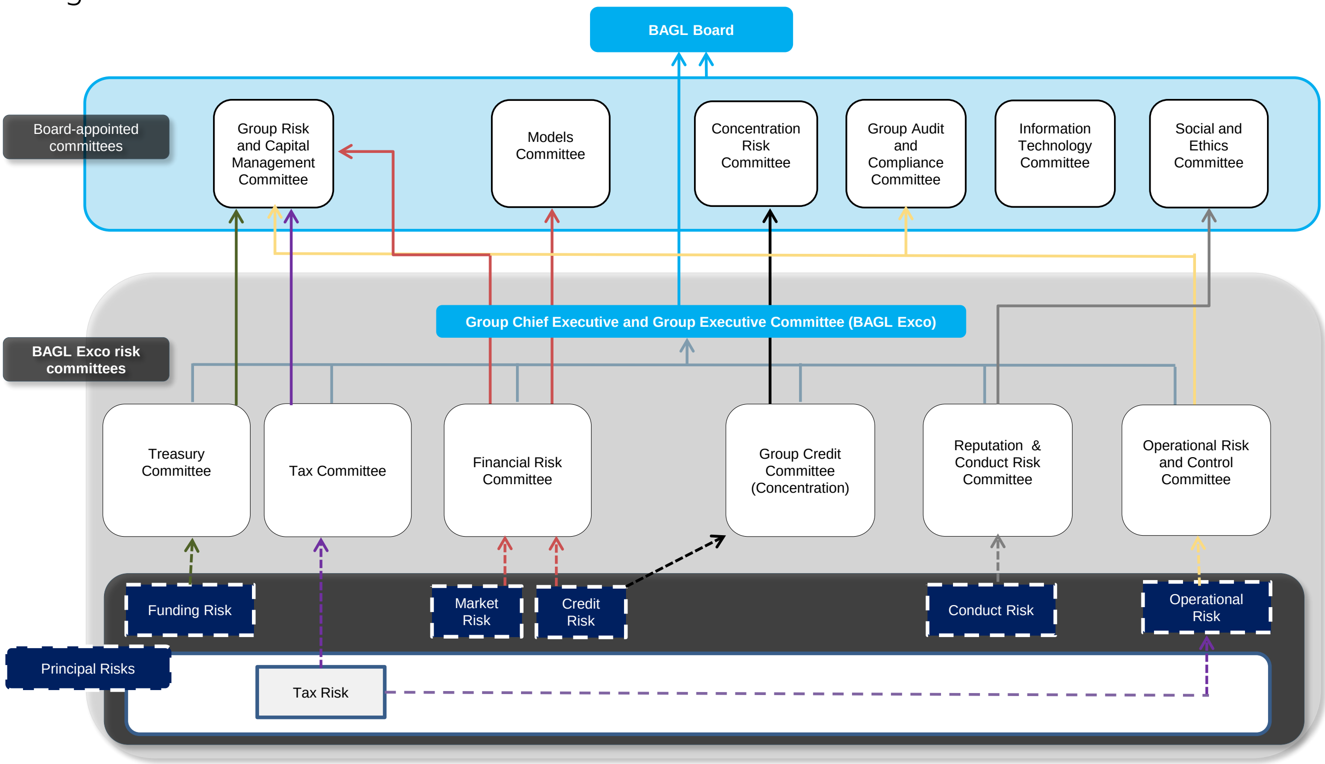
Risk management process	
Evaluate	• Clearly identifying the objective or objectives being assessed. • Identifying the events or circumstances that could cause a delay or failure to meet the objective(s) in full, including the external environment (e.g. economy, competitive landscape), internal environment (people, process, infrastructure), and touch points between the Group and its customers, suppliers, regulators, and other stakeholders. • Using appropriate tools for identifying risks such as interviews, surveys, self-assessments, workshops, audit findings, industry benchmarking, review of prior loss events, critical path analysis, and challenging assumptions and dependencies by developing contrarian positions. • Examining the root causes of identified events and circumstances, the underlying sources of risk, and the cause and effect relationships. • Taking into account the nature and materiality of the objective(s). • Calibrating and measuring the risks in terms of impact, probability, and speed of onset e.g. could the risk become apparent quickly and without prior indication, or does it happen over time and provide the opportunity to respond as it evolves. Use of models must adhere to set principles. • Investigating the relationships and interactions between risks, compounding effects, correlations and concentrations, and aggregated levels. • Where possible, assessing risks on the basis of inherent and residual risk. • Ranking risks and taking an overall portfolio view of the risks to determine priorities.
Respond	• Complying with all relevant laws and regulations. • Focus on the priority risks first. • Recognising that risk mitigation involves resource allocation: actions such as designing, implementing and operating controls should achieve the required level of effectiveness at an appropriate cost. • Looking for a single response that may mitigate more than one risk, and extend or replicate existing controls if appropriate. • Embedding controls into the business activity/process as far as possible. • Considering any unintended consequences e.g. mitigating actions taken to control one risk could introduce other risks or undermine existing controls. • Considering the implications of control failures, and whether secondary or latent controls should be deployed to mitigate risk of control failure in the case of material risks. • Controls must adhere to set principles.
Monitor	• Focusing on progress towards objectives, using Key Performance Indicators (KPIs) to identify those objectives which require further attention. • Examining the current and evolving risk profile and risk trends, use Key Risk Indicators (KRIs) to examine changes in the risk environment; maintain watch for new risks that might impact objectives (e.g. horizon scanning and use of scenario analysis); and monitor changes in risk materiality, frequency and impact, and the appropriateness of existing responses. New risk evaluations should be initiated if necessary. • Ensuring that risks are being maintained within risk appetite, and that risk appetite remains appropriate as circumstances and objectives evolve. • Checking that controls are functioning as intended and remain fit-for-purpose: track performance using Key Control Indicators (KCIs), monitor first line activities to ensure operating within mandates, ensure the policies are routinely updated and that standards have been implemented, and that appropriate resources are being deployed. Monitoring includes Conformance and Assurance testing. • Where a risk event materialises: assessing root causes; identifying possible control failures; identifying potential behavioural failures; considering whether better knowledge would have improved decision making; and identifying what lessons could be learned for future assessments and management of risks. Control issues must be assigned clear ownership and timelines for resolution. • KPIs, KRIs and KCIs must adhere to set principles.

Risk oversight

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

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

Risk governance structure



The Group Risk and Capital Management Committee (GRCMC)

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

The GRCMC meets on a quarterly basis. GRCMC meetings during the reporting period were attended by the GCE, Deputy GCE, Group Financial Director, GCRO, Head of Compliance and Regulatory Affairs and the Group Treasurer. Internal and external auditors also attended the meetings in accordance with governance processes. The meetings were convened under the mandate contained in the terms of reference of the GRCMC, and in accordance with applicable regulations. The GRCMC was provided with required representations and information by management at each meeting, which enabled the committee to review and monitor the various risks properly and, in so doing, comply effectively with its mandate. Adequate training is conducted annually to ensure members effectively discharge their duties.

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

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

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

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

The Group Audit and Compliance Committee (GACC)

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

The GACC performs the following activities in terms of risk management:
- dealing with any matters referred to it by the GRCMC; and
- ensuring that internal and external assurance providers and management apply the combined assurance model.

The Enterprise Risk Management Framework (ERMF)

The Board approved ERMF sets out the scope of the risks facing the Group and creates clear ownership and accountability for risks. The ERMF replaced the Principal Risks policy during Q2 2014 and covers the six principal risks (as discussed earlier) as well as the 27 key risks (as detailed in the table to follow).

The GCRO appoints a Principal Risk Officer (PRO) for each principal risk. Within each principal risk there are individual key risks for which the GCRO appoints a Key Risk Officer (KRO). Group PROs are responsible for ensuring that appropriate risk control frameworks exist for each key risk and for ensuring the appropriate reporting of those risks. KROs are responsible for designing, recording and communicating their risk control frameworks. They also monitor the management of the key risk exposures in accordance with the framework, using the three steps – Evaluate, Respond and Monitor (the E-R-M process) – that enable management to identify and assess those risks, determine the appropriate risk response, and then monitor the effectiveness of the risk response and any changes to the risk profile. The analysis is used to promote an efficient and effective approach to risk management.

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

The changes from the previous Principal Risk Policy to the current ERMF includes:
- The simplification of the governance model, risk processes and policy model.
- Introduction of common language to ensure consistency throughout the organisation regarding risk classification and management.
- Endorsement of two new Principal Risks (conduct and reputation).
- Articulation of the roles of Group/Business Unit Chief Executive Officers, Chief Risk Officers and Principal/Key Risk Officers from a Risk Management and Oversight perspective.
- Provision of explicit clarity on the three lines of defence model.

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

Principal risk	Key risks	Group Exco risk committees
Credit risk	• Retail credit risk • Wholesale credit risk[1]	• Retail Credit Risk Committee (RCRC) • Wholesale Credit Risk Committee (WCRMC)
Market risk	• Traded risk • Interest rate risk in the banking book[2] • Pension risk[2] • Insurance risk	• Africa Market Risk Committee (AMRC)
Operational risk	• External supplier risk • Payment process risk • Technology risk • Transaction operations risk • Premises and security risk • Information risk • Financial reporting risk • Fraud risk • Legal risk • People risk • Tax risk	• Operational Risk & Control Committee, which replaced the Governance and Control Committee on 6 March 2014 (note: tax risk exposure is monitored via the Tax Risk Committee)
Funding risk	• Liquidity risk • Capital risk • Structural risk	• Africa Treasury Committee (ATC) • Africa Treasury Technical Committee
Conduct risk[3]	• Regulatory Authorisations and Permissions risk • Product/Service Design risk • Strategy and Business Model risk • Governance & Culture risk • Transaction Services (Sales) risk • Customer Servicing (Post-Sales) risk • Financial Crime risk (excluding Fraud) • Reputation risk	• Conduct and Reputational Risk Committee

Notes

[1] Equity investment risk, counterparty credit risk and securitisation are reported under wholesale credit risk.
[2] This is reported together with foreign exchange risk in the banking book and asset management risk as non-traded market risk
[3] The implementation of Conduct Risk Key Risk Framework will commence in H2, 2014. Regulatory, Product Design and Financial Crime Risks is therefore still being managed, overseen and reported under Operational Risk

Risk appetite

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

Stress testing

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

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

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

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

Risk appetite key indicators and triggers

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

Credit risk management

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

Strategy

The Group's credit risk objectives are:

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

Approach to credit modelling / internal ratings

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

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

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

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

These parameters can be used in different combinations for a wide range of credit risk measurement and management. Internal ratings are used for the following purposes:

- Credit approval: PD models are used in the approval process in both retail and wholesale portfolios. In high-volume retail portfolios, application and behaviour scorecards are frequently used as decision-making tools. In wholesale and certain retail home loan portfolios, PD models are used to direct applications to an appropriate credit sanctioning level.
- Credit grading: to provide a common measure of risk across the Group, wholesale credit grading employs a 21-point internal default grade scale, this is converted to a 26-point scale of default probabilities per SARB for regulatory reporting purposes.
- Risk-reward and pricing: PD, EAD and LGD metrics are used to assess the profitability of deals and portfolios and to allow for risk-adjusted pricing and strategy decisions.
- Risk appetite: measures of expected loss (EL) and the potential volatility of loss are used in the Group's risk appetite framework.
- Impairment calculation: under IAS 39 Financial Instruments: Recognition and Measurement (IAS 39), many of the collective impairment estimates incorporate the use of the Group's PD and LGD models, adjusted as necessary.
- Collections and recoveries: model outputs are used to identify segments of the portfolio where collection and recovery efforts should be prioritised.
- EC calculations: most EC calculations use the same PD and EAD inputs as the RC process. The EC process also uses the same underlying LGD model outputs as used in RC calculations, but does not necessarily use the same economic downturn adjustment used in RC calculations.
- Risk management information: Group Risk and the business units generate risk reports to inform senior management on issues such as business performance, risk appetite and consumption of EC. Model outputs are used as key indicators in these reports.

Retail portfolio

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

- Internal risk estimates of PD, EAD and LGD are grounded in historical experience, incorporating all relevant material and available data, information and methods. Both the historical observation periods and default definitions used are consistent with regulatory requirements.
- For each product, PDs are assigned at account level by calibrating the raw behavioural model scores/ratings to the observed long-run average default rate for each pool.
- For each product, EADs is assigned to each account based on the EAD pool to which the account has been assigned. EAD estimates incorporate all relevant data and information including account balances as well as utilised and unutilised limits, if present.
- LGDs are estimated for each product and assigned at account level, based on the LGD pool to which the account has been assigned. Calibration data on historically defaulted accounts includes observed EADs, recovery streams, cure and write-off rates. The models also make use of suitable risk drivers such as loan-to-value (LTV), which are updated monthly.
- The mortgage loan PD model was recalibrated and implemented in January 2013. Subsequently new policy requirements have come into effect and the mortgage Basel model suite has been redeveloped and taken through the appropriate internal governance process during H1 2014. The model suite has been submitted to the Reserve Bank for approval and in the interim the credit RWA for this portfolio has been aligned to the output of these new models. The remaining products are being redeveloped sequentially in terms of materiality.
- To ensure the effectiveness of the validation process, an independent review is performed annually.
- Models are independently reviewed on an annual basis and when new models have been developed or changes occur to models. In addition, a process is in place to perform post model adjustments as needed or when management applies its discretion.

Wholesale portfolio

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

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

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

PD measures based on behavioural scores and equity prices are updated monthly for credit risk management and capital calculation purposes. Other PD models that rely on more static information are updated at least quarterly in a conventional environment or as and when circumstances warrant a review of the customer's credit standing.

To ensure the effectiveness of the validation process, an independent review is performed annually. Models are approved at the Wholesale Credit Risk Technical Committee. The most material models require approval by the MC.

Models are independently reviewed on an annual basis and when new models have been developed or changes occur to models. In addition, a process is in place to perform post model adjustments as needed or when management applies its discretion.

Assessment of credit risk

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

Probability of default

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

Both types of PDs are used extensively in the Group's decision-making processes and several types of rating approaches are employed.
For communication and comparison purposes, the Group's 21 default grades (DG), which is the internal master rating scale were mapped to the SARB 26 grade PD scale used for regulatory reporting purposes.

DG grading represents a TTC view of the distribution of the book at a specific point in time. An indicative mapping of the DG buckets to the equivalent international rating agency and regulatory PD bands are set out below:

Default grade definitions

- DG 1 – 11: assets falling within these DG buckets are regarded as 'investment grade' and, when converted to a rating agency equivalent, correspond to a BB rating and better.
- DG 12 – 19: financial assets in these grades typically require more detailed management attention where clear evidence of financial stress exists. Assets in this category, although currently protected, are potentially weaker credits. These assets contain some credit deficiencies.
- DG 20 – 21: the PD of financial assets in these grades have deteriorated to such an extent that they are included for regular review. Assets so classified must have well defined weaknesses that exacerbate the PD. These assets are characterised by the distinct possibility that the borrower will default, and should the collateral pledged be insufficient to cover the asset, the Group will sustain some loss when default occurs.

Exposure at default

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

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

Loss given default

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

Expected loss and capital requirements

The PD, EAD and LGD are components used in a variety of applications that measure credit risk across the entire portfolio. EL is a measurement of loss that enables the application of consistent credit risk measurement across all retail and wholesale credit exposures.
These estimates are also used in a range of applications including pricing, customer and portfolio strategy and performance measurement

IFRS disclosures

IFRS govern reporting practices of banks and, in part, overlap with the requirements of regulation 43 of the Banks Act (Pillar 3). IFRS 7 Financial Instruments disclosures prescribe disclosure requirements pertaining to financial instruments for accounting purposes and, as such, are based on a similar set of data used for Pillar 3 reporting purposes. The Group's IFRS risk reporting disclosure has moved out of this report in an effort to streamline the disclosure. Refer to the Group's annual financial statements to obtain this information.

Credit risk mitigation, collateral and other credit enhancements

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

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

In certain circumstances, depending on the Group's assessment of a customer's financial capacity, financing may be granted on an unsecured basis. Generally one or more forms of security are sought in the credit approval process. The use and approach to credit risk mitigation (CRM) varies by product type, portfolio, customer and business strategy. Minimum standards, as prescribed in the applicable policies and business processes, are applied across portfolios and cover:

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

The Group's policies with respect to assessing, acquiring and managing collateral for capital calculation purposes are aligned with regulatory requirements. The Banks Act of South Africa and its regulations allow banks to adjust the risk weighting of exposures by taking account of collateral. Eligibility for recognition in the calculation of RC depends on whether the bank is using the foundation or advanced IRB approach.

The following types of collateral may be held against assets subject to credit risk and are consistent with accepted market practice:

Assets subject to credit risk	Type of collateral[1]
• Cash, cash balances and balances with central banks • Statutory liquid asset portfolio • Loans and advances to banks • Trading portfolio assets • Hedging portfolio assets • Other assets • Loans and advances to customers • Reinsurance assets • Investment securities	Guarantees, credit insurance and credit derivatives • Government guarantees • Guarantees from shareholders and directors • Parental guarantees • Personal and other company guarantees • Surety ships • Bonds and guarantees Physical collateral • Listed equities • RSA government bonds • Bonds over properties (commercial and residential) • Charges on properties • Property, equipment and vehicles • Shares Cash collateral • Deposits from customers and cession of ring-fenced bank accounts with cash • Cash Other • Call options to holding companies • Cession of loan accounts • Debentures • Insurance policies • Life insurance policies • Listed equities • Netting agreements • Pledged securities • Put options from holding companies or other companies within the Group • Assignment of debtors

Valuation of collateral

Performing book

Security taken as part of the credit decision process is valued according to the applicable credit policies at the time of credit approval and at relevant intervals thereafter. The Group uses a number of approaches for the revaluation of collateral, including physical inspection, statistical indexing and price volatility modelling.

Non-performing book

For the wholesale portfolio, collateral valuations are updated when an account enters the legal/recovery process to ensure an appropriate impairment allowance can be calculated. In the wholesale portfolios these valuations are reviewed regularly to ensure any impairments raised remain at an appropriate level, including potential gains in the valuation of marketable securities and other market-related instruments that may lead to a partial release of the impairment allowance. In the retail portfolio, collateral valuations are updated using statistical indexing, which is available monthly.

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

Types of guarantor and credit derivative counterparties

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

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

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

In line with international market practice, the Group endeavours to use netting agreements wherever possible. The Group primarily employs International Swaps and Derivatives Association (ISDA) master agreements as well as collateral support annexures (CSAs) that provide standardised and commonly accepted processes for managing collateral and margin calls over the lifetime of the transaction. CSAs may create an obligation on the Group unrelated to the underlying instruments in the event of a credit downgrade. Only a small number of the Group's agreements make use of such a tiered structure and an instantaneous downgrade by one rating grade from the current AA-rating (Standard and Poor's and Fitch) would not trigger such clauses and create a requirement to post additional collateral.

Counterparty credit risk

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

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

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

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

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

Concentrations of credit risk

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

Measuring exposures and concentrations

Loans and advances to customers provide the principal source of credit risk although it can also be exposed to other forms of credit risk through, for example, loans to banks, loan commitments and debt securities. Group risk management policies and processes identify and analyse risk, set appropriate risk appetite limits and controls and monitor the risks and adherence to limits by means of reliable and timely data. One particular area of review is concentration risk.

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

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

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

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

Wrong-way risk

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

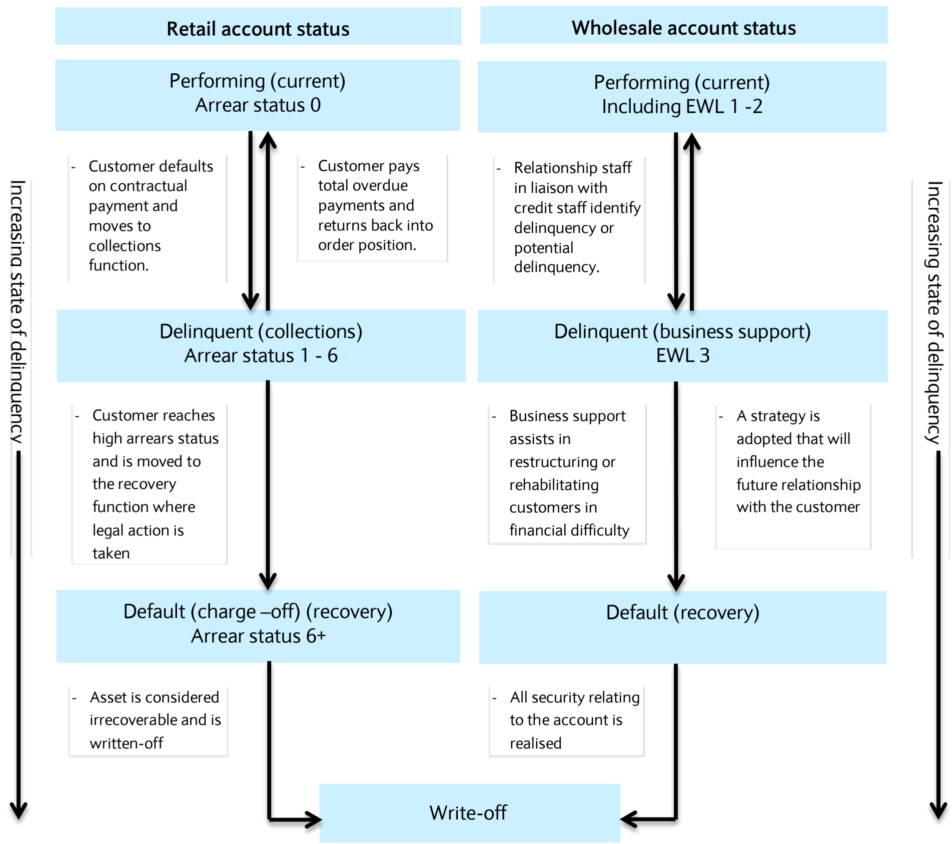
- Specific wrong-way risk, which may arise in transactions with certain structural features, such as the collateralisation of a loan with the borrower's, or a related party's shares; and
- General or conjectural wrong-way risk, which may arise where the credit quality of the counterparty is related to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

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

Monitoring weaknesses in portfolios

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

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



Securitisation

Securitisation transactions have been used as a means of raising long-term funding. Apart from originating and sponsoring securitisation transactions, the Group also acts as an investor, a service provider, a liquidity provider and credit enhancer to a number of securitisation transactions. The Group invest directly in the securitisation schemes.

Strategy

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

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

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

As at the current reporting date, the Group's own assets relating to the Home loan portfolio were securitised. The look through approach is applied for the Home Obligors Mortgage Enhanced Securities Proprietary Limited (Homes securitisation); hence transfer of credit risk does not take place. In addition to credit risk, liquidity and interest rate risk are also considered regularly. The origination of transactions based on other asset classes, such as CPF are considered on an ongoing basis. The Group does not enter into any re-securitisation transactions.

Equity investment risk

Equity investment risk refers to the risk of adverse changes in the value of listed and unlisted equity investments. These investments are longer-term investments held in the banking book for non-trading purposes. The Group's equity investment risk objective is to balance the portfolio composition in line with the Group's risk appetite, with selective exits as appropriate.

Strategy

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

- a formal approval governance process;
- key functional specialists reviewing investment proposals;
- adequate monitoring and control after the investment decision has been implemented; and
- ongoing implementation of best practice standards based on current market trends, hurdle rates and benchmarks.

Criteria considered for new investments and investment reviews 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 that the Group is unable to hedge the interest rate risk in the banking book, primarily in retail, business banking and corporate portfolios.
- 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 Africa Market Risk Committee (AMRC) meets monthly to review, challenge and make recommendations concerning the market risk profile, including risk appetite, policies, limits, risk utilisation and the effectiveness of the control environment. The Trading Risk Committee (TRC), Africa Treasury Committee (ATC) and their respective regional subcommittees provide oversight of business- and region-specific market risk.

Strategy

Market risk management objectives are to:

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

Traded Market Risk

Approach

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

Risk appetite

The risk appetite for traded market risk is based on:

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

Risk measurement

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

- Value at risk (VaR) based measures including stressed value at risk (sVaR);
- tail metrics;
- position and sensitivity reporting (Non-VaR);
- stress testing;
- backtesting; and
- standardised general & specific risk, as relevant.

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

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

Daily value at risk

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

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

The historical simulation methodology can be split into three parts:

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

This internal model is also used for measuring 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 RC for all trading book portfolios. The approval covers general position risk across all interest rate, foreign exchange, commodity, equity and traded credit products. 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 capital.

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

VaR estimates have a number of limitations:

- historical simulation assumes that the past is a good representation of the future, which might not always be the case.
- the assumed time horizon does not fully capture the market risk of positions that cannot be closed out or hedged within this time horizon.
- VaR does not indicate the potential loss beyond the selected percentile.
- VaR is based on positions as at the close of business and consequently intra-day risk, the risk from a position bought and sold on the same day, is not captured.
- prudent valuation practices are used in the VaR calculation when there is difficulty obtaining rate/price information.

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

Backtesting

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

- the theoretical profit and loss representing the change in the value of the portfolio as computed by the risk system under the assumption that the portfolio holdings remained constant for the holding period; and
- the actual profit and loss representing the actual daily trading outcome, excluding fees, commissions, bid-ask spreads and net interest income, as required for regulatory backtesting purposes.

Tail metrics

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

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

Non-value at risk

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

Stressed value at risk

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 calculations. 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.

Stress testing

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

Standardised risk

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

Risk control

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

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

- VaR limits (VaR and sVaR);
- position and sensitivity (Non-VaR) limits;
- stress testing limits, where relevant; and
- loss notification thresholds: reporting of actual losses based on pre-determined tolerance levels.

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

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

Risk reporting

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

Non-Traded Market Risk

Interest rate risk in the banking book

Approach

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

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

Risk management strategies considered include:

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

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

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

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

Prepayment risk arises in relation to transactions where an early settlement option is embedded in the product. This risk most commonly arises in relation to fixed rate loans offered to retail customers, where the customer has an option to repay the loan prior to contractual maturity and where the Group is unable to collect full market-related compensation. The risk is controlled through book and term limits, funding (hedging) new loans according to the expected behavioural repayment profile and tracking deviations of actual customer behaviour from the expected profile.

Recruitment risk arises when the Group commits to providing a product at a predetermined price for a period into the future. Customers have the option to take up this offer. Controls include campaign rules, prefunding of anticipated take-up and the management of the resultant residual risk

Risk measurement

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

Repricing profiles

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

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

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

Daily value at risk

A 1-day VaR calculated at a 95% confidence level for measuring interest rate risk in the banking book is used. The DVaR is monitored against approved internal limits and is used as a complementary metric to AEaR. The DVaR is supplemented by non-DVaR, stress and tail metrics.

Economic value of equity (EVE) sensitivity

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

Stress testing

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

Risk control

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

Risk reporting

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

Foreign exchange risk

Approach

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.

Functional foreign currency	Botswana pula (m)	Ghana cedi (m)	Kenyan shilling (m)	Mauritian rupee (m)	Mozambi-can metical (m)	Namibian dollar (m)	Seychelles rupee (m)	Sterling (m)	Tanzanian shilling (m)	Uganda shilling (m)	United States dollar (m)	Zambian kwacha (m)	Total (m)
As at 31 Dec 2014													
Foreign currency net investments	1 966	1 734	4 827	1 299	1 520	84	492	2 182	1 913	1 117	3 366	1 506	22 006
Impact on equity from a 5% currency translation shock	98	87	241	65	76	4	25	109	96	56	168	75	1 100
As at 31 Dec 2013													
Foreign currency net investments	1 777	1 984	3 752	789	792		498	2 339	1 388	1 099	1 779	1 355	17 552
Impact on equity from a 5% currency translation shock	89	99	188	39	40		25	117	69	55	89	68	878

Asset management risk

Approach

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

Insurance Risk management

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

Strategy

The Group's insurance risk management objectives are:

- pursuing profitable growth opportunities
- balancing exposure between life and short-term insurance to allow for better diversification
- retention of desired risks
- growing risk exposures outside South Africa.

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

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

Pension risk

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

Funding Risk management

Liquidity Risk management

Liquidity risk is the risk that the Group is unable to meet its obligations as they fall due, resulting in an inability to support normal business activity, and a failure to meet liquidity related regulatory requirements. These outflows would deplete available cash resources for client lending, trading activities and investments. Such outflows could be through customer withdrawals, wholesale counterparties removing financing, collateral posting requirements or loan drawdowns. This risk is inherent in all banking operations and can be affected by a range of group-specific and market-wide events. Liquidity risk is monitored at a group level under a single group framework. Each entity is responsible to implement appropriate processes and controls to ensure compliance with local liquidity appetite, regulatory limits and reporting requirements.

Strategy

The Group's liquidity risk management objectives are:

- manage the funding position in line with Board-approved liquidity risk appetite framework and liquidity coverage ratio requirements;
- grow and diversify the funding base to support asset growth and other strategic initiatives;

- manage the bank's maturity profile in order to achieve planned liquidity ratios; and
- balance the above objectives against the long term impacts on the bank cost of funding.

Approach to liquidity risk

The efficient management of liquidity is essential to the Group. Liquidity risk is managed through the Liquidity Risk Framework, which is designed to meet the following objectives:

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

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

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 ongoing and can prompt re-evaluation of the risks and/or changes in responses.

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

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

Funding planning

Each entity is required to ensure that funding diversification is taken into account in its business planning process and where appropriate maintain a funding plan or forecast. This takes into account market conditions and the changes in factors that affect the entity's ability to raise funds. Entities avoid undue reliance on large deposits from a single source, a particular business type, a particular geographic region, a common maturity date or through an individual product as this could, in extreme circumstances, lead to a rapid outflow of funds in times of stress.

Stress and scenario testing

Under the Liquidity Framework, the Group has established the Liquidity Risk Appetite (LRA), which is the level of liquidity risk the Group chooses to take in pursuit of its business objectives and in meeting its regulatory obligations. It is measured with reference to anticipated stressed net contractual and contingent outflows for a variety of stress scenarios and is used to size the liquidity pool. Each entity within the Barclays Africa Group undertakes a range of stress tests appropriate to their business. Stress tests consider both institution-specific and market-wide scenarios separately and on a combined basis. The results of the stress tests are used to develop the contingency funding plan and are 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 Group's liquid assets portfolio serves as the main source of liquidity under stress. Liquidity value is also assigned to unsecured funding lines, readily marketable investment securities and price sensitive overnight loans.

Liquidity Coverage ratio

South African banks have been monitoring their liquidity coverage ratio (LCR) since January 2013. This was done in preparation for the introduction of the LCR minimum regulatory requirement of 60%, from 1 January 2015. The objective of the LCR is to ensure that every bank maintains an adequate stock of high quality liquid assets (HQLA) to survive a significant stress scenario lasting 30 days. The changes in the LCR requirement are primarily driven by changes to the Group's overall balance sheet size and composition as it relates to counterparties, products, maturities and collateral. The bank's funding and investment strategies have been adapted to react to these drivers. The liquid asset portfolio continues to be the bank's largest source of liquidity and includes a volatility buffer in excess of the requirement. The objective of this buffer is to ensure continuous compliance with the ratio. The size of the buffer is dynamically reassessed, taking into account cycles in the market and observable volatility.

High quality liquid assets

Each bank holds a stock of highly liquid assets to meet any unexpected liquidity drains. In the majority of locations local regulators impose rules on the quantum of reserve liquidity to be held. HQLA consists of cash and cash equivalents, deposits with central banks, government debt, and other qualifying instruments under the Basel III framework. Each operation maintains and demonstrates constant access to the relevant underlying asset market to avoid undue price movement if liquid assets need to be sold to maintain confidence in the bank's name. Each operation ensures that its buffer can be liquidated at short notice.

Contingency funding planning

The Contingency Funding Plan (CFP) includes, inter alia:
- the roles and responsibilities of senior management in a crisis situation,
- authorities for invoking the plan,
- communications and organisation,
- an analysis of a realistic range of market-wide and Group specific liquidity stress tests, and
- scenario analyses and the extent to which each stress test and scenario can be mitigated by managing the balance sheet.

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

Operational Risk management

Operational risk is the risk of direct or indirect losses resulting from inadequate or failed internal processes or systems, human error or external events. Operational risk exists in the natural course of business activity therefore it is impossible to eliminate all operational risk exposure. Risk events of significance are not frequent and the organisation seeks to reduce the likelihood of these in accordance with its risk appetite. Operational risk is recognised as a significant risk type and the organisation is committed to enhancing the measurement and management thereof. Within the operational risk framework, qualitative and quantitative methodologies and tools are applied to identify and assess operational risks and to provide management with information for determining appropriate mitigating measures.

Strategy

The Group's operational risk management objectives are to:
- Articulate an appropriate level of financial and non-financial appetite for Operational Risk, that supports the business strategy;
- Manage risk and control effectively and in doing so maintain the operational risk profile within appetite;
- Embed a positive risk culture across the organisation; and
- Minimise the impact of losses suffered in the normal course of business (expected losses) and to avoid or reduce the likelihood of suffering an extreme (or unexpected) loss.

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

Approach to operational risk

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

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

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

Operational risk comprises a number of specific key risks defined as follows:
- External supplier risk: inadequate selection and ongoing management of external suppliers.
- Financial reporting risk: reporting misstatement or omission in external financial or regulatory reporting.
- Fraud risk: dishonest behaviour with the intent to make a gain or cause a loss to others.
- Information risk: inadequate protection of the Group's information in accordance with its value and sensitivity.
- Legal risk: failure to identify and manage legal risks.
- Payment risk: failure in operation of payments processes.

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

Prior to the creation of Conduct Risk as a principal risk, Regulatory, Financial Crime and Product Design were considered as Key Risks under Operational Risk. The implementation of the Conduct Risk key risk frameworks commenced in the second half of 2014.

The prime responsibility for the management of operational risk lies with the business and functional units where the risk arises. Operational risk managers are widely distributed throughout the organisation and support these areas, assisting line managers in understanding and managing their risks. The heads of Operational Risk for each of the business lines are responsible for ensuring the implementation of and compliance with the operational risk policies and the ORF. The ORF has been designed to meet external and internal governance requirements including Basel and the Banks Act. The ORF includes the following elements:

Risk and control assessments

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

Internal risk events

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

Lessons Learnt

The ORF 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 managements' understanding of the risk and control environment across the organisation and enables informed and appropriate remediation (on an individual and pervasive basis) targeted at continuously improving the Group's operational risk management process and the effectiveness with which the bank is managed.

External risk events

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

Key indicators

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

Key risk scenarios

Key Risk Scenarios are a summary of the extreme potential risk exposure for each Key Risk in each business and function, including an assessment of the potential frequency of risk events, the average size of losses and extreme scenarios. The Key Risk Scenario assessments are a key input to the Advanced Measurement Approach calculation of regulatory and economic capital requirements (see following section on Operational Risk Measurement) and is a management tool of the ORF. The assessment is performed by Key Risk Officers in businesses and functions, taking into account analysis of internal and external loss experience, key risk indicators, risk and control assessments and other risk information. The Key Risk Officers analyse 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).

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

Insurance

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

Reporting

The on-going monitoring and reporting of Operational risk is a key component of an effective operational risk framework. Reports are used by the operational risk function and by business management to understand, monitor, manage and control operational risks and losses. The Operational Risk and Control Committee (ORCC) is the senior executive body responsible for the oversight and challenge of operational risk in the Group. The ORCC presents relevant risk profile information to the GRCMC and GACC. The ORCC is chaired by the GCRO. In addition, business unit Control

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

Operational risk measurement

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

The potential frequency and severity of losses is estimated for each Key Risk (within the Operational Risk category) in each business and function. The potential range of individual loss severities is represented by a statistical distribution, estimated from the average loss size and three extreme scenarios (from Key Risk Scenarios), as well as 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 of South Africa, joint ventures and associates, Barclays may 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 and its employees because of inappropriate judgement in the execution of the Group's business activities.

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

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

Strategy

The Group's conduct risk management objectives are to:

- embed conduct risk across the organisation;
- proactively identify and effectively mitigate key conduct risks within the Group's strategy and business models; and
- continue to engage with regulators and industry bodies to pro-actively 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:

- Culture and governance: the risk that the organisation does not organise or govern itself in a way that effectively identify and manage 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. It includes wholesale and retail transactions and both advisory and non-advisory transactions.
- Client servicing: the risk that all customers related and ancillary activities not directly related to Product Design or Transaction Services that typically begins after each transaction is agreed with a customer cause customer detriment.
- Financial Crime: the risk of breaching economic and financial sanctions, the facilitation of money laundering or terrorist financing and/or bribery and corruption.
- Regulatory authorisations and permissions: the risk that Barclays' fail to obtain and maintain relevant regulatory authorisations, permissions and licence requirements.

The conduct principal risk framework comprises a number of elements that allows the Group to manage and measure its conduct risk profile. The minimum, mandatory requirements for each of these elements are set out in seven key risk frameworks. These frameworks are implemented across the organisational structure with all businesses required to implement and operate a minimum set of controls and key risk indicators.

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

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

- The Group's culture places customer 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 proactively identifies conduct risks and intervene 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 does not conduct or facilitate market abuse.
- The Group does not conduct or facilitate financial crime.

Conduct Material Risk assessments and forward looking conduct risk reporting

The Group performs conduct material risk assessments (CMRA) to ensure that when developing business models and strategy it fully considers customer/client outcomes and market integrity and identify the management actions that need to be put in place to avoid customer detriment or damage to market integrity. 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 in 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 no appetite for customer detriment resulting from inappropriate judgements in the execution of its business activities and has a *de minimis* level of tolerance for 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 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 the Group's risk and control environment. It informs appropriate remediation targeted at continuously improving the Group's conduct risk management processes and considers customer restitution.

Key indicators

Key indicators (KIs) are used to monitor conduct risk against measurable targets. KIs are generally categorised between key risk indicator (KRI), key control indicator (KCI) or key performance indicator (KPI) each respectively designed to monitor identified risk exposures, control effectiveness, and other business performance. 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. KPIs allow the Group to measure performance or achievement of objectives, which are the 10 conduct risk outcomes and the Barclays Way.

Analysis of risk exposures

Credit risk

In this section of the report the aim is to provide the Group's credit exposure based on the strategy and policies as discussed. In the tables that follow it is disclosed how this exposure is calculated based on the Group's internal models and the volatility over time.

The Group also discloses the effectiveness of its credit risk mitigation strategy based on the Group's exposures. The Group's exposure in terms of contractual maturity, geographical and industry splits is further analysed.

Gross exposure per Basel III approach and asset class

	2014						2013
	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
	Rm	Rm	Rm	Rm	Rm	Rm	Rm
AIRB approach							
Banks	22 531	15 266	22 123	34 671	94 590	52 913	43 251
Corporate exposure	192 242	126 436	8 068	9 581	336 328	250 468	240 050
Corporate	121 208	97 246	8 068	9 388	235 910	162 746	180 327
SME Corporate	62 436	26 862	-	70	89 368	78 293	49 051
Specialised lending - income producing real estate	4 343	509	-	-	4 852	4 477	4 866
Specialised lending - project finance	4 255	1 819	-	123	6 198	4 952	5 806
Local government and municipalities	4 479	4 188	-	-	8 668	6 580	9 867
Public sector entities	7 787	6 331	120	610	14 849	11 208	9 702
Retail exposure	355 584	86 980	-	-	442 562	394 665	393 944
Mortgages (including any home loan equity lines of credit)	228 092	46 469	-	-	274 560	249 076	252 916
Other	80 117	907	-	-	81 024	75 696	72 839
Unsecured lending≤ 30 000	3 385	124	-	-	3 509	3 732	4 048
Unsecured lending > 30 000	13 218	783	-	-	14 001	13 672	13 288
Other	1 943	-	-	-	1 943	1 943	2 109
Vehicle and asset finance	61 571	-	-	-	61 571	56 349	53 394
Revolving credit	32 733	33 708	-	-	66 440	48 789	44 851
Credit cards	31 011	29 432	-	-	60 443	41 426	37 710
Non-credit cards	1 722	4 276	-	-	5 997	7 363	7 141
SME	14 642	5 896	-	-	20 538	21 104	23 338
Secured lending	7 547	457	-	-	8 004	7 736	8 744
Unsecured lending	7 095	5 439	-	-	12 534	13 368	14 594
Securities firms	2 592	2 313	2 863	585	8 353	4 516	3 442
Sovereigns	69 263	154	-	116	69 532	71 318	69 337
Standardised approach							
Banks	23 425	896	-	94	24 416	23 951	31 809
Corporate exposure	36 671	17 755	-	126	54 551	46 459	41 603
Retail exposure	41 543	15 079	-	-	56 621	43 660	42 135
Mortgages (including any home loan equity lines of credit)	5 969	29	-	-	5 998	5 878	10 506
Vehicle and asset finance	21 300	1 391	-	-	22 691	22 799	1 505
Revolving credit	13 588	13 653	-	-	27 241	14 338	30 124
Credit cards	11 371	12 462	-	-	23 833	12 212	13 929
Non credit cards	2 217	1 192	-	-	3 409	2 126	16 195
SME	687	5	-	-	691	645	-
Sovereigns	33 473	71	-	-	33 544	33 490	29 778
Total	789 590	275 469	33 174	45 783	1 144 014	939 227	914 918

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

Default grade bucket	Note	DG to PD mapping Min PD (>) %	Max PD (<) %	PD Midpoint %	Alphanumeric scale mapping Standard & Poor's	Moody's
1	1	-	0.0200	0.0100	AAA	Aaa
2		0.0200	0.0300	0.0250	AA-	Aa3/A1
3		0.0300	0.0500	0.0400	A+	A2
4		0.0500	0.1000	0.0750	A/A–	A3/Baa1
5		0.1000	0.1500	0.1250	BBB+	Baa2
6		0.1500	0.2000	0.1750	BBB	Baa2
7		0.2000	0.2500	0.2250	BBB	Baa3
8		0.2500	0.3000	0.2750	BBB–	Baa3
9		0.3000	0.4000	0.3500	BBB–	Ba1
10		0.4000	0.5000	0.4500	BB+	Ba1
11	2	0.5000	0.6000	0.5500	BB+	Ba2
12		0.6000	1.2000	0.9000	BB	Ba3
13		1.2000	1.5500	1.3750	BB-	Ba3
14		1.5500	2.1500	1.8500	BB–	B1
15		2.1500	3.0500	2.6000	B+	B1
16		3.0500	4.4500	3.7500	B	B2
17		4.4500	6.3500	5.4000	B	B3
18		6.3500	8.6500	7.5000	B-	B3
19		8.6500	11.3500	10.0000	B-	Caa1
20	3	11.3500	18.6500	15.0000	CCC+	Caa2
21		18.6500	100.0000	30.0000	CCC	Ca
Default		100.0000	100.0000	100.0000	D	D

PD band	Regulatory PD bank to PD mapping Lower bound %	Upper bound %
1	0.0001	0.0120
2	0.0121	0.0170
3	0.0171	0.0240
4	0.0241	0.0340
5	0.0341	0.0480
6	0.0481	0.0670
7	0.0671	0.0950
8	0.0951	0.1350
9	0.1351	0.1900
10	0.1901	0.2690
11	0.2691	0.3810
12	0.3811	0.5380
13	0.5381	0.7610
14	0.7611	1.0760
15	1.0761	1.5220
16	1.5221	2.1530
17	2.1531	3.0440
18	3.0441	4.3050
19	4.3051	6.0890
20	6.0891	8.6110
21	8.6111	12.177
22	12.177	17.222
23	17.222	24.355
24	24.355	34.443
25	34.443	100.000
Default	100.000	100.000

Notes

[1] Default grades 1 – 10: assets falling within these DG buckets are regarded as 'investment grade' and, when converted to a rating agency equivalent, correspond to a BB rating and better.

[2] Default grades 10 – 19: financial assets in these grades typically require more detailed management attention where clear evidence of financial deterioration or weakness exists. Assets in this category, although currently protected, are potentially weaker credits. These assets contain some credit deficiencies.

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

Analysis of risk exposures

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:

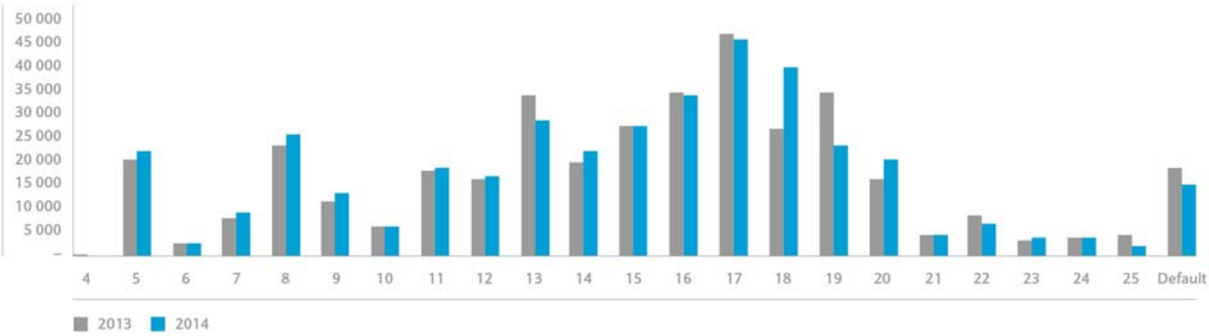
- PD
- EAD
- LGD and
- Maturity

This section provides a view of the performance of Basel models used to measure and manage the Group's risk exposure as disclosed in the previous tables.

Comparison of probability of default estimates with actual default

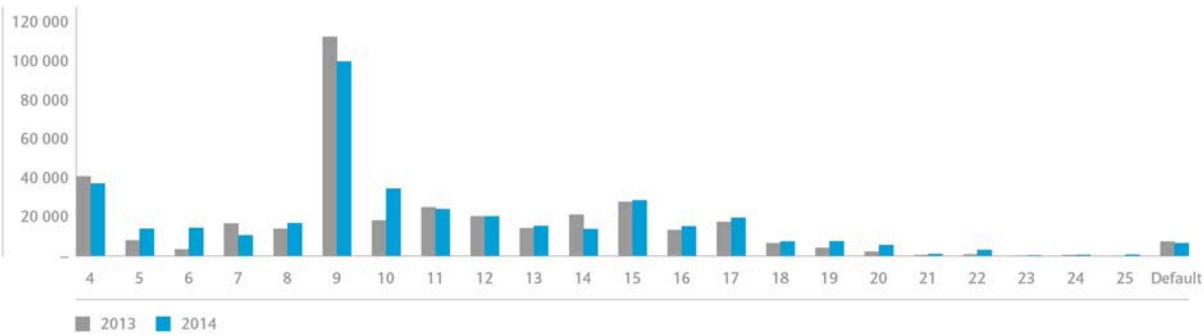
The objective of PD back testing is to compare the accuracy of the PD estimates for regulatory purposes with actual default data. For regulatory capital a through-the-cycle (TTC) PD is used. However in order to test the performance of the PD models, for each retail and wholesale Basel III asset class,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

Exposure migration across probability of default bands – retail operations (Rbn)



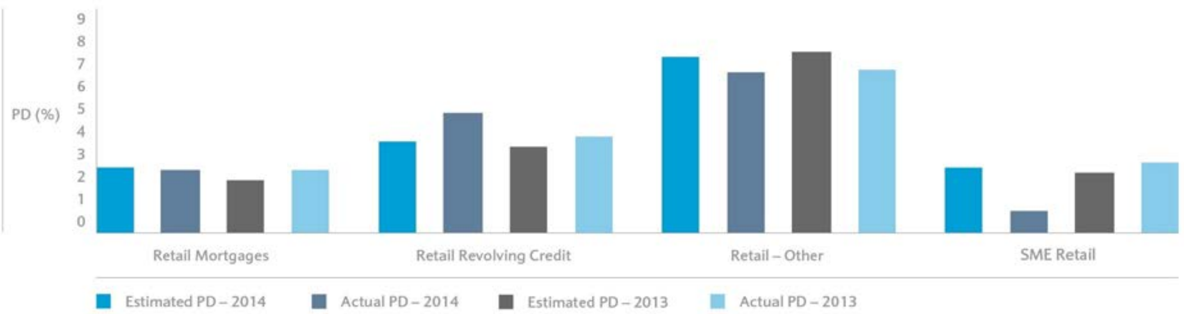
EAD weighted average PD (performing): 2014: 3.00% (2013: 3.35%). During the period there has been a reduction in the default category. There has been a 3% increase in exposure in the last 12 months across the Retail Performing Portfolio with most of that growth due to growth in the Mortgage, Vehicle Finance and Card portfolios within the Investment Grade bucket. Across the rest of the PD buckets the portfolio has remained fairly static.

Exposure migration across probability of default bands – wholesale operations (Rbn)



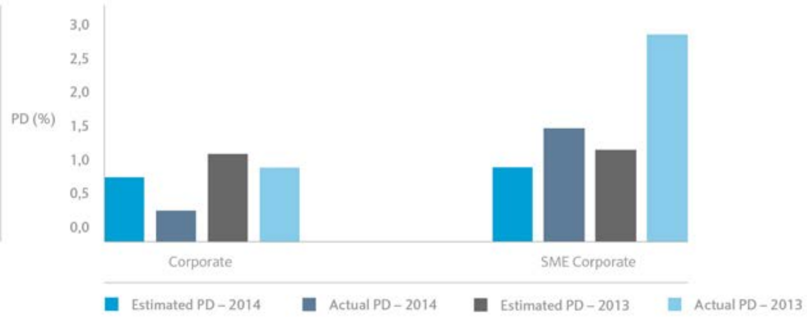
EAD weighted average PD (performing): 2014: 1.01% (2013: 0.76%). The distribution of exposures across default bands within the wholesale credit portfolio was stable during the period. The exposures in the default category are marginally down.

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



Back testing results show a slight improvement in the accuracy of estimates in 2014 compared to 2013. Slight PD overestimation occurred within Mortgages and Retail other with underestimation present in Retail Revolving. These results are in line with internal monitoring which also considers the level of TTC PD estimates relative to experienced long run default rates. Based on this back testing and additional internal monitoring the Group is comfortable with the overall level of PD estimates within retail portfolios.

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



Back testing indicates the actual Corporate default rate decreased, furthermore the PD model estimates remain conservative. The actual default rate for SME Corporate also decreased. Underestimation of SME Corporate is driven by the Primary Agricultural PD model, which was redeveloped and the new model was approved by the regulator.

Approach to credit risk

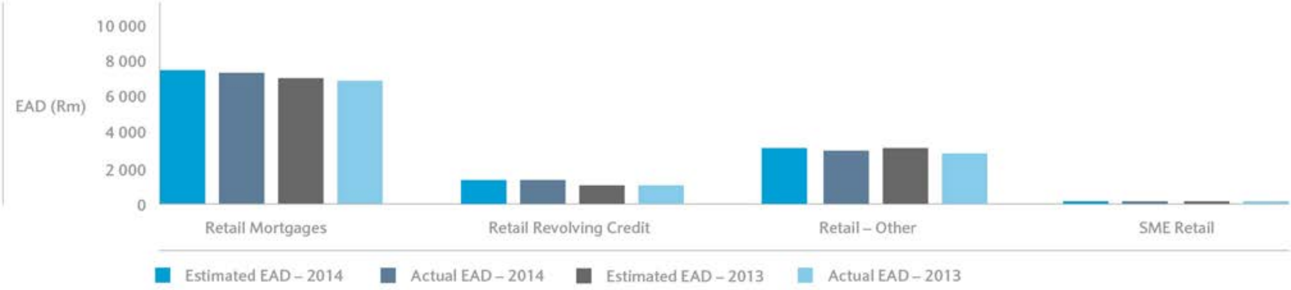
Risk-weighted assets and minimum required capital

Group	2014 RWAs Rm	2014 Required capital Rm	2013 RWAs Rm	2013 Required capital Rm
Banks	18 259	1 826	17 607	1 673
Corporate exposure	153 486	15 349	147 723	14 034
Corporate [1]	94 203	9 420	109 896	10 440
SME Corporate	55 588	5 559	32 402	3 078
Specialised lending – income producing real estate	1 605	160	2 465	234
Specialised lending – project finance	2 089	209	2 960	281
Local governments and municipalities	858	86	897	85
Public sector entities	2 455	245	2 775	264
Retail exposure	145 083	14 508	149 418	14 195
Mortgages (incl. home equity line of credit)	52 829	5 283	55 389	5 262
Other	50 244	5 024	51 564	4 899
Unsecured lending ≤30 000	3 671	367	4 075	387
Unsecured lending >30 000	13 713	1 371	14 926	1 418
Other – other	2 085	208	2,202.93	209.28
Vehicle and asset finance	30 776	3 078	30 361	2 884
Revolving credit	30 088	3 009	30 558	2 903
Credit cards	27 891	2 789	28 574	2 715
Non-credit cards	2 196	220	1 984	188
SME1	11 923	1 192	11 906	1 131
Secured lending	3 574	357	3 390	322
Unsecured lending	8 349	835	8 516	809
Securities firms	1 124	112	1 517	144
Sovereign	5 009	501	5 131	487
Securitisation	918	92	1 005	95
Standardised approach	118 916	11 892	109 602	10 412
Total	446 107	44 611	435 535	41 376

Comparison of exposure at default with actual exposure at default

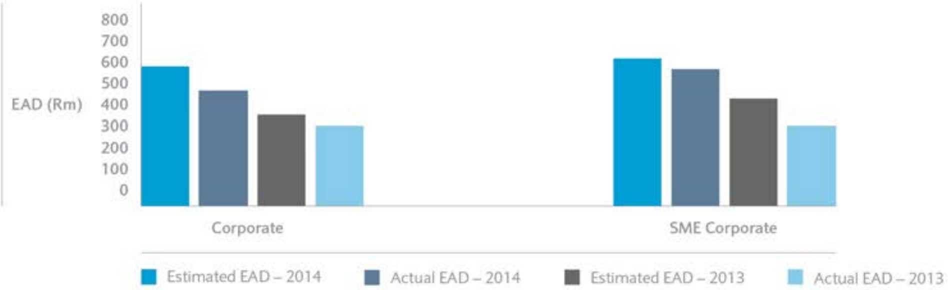
The objective of EAD back testing is to compare the accuracy of EAD estimates for regulatory purposes with actual EAD. For each retail and wholesale Basel III asset class, the estimated EAD at the previous reporting date is compared to the actual EAD of those loans that defaulted during the period.

Comparison of exposure at default estimates with actual exposure of default – retail operations[1,2] (Rm)



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

Comparison of exposure at default estimates with actual exposure of default – wholesale operations[1,2] (Rm)

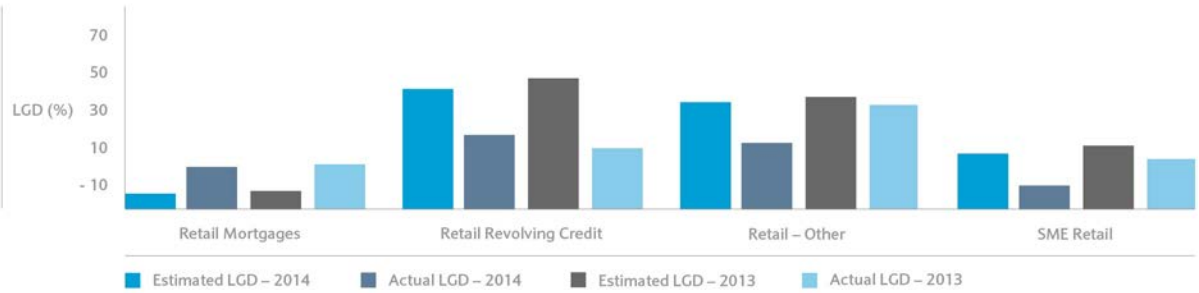


The EAD model in wholesale remains conservative; this was also corroborated by a calibration exercise using 7 years of internal loss data.

Comparison of loss given default estimates with actual loss given default

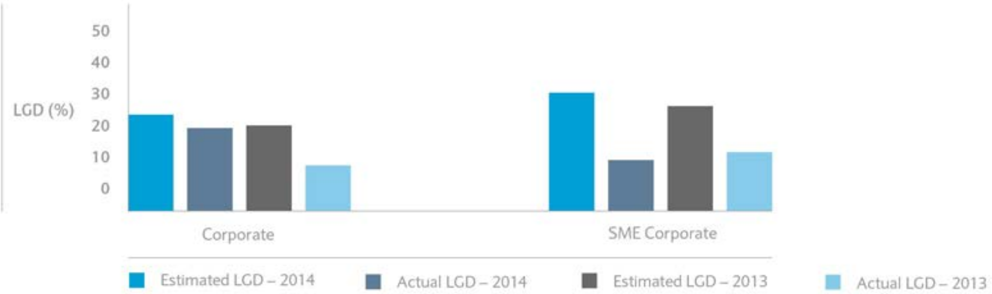
The objective of LGD back testing is to compare the accuracy of LGD estimates for regulatory purposes with actual LGD. For each retail and wholesale Basel III asset class, the actual LGD for those cases resolved during the period is compared to the estimated LGD of those cases at the time of defaulting. Resolved cases refer to those cases that were either written off, rehabilitated or closed during the period.

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



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

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



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

In terms of Regulation 43 an analysis of impairment and non-performing loans are required. The analysis of impairment disclosures were made in the Group's annual financial statements. Please refer to note 63.2 for the IFRS 7 analysis for impairments. An analysis of the NPL was disclosed in the Group's booklet. Please refer to note 4 for the NPL disclosure.

Credit risk mitigation

	2014						2013
	Original credit and counter-party exposure Rm	Effects of netting agree-ments Rm	Net expo-sure after netting and credit risk Rm	Eligible financial collateral Rm	Other eligible IRB collateral Rm	Credit risk mitigation affecting LGD estimates Rm	Credit risk mitigation affecting LGD estimates Rm
AIRB approach							
Banks	94 590	30 196	64 395	4 131	6	4 137	9 711
Corporate exposure	336 328	4 181	332 148	20 992	69 227	90 220	74 205
Corporate	235 910	4 181	231 730	19 021	8 481	27 503	32 632
SME Corporate	89 368	-	89 368	1 968	54 616	56 584	37 673
Specialised lending – income producing real estate	4 852	-	4 852	-	6 130	6 130	3 900
Specialised lending – project finance	6 198	-	6 198	3	-	3	-
Local governments and municipalities	8 668	-	8 668	-	94	94	121
Public sector entities	14 849	414	14 435	136	21	157	128
Retail	442 562	-	442 562	1 974	622 149	624 123	657 192
Mortgages (including home equity lines of credit)	274 560	-	274 560	579	569 802	570 381	557 687
Other	81 024	-	81 024	158	41 630	41 788	83 141
Unsecured lending ≤ 30 000	3 509	-	3 509	-	4	4	83 018
Unsecured lending > 30 000	14 001	-	14 001	133	52	185	-
Other	1 943	-	1 943	-	-	-	123
Vehicle and asset finance	61 571	-	61 571	25	41 574	41 599	-
SME	20 538	-	20 538	208	10 445	10 653	15 052
Secured lending	8 004	-	8 004	35	7 806	7 841	10 009
Unsecured lending	12 534	-	12 534	173	2 639	2 812	5 043
Revolving credit	66 440	-	66 440	1 029	272	1 301	1 312
Credit cards	60 443	-	60 443	-	-	-	-
Non-credit cards	5 997	-	5 997	1 029	272	1 301	1 312
Securities firms	8 353	117	8 236	431	-	431	610
Sovereign	69 532	116	69 417	9	-	9	623
	974 882	35 024	939 861	27 673	691 497	719 171	742 590

Credit derivatives

The following table provides an overview of the outstanding amount of exposure held in respect of the Group's credit derivative positions, used in managing the Group's credit portfolio, broken down by product type, indicating whether protection was bought or sold:

Exposure by instrument bought or sold

	2014 Intermediation portfolio				2013 Intermediation portfolio			
	As protection buyer		As protection seller		As protection buyer		As protection seller	
	Banking Rm	Trading Rm	Banking Rm	Trading Rm	Banking Rm	Trading Rm	Banking Rm	Trading Rm
Credit derivative product type								
Credit-default swaps	9 831	5 831	5 055	10 982	9 858	5 086	5 373	10 517
Other	601	-	-	3 240	498	2 269	-	-
Total notional exposure to Credit derivative transactions	10 432	5 831	5 055	14 222	10 356	7 355	5 373	10 517

Breakdown of OTC and credit derivative exposure

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

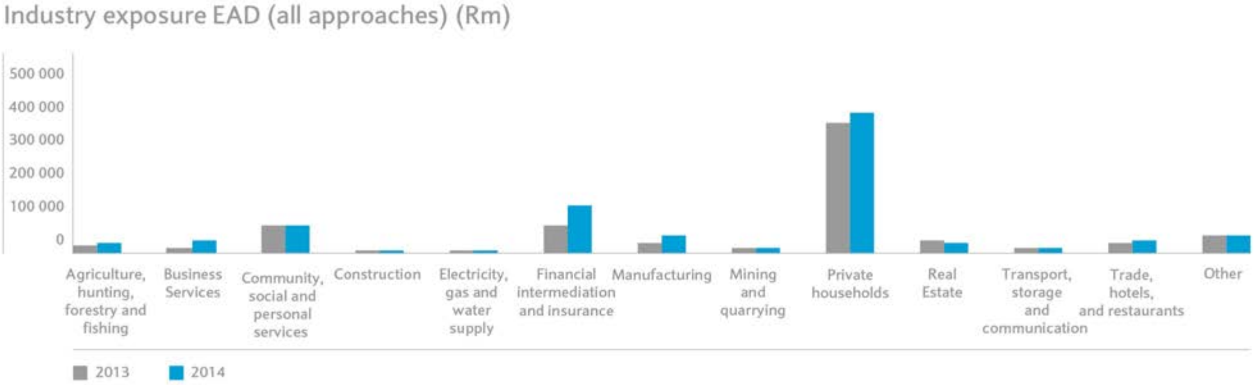
	2013						
	Gross positive fair value Rm	Current netting benefits Rm	Current exposure Rm	Expected positive exposure (CEM) Rm	Expected positive exposure netting (CEM) Rm	Exposure at default Rm	Notional Value Rm
Commodities	238	17	221	194	29	386	1 790
Credit derivatives	103	96	7	1 238	694	522	15 521
Equity derivatives	741	432	309	1 876	618	1 495	30 749
Foreign exchange derivatives	16 043	12 436	3 031	15 601	8 173	9 387	669 910
Interest rate derivatives	27 034	22 518	4 516	14 812	7 783	9 869	3 915 949
	44 158	35 499	8 084	33 721	17 298	21 660	4 633 919

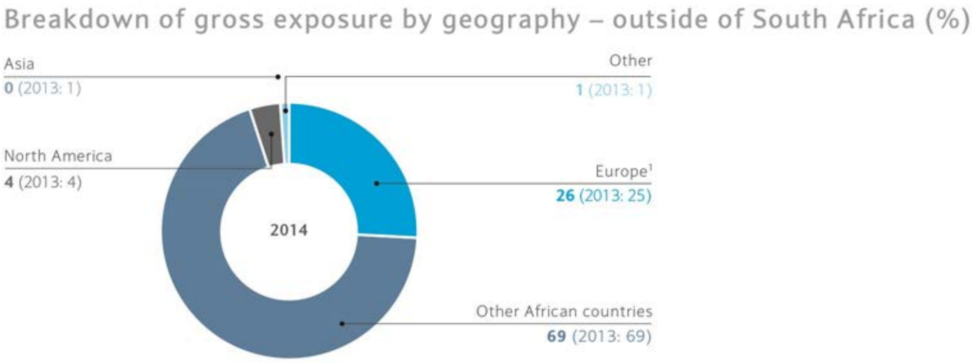
Residual contractual maturity of exposures

	2014 EAD				
	Current to 6 months Rm	6 months to 1 year Rm	1 year to 5 years Rm	More than 5 years Rm	Total Rm
Banks	38 371	17 047	18 309	3 138	76 865
Corporate exposure	1 684	103 108	154 772	37 361	296 925
Corporate	1 007	71 163	78 111	12 465	162 746
SME Corporate	647	29 689	74 302	20 113	124 751
Specialised lending - income producing real estate	30	362	1 648	2 437	4 477
Specialised lending - project finance	0	1 894	711	2 346	4 951
Local governments and municipalities	1	3 712	2 407	461	6 581
Public sector entities	92	6 618	3 465	1 034	11 209
Retail exposures	114 727	8 691	107 417	207 489	438 324
Mortgages (including any home loan equity line of credit)	39 926	3 360	12 951	198 717	254 954
Other	4 430	1 625	85 918	6 522	98 495
Unsecured lending ≤ 30 000	696	49	1 772	1 215	3 732
Unsecured lending > 30 000	2 093	256	6 380	4 943	13 672
Other	323	58	1 199	364	1 944
Vehicle and asset finance	1 318	1 262	76 567	0	79 147
Revolving credit	62 571	556	0	0	63 127
Credit cards	53 638	0	0	0	53 638
Non credit cards	8 933	556	0	0	9 489
SME	7 800	3 150	8 548	2 250	21 748
Secured lending	28	195	6 122	1 390	7 735
Unsecured lending	7 772	2 955	2 426	860	14 013
Securities firms	755	490	3 141	130	4 516
Sovereigns	31 495	4 497	30 989	37 827	104 808
	187 125	144 163	320 500	287 440	939 228

	2013 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	34 615	19 305	18 074	3 066	75 060
Corporate Exposure	35 507	97 114	116 770	32 264	281 653
Corporate	5 774	75 525	83 343	15 686	180 327
SME Corporate	29 652	21 088	27 507	12 407	90 654
Specialised lending - income producing real estate	81	480	1 845	2 461	4 866
Specialised lending - project finance	-	21	4,075	1,710	5 806
Local governments and municipalities	4	3 521	3 985	2 357	9 867
Public sector entities	2	3 943	2 655	3 101	9 702
Retail	108 682	8 936	106 841	211 621	436 078
Mortgages (including any home loan equity line of credit)	39 024	3 297	19 570	201 531	263 421
Other	4 714	1 094	61 574	6 963	74 344
Unsecured lending ≤ 30000	676	49	2 014	1 310	4 048
Unsecured lending > 30000	1 845	222	6 171	5 050	13 288
Other	438	26	1 042	603	2 109
Vehicle and asset finance	1 755	797	52 347	-	54 899
Revolving credit	58 309	471	16 195	0	74 975
Credit cards	51 639	-	-	-	51 639
Non credit cards	6 670	471.00	16,195.00	-	23 336
SME	6 635	4 074	9 502	3 127	23 338
Secured lending	42	181	6 360	2 161	8 744
Unsecured lending	6 593	3 893	3 142	966	14 594
Securities firms	4	2 926	295	217	3 442
Sovereign	50 181	2 568	20 222	26 143	99 115
	228 995	138 313	268 842	278 769	914 917

Breakdown of exposure per industry





Breakdown of gross exposure by geographical area

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

	2013							
	Asia	Europe[1]	North America	Other African Countries	Other	South Africa	South America	Total
AIRB approach	1 368	57 785	10 209	7 697	2 297	871 459	-	950 815
Standardised approach	-	-	-	150 758	-	24 657	-	175 415
	1 368	57 785	10 209	158 455	2 297	896 116	-	1 126 230

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 Fitch, Moody's and Standard and Poor's as external credit assessment institutions (ECAIs). Apart from originating and sponsoring securitisation transactions, the Group also acts as an investor, a service provider, 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		√		√		
Mmela			√			

The Grayston Conduit Liquidity facility was cancelled in January 2014.

Portfolio securitised

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

	ECAI	2014 Amount securitised Rm	2013 Amount Securitised Rm
Mortgage advances	Moody's, Fitch and Standard and Poor's	4 134	4 518

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

Outstanding securitisation balances

IRB exposure	2014 Rm	2013 Rm
On-statement of financial position		
Retail – mortgages	3 720	4 104
Total IRB exposures	**3 720**	**4 104**
Of which notes issued		
Investment grade	9 798	3 182
Sub-investment grade[1]	922	922

Originator	2014 Amount securitised originator Rm	2014 Past due originator Rm	2013 Amount securitised originator Rm	2013 Past due originator Rm
Mortgage advances[2]	3 696	21	4 076	1

Retained or purchased securitisation exposures per asset class

Exposure type – Retail	2014 Retained Rm	2014 Purchased Rm	2014 Total Rm	2013 Retained Rm	2013 Purchased Rm	2013 Total Rm
Mortgages	–		-	-	-	-
Other	–	230	230	-	450	450
	–	230	230	-	450	450

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

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

Risk-weighted band (%)	2014 Retained Rm	2014 Purchased Rm	2013 Retained Rm	2013 Purchased Rm
11 – 19				
20 – 49	-	230	-	450
50 – 75	-	-	-	-
250	-	-	-	-
1 250 or deducted	922	-	922	-
	922	230	922	450

Rated securitised exposures

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

IRB exposures	2014 Total senior exposure rated BBB or better Rm	2014 Total base risk weight exposure rated BBB or better Rm	2014 Total exposure rated BBB or below Rm	2013 Total senior exposure rated BBB or better Rm	2013 Total base risk weight exposure rated BBB or better Rm	2013 Total exposure rated BBB or below Rm
Instalments sales and leasing	-	28[1]	-	1	-	-
Mortgages	7[2]	38	92	32	34	92
Other	-	-	-	7	16	-
	7	33	92	40	50	92

Retail risk-weighted assets and capital deductions (IRB)

IRB exposures – Retail	2014 RWAs Rm	2014 Required capital Rm	2013 RWAs Rm	2013 Required capital Rm
Instalment sales and leasing	355	28	4	0
Mortgages	470	38	695	68
Other	-	-	238	23
	825	66	937	91

Equity investment risk: analysis of risk exposure

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

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

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

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

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

The size, composition, RWA component and EC requirement of the Group's equity investments in the banking book are reflected in the following table. As at the reporting date, the statement of financial position value of such investments amounted to R 3 742 million (December 2013: R3 966 million). Of the R3 742 million investment exposure at the reporting date, R3 450 million is held for capital gains purposes and the remainder for strategic and other purposes. The decrease in the equity exposure from the prior year is mainly due to the disposal of certain strategic investments.

Notes

[1] As per Audit finding, Mmela was reclassified as Instalment sales and leasing

[2] As per audit findings, HOMES was reclassified as a Base risk exposure from being a Senior Risk exposure

Equity investments in the banking book	2014 Rm	2013 Rm
Statement of financial position	3 742	3 966
Exchange traded investments, associates and joint ventures	292	525
Privately held traded investments, associates and joint ventures	3 450	3 441
Fair value of exchange traded investments, associates and joint ventures	292	525
Risk-weighted assets	13 865	14 624
Exchange traded investments, associates and joint ventures	629	213
Privately held traded investments, associates and joint ventures	13 236	14 411
Economic capital	1 981	2 188
Exchange traded investments, associates and joint ventures	236	114
Privately held traded investments, associates and joint ventures	1 745	2 074

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	2014 Rm	2013 Rm
Cumulative realised gains/(losses) arising from sales and liquidations	62	22
Total unrealised gains/(losses) recognised directly in the statement of financial position	2	17

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 obtained for the previous and current reporting period. Disclosures relate to the standardised approach, which include the Group's issuer-specific risk exposures, any instruments traded by South Africa for which internal model approach approval has not yet been obtained, as well as general market risk for all the regions, 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, changed to R19.46 million for the reporting period, which is down 6% compared to the 2013 financial year (R20,73 million). This was principally due to a reduction in interest rate risk during the period. 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 revenues increased compared to the previous reporting period and a favourable risk-adjusted return was sustained. .

Trading book DVaR summary

	2014				2013			
	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	14.62	27.12	7.79	17.86	16.36	37.04	7.06	11.28
Foreign exchange risk	7.59	22.68	1.68	4.42	6.96	23.59	1.20	2.93
Equity risk	3.63	11.03	1.37	3.76	4.45	15.95	1.38	4.32
Commodity risk	0.44	3.23	0.12	0.18	1.52	4.16	0.32	0.34
Inflation risk	8.51	19.33	2.53	9.26	8.29	17.37	4.36	4.46
Credit spread risk	5.82	8.26	4.04	7.70	4.52	8.98	1.96	4.35
Diversification effect	(21.14)	n/a	n/a	(23.43)	(21.37)	n/a	n/a	(14.28)
Total DVaR[2]	19.46	37.83	10.49	19.75	20.73	37.14	10.34	13.40
Expected shortfall	28.90	49.85	17.75	34.56	30.53	53.81	14.48	21.66
Regulatory VaR[3]	32.69	63.42	19.45	37.36	35.94	76.09	17.35	29.65
Regulatory sVaR[3]	49.72	96.43	22.95	59.10	51.15	91.19	23.81	29.16

Notes

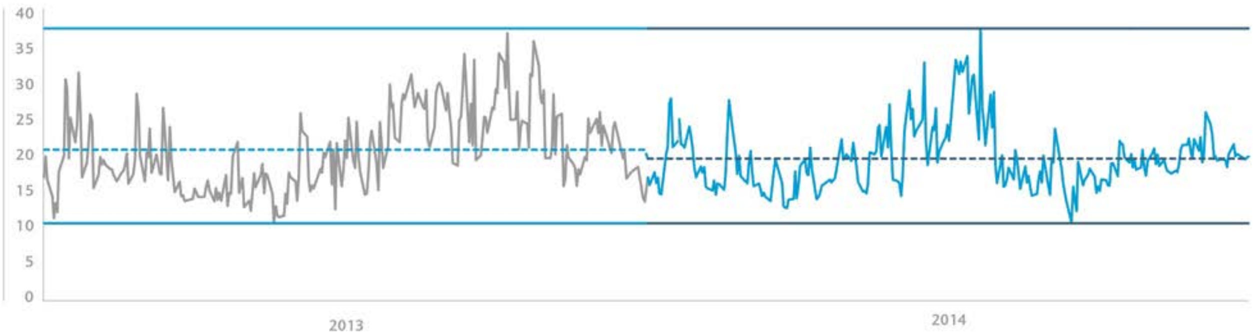
[1] The high and low DVaR figures reported for each category did not necessarily occur on the same day as the high (and low) total DVaR. Consequently, a diversification effect number for the high (and low) DVaR figures would not be meaningful and is therefore omitted.

[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.

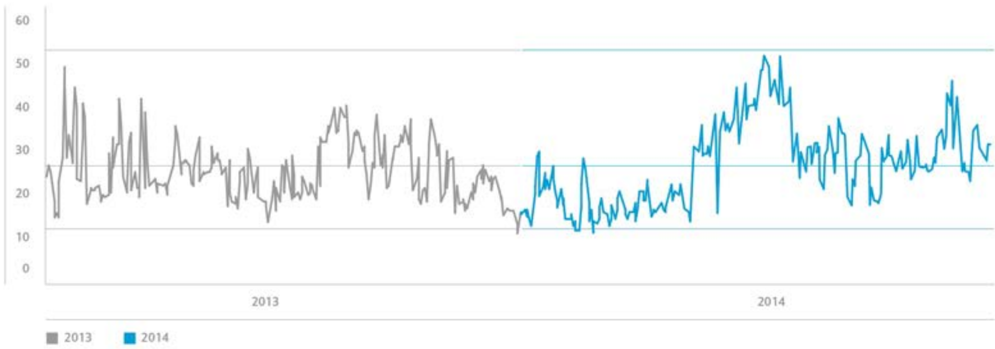
The following graph indicates the daily history of the trading book DVaR, along with the period averages, highs and lows. In comparison with 2013 and continuing the trend, it demonstrates lower variability in DVaR for most of 2014, as the business generally maintained lower levels of risk, although a marginally higher maximum was recorded during the second half of the year. This can be attributed to interest rate and foreign exchange risk.

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



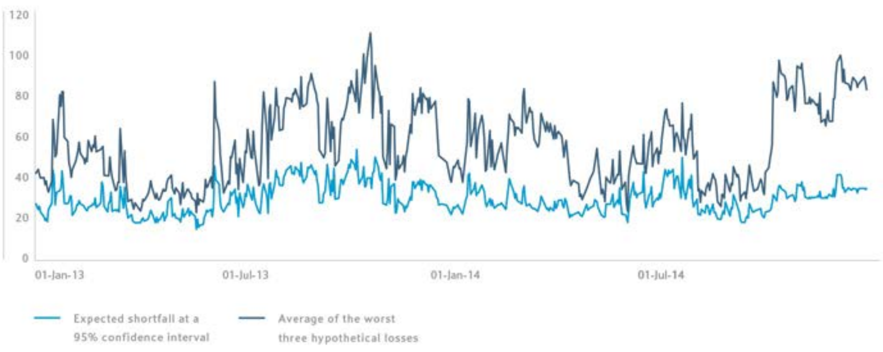
The following graph shows the daily history of the trading book sVaR. The sVaR trend reflects lower levels during the first part of 2014, with higher levels and more variability during the rest of the year. This can be attributed to a change in the sVaR period as the continuous assessment of the period indicated that a different time period was a more appropriate for the trading portfolio.

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



The following graph shows the daily history of the trading book tail metrics. Similar to the VaR-metrics, the level and volatility of the tail metrics reduced notably towards the end of 2013 and continued this trend for the greatest part of 2014. The increased far tail towards the end of 2014 was driven by changes in the interest rate risk profile.

Trading book tail metrics (daily values) (Rm)

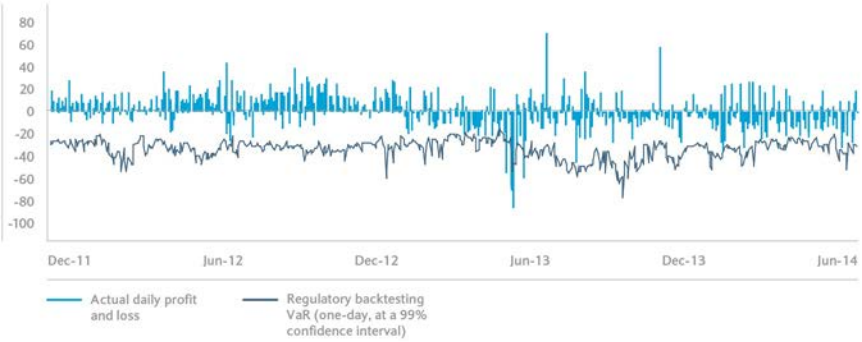


Comparison of value at risk estimates with trading revenues

The following graph compares the total VaR estimates over a one-day holding period at a 99% confidence level with the daily revenues generated by the trading units for the previous period and the reporting period. Revenue as reported here, relates to actual trading book revenue only, excluding fees, commissions, bid-ask spreads and net interest income, as required for regulatory back testing purposes.

During 2013, there were seven instances in which an actual daily trading loss exceeded the corresponding VaR estimate. There were no actual or theoretical losses that exceeded the VaR estimate during the 2014 financial year.

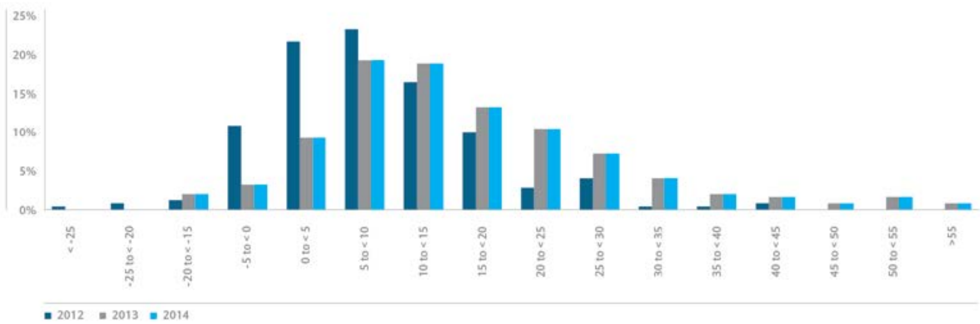
The Group's trading book revenue backtested against regulatory value at risk (Rm)



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 decreased compared to that of the previous two reporting periods. The percentage of positive revenue days decreased to 70% in the current period compared to 89% during the previous period. This was largely driven by an increase in risk holding periods at the start of the year.

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



Interest rate risk in the banking book

Impact on earnings

The following table shows the AEaR from impacts to net interest income for 100 and 200 bps up and down movements in market interest rates for the Group's banking books. Assuming no management action is taken in response to market interest rate movements, a hypothetical, immediate and sustained parallel decrease of 200 bps in all market interest rates would, at the reporting date, result in a pre-tax reduction in projected 12-month net interest income of R1,65 billion (31 December 2013: R2,04 billion). A similar increase would result in an increase in projected 12-month net interest income of R1,66 billion (31 December 2013: R1,85 billion). AEaR decreased by 1,7% to 4,6% of the net interest income. A sensitivity analysis by major currency market interest rates indicates that earnings sensitivity to South African rand (ZAR) market interest rates constitutes 86% of the total earnings at risk at the reporting date (31 December 2013: 86%), therefore indicating that the Group remains primarily exposed to South African market interest rates.

AEaR for 100 and 200 bps changes in market interest rates

	2014			
	200 bps decrease	100 bps decrease	100 bps increase	200 bps increase
Domestic bank book[1] (Rm)	(1 416)	(713)	701	1 427
Foreign subsidiaries[1] banks books[2](Rm)	(235)	(117)	117	235
Total (Rm)	(1 651)	(830)	818	1 661
Percentage of the Group's net interest income (%)	(4.6)	(2.3)	2.3	4.7
Percentage of the Group's equity (%)	(1.8)	(0.9)	0.9	1.8

	2013			
	200 bps decrease	100 bps decrease	100 bps Increase	200 bps increase
Domestic bank book[1] (Rm)	(1 753)	(866)	758	1 562
Foreign subsidiaries[1] banks books[2,3](Rm)	(283)	(142)	142	283
Total (Rm)[3]	(2 036)	(1 008)	900	1 845
Percentage of the Group's net interest income (%)	(6,3)	(3,1)	2,8	5,7
Percentage of the Group's equity (%)	(2,4)	(1,2)	1,1	2,2

Interest return on average balances

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

Group average statement of financial position

	2014			2013		
Group average statement of financial position	Average balance[3] Rm	Average rate %	Interest income/ (expense) Rm	Average Balance[1] Rm	Average Rate %	Interest income/ (expense) Rm
Assets						
Cash, cash balances and balances with central banks	12 968	2.76	358	14 110	1.74	245
Investment securities	74 379	8.78	6 533	70 209	9.15	6 424
Loans and advances to banks and customers	678 098	8.46	57 389	640 418	8.09	51 825
Other interest[4]	-	-	1 366	-	-	1 738
Interest-bearing assets	765 445	8.58	65 646	724 737	8.31	60 232
Non-interest-bearing assets	216 444	-	-	193 938	-	-
Total assets	981 889	6.69	65 646	918 675	6.56	60 232
Liabilities						
Deposits from banks and due to customers	610 205	(3.98)	(24 407)	566 306	(3.91)	(22 158)
Debt securities in issue	106 310	(6.38)	(6 785)	107 503	(6.09)	(6 544)
Borrowed funds	12 674	(10.04)	(1 272)	15 912	(9.33)	(1 484)
Other interest[2]	-	-	2 419	-	-	2 306
Interest-bearing liabilities	729 189	(4.12)	(30 045)	689 721	(4.04)	(27 880)
Non-interest-bearing liabilities	165 583	-	-	145 483	-	-
Total liabilities	894 772	(3.36)	(30 045)	835 2041	(3.34)	(27 880)
Total equity	87 117	-	-	83 471	-	-
Total liabilities and equity	981 889	(3.06)	(30 045)	918 675	(3.03)	(27 880)
Net interest margin on average interest-bearing assets		4.65		-	4.46	-

Notes

[1] Includes exposures held in the CIB banking book.
[2] The interest rate sensitivities for the Rest of Africa are shown on a 100% (rather than actual) shareholding basis.
[3] The 100bps increase for Foreign Branches was understated for 2013 and corrected in the table above
[3] Average balances are calculated based on daily and monthly weighted average balances.
[4] "Other interest" on assets and liabilities includes fair value adjustments on hedging instruments and hedged items.

Insurance risk

The insurance risk appetite figures for 2014 were approved by the entity Actuarial Review Committees in November 2013, and the utilisation compared to appetite indicated below. The figures are based on economic capital principles and refer to 1 in 250 event levels. Absa Life extrapolates the underwriting Capital Adequacy Requirement (CAR) by assuming that life underwriting risk follows Student's t-distribution with four degrees of freedom. The underwriting risk appetite for Short Term insurance was calculated based on the projected Net Written Premium for 2014.

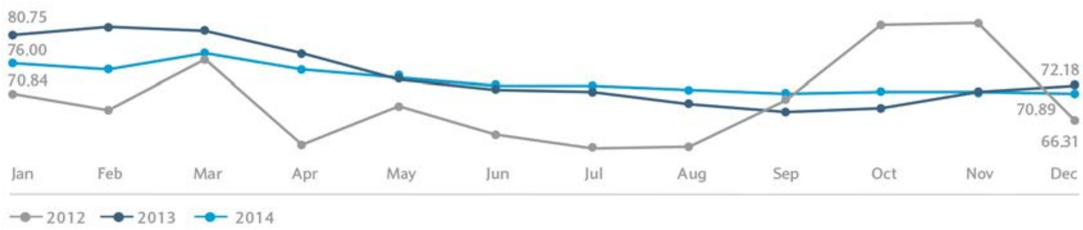
The following graphs show detailed matrices in the Group's insurance business:

Short term insurance underwriting risk (Rm)

Life insurance underwriting risk (Rm)

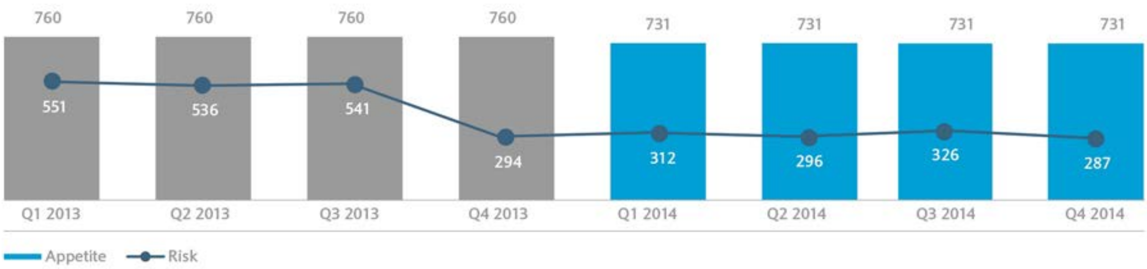
Short-term insurance loss ratios were flat over the reporting period.

Short term loss ratio (%)

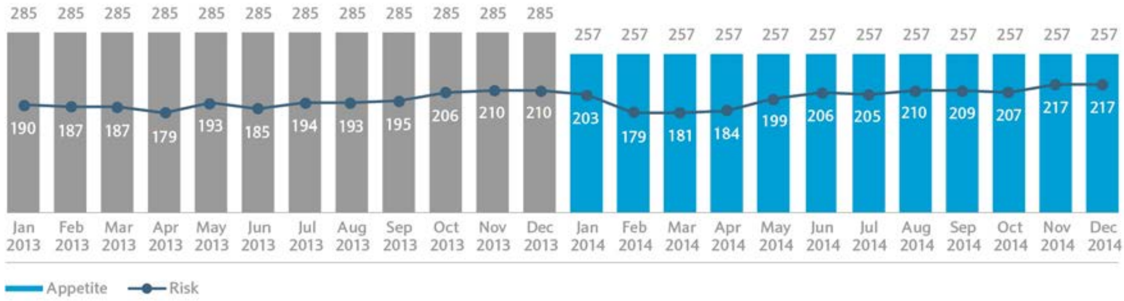


Life insurance mismatch risk remained well within appetite over the reporting period.

Life insurance mismatch risk (Rm)

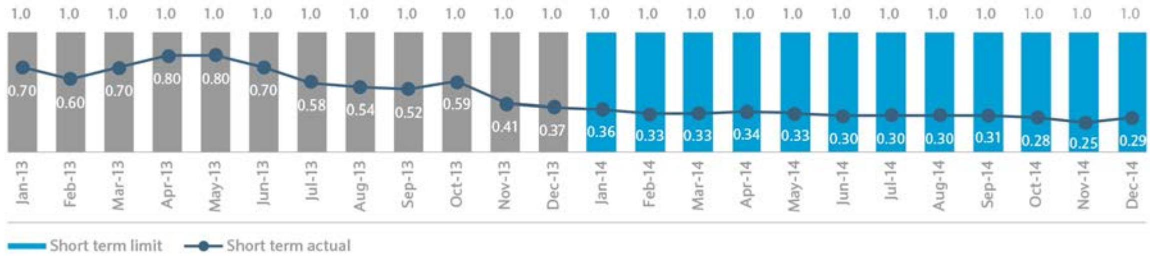


Life and short term investment risk – position vs. appetite (Rm)



The duration of the interest-bearing investments backing short-term insurance policy liabilities remained within the limit set.

Short term insurance duration matching (years)



The effective duration of the assets decreased in 2014 compared to 2013 as the fund manager increased relative holdings in shorter dated financial instruments. Assets backing for the short-term insurance liabilities remained within the mandated one year maximum.

Funding Risk

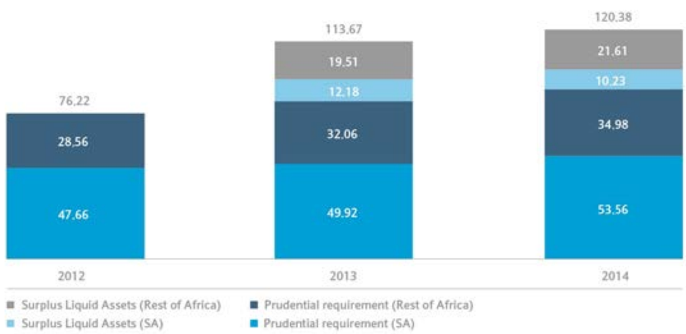
The Group sources of liquidity (Rm)

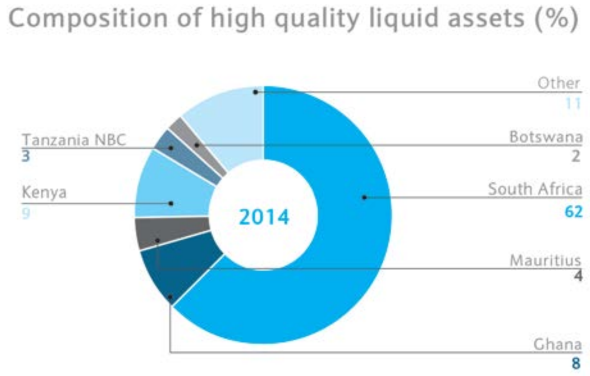
	2014	2013
The Group sources of liquidity (Rm)	175 836	153 871
High quality liquid assets	88 537	81 974
Statutory liquid assets (South Africa)	53 562	49 915
Surplus liquid assets (South Africa)	34 975	32 059
Other liquid assets (outside South Africa)	31 841	31 697
Other sources of liquidity	55 458	40 200

Surplus liquid assets and reserves held

The level of surplus liquid assets and reserves held by the Group (defined as unencumbered liquid assets and reserves held in excess of the amount required to be held in accordance with the regulations) was maintained, ending the current reporting period with a surplus of R56.6bn across the Group.

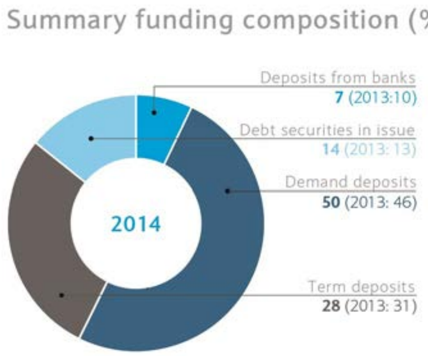
Summary liquid assets and reserves position (Rbn)





Funding Structure

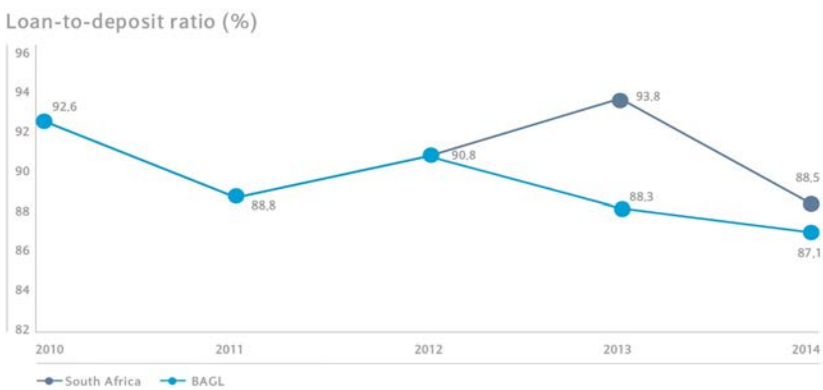
Funding is sourced from a variety of depositors representing a diversity of South African economic sectors, with a wide range of maturities. The Group has a well-diversified deposit base and concentration risk is managed within appropriate guidelines. Sources of liquidity are regularly reviewed to maintain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



Loan–to-deposits ratio

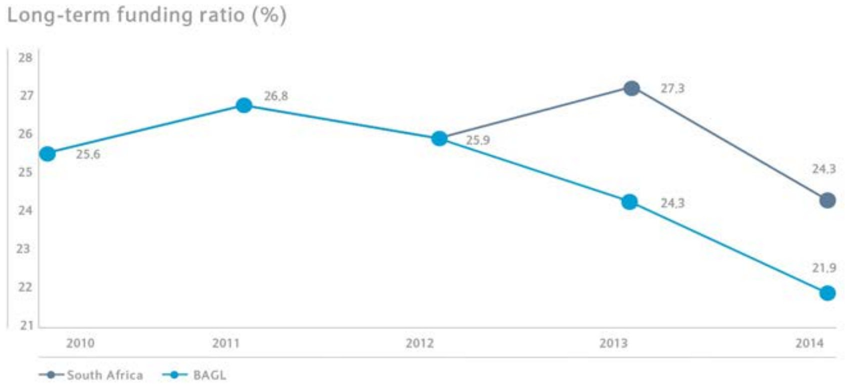
	2014	2013
Advances		
Loans and advances to customers	636 326	606 223
Deposits	730 984	686 726
Deposits due to customers	624 886	588 897
Debt securities in issue	106 098	97 829
Loan-to-deposit ratio (%)	87.1	88.3

The progression of the loan-to-deposit ratio is summarised in the graph below. From December 2013 to December 2014 the South African loan-to-deposit ratio reduced to 88.5%. The acquisition of the Barclays Africa entities had a positive impact on the ratio, further reducing it by 1.4% to 87.1%, because the majority of these banks are deposit led.



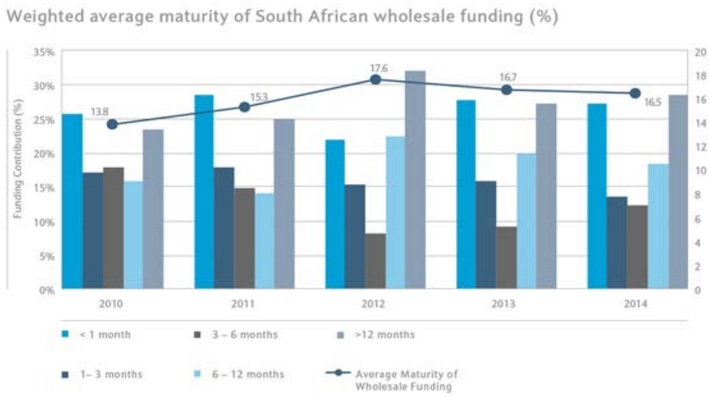
Long-term funding ratio

A key metric used to track the funding structure is the average long-term funding ratio. This ratio reflects the proportion of total funding with an outstanding term in excess of six months. The progression in the South African average long-term funding ratio is shown below. Between December 2013 and December 2014 the South African average long-term funding ratio decreased to 24.3% due to an increase in shorter-term funding raised in our retail, business bank and wholesale businesses. The acquisition of the Barclays Africa entities reduced the Group ratio by 2.4% to 21.9%. The African entities are predominantly deposit-led banks funded through retail and corporate deposits. Whilst these deposits are very stable they are generally short term.



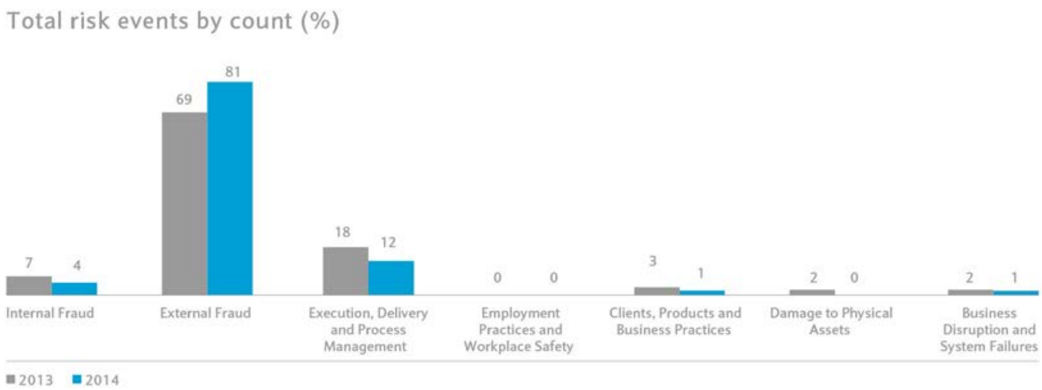
Weighted average maturity of South African wholesale funding

The graph below summarises the extent to which the Group has been able to extend the South African wholesale funding profile. The weighted average remaining term of wholesale funding has remained broadly flat since 31 December 2013 with 16.5 months at 31 December 2014.

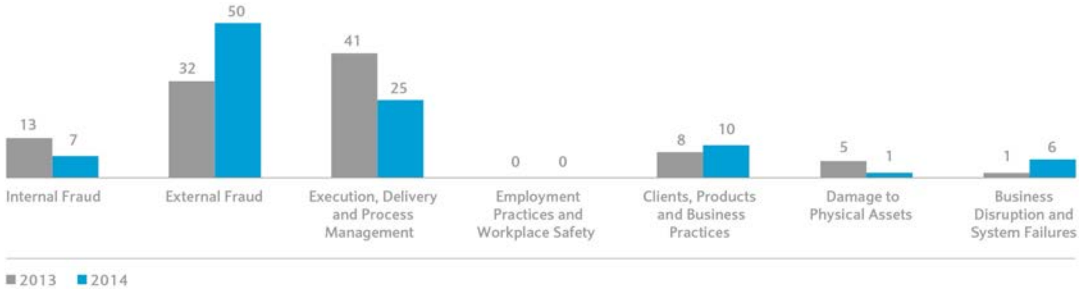


Operational risk

The SARB expects the Group to record all single events that exceed a R10 000 threshold. Various 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 (81%). 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 2014 occurred in external fraud (50%) and execution, delivery and process management (25%). Significant improvement is noted for the reduction in internal staff fraud compared to the previous periods. Plastic fraud losses remains the key driver behind the overall fraud losses, but has improved and stabilised across all portfolios in Card.



Total risk events by value (%)



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
- Main features – Group and Bank

Annexure A

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

Retail portfolio[1]

	2013	2014																				
			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	3.35	3.40	13.0	22.0	633	238 481	26.0	42.0	48	7 546	68.8	62.9	283	13 236	74.5	67.3	1 245	39 763	81.9	23.5	91	7 247
4	0.03	0.03	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	0.04	0.03	10.8	1.2	-	17 109	33.7	3.9	-	0	79.0	2.4	-	1 220	72.2	1.9	-	4	82.1	3.1	2	3 131
6	0.05	0.05	10.9	1.7	-	2 606	11.3	2.1	-	36	35.2	5.6	-	2	-	-	-	-	82.7	3.7	-	20
7	0.09	0.09	10.4	2.4	1	8 633	40.5	8.6	-	5	82.0	4.0	-	-	75.6	4.3	-	49	82.0	3.9	-	146
8	0.11	0.10	10.5	2.7	2	19 206	-	-	-	-	70.4	8.6	-	31	71.1	4.9	4	4 864	78.4	5.9	-	7
9	0.16	0.16	13.1	4.7	3	10 474	-	-	-	-	81.7	7.5	-	6	69.8	6.4	3	2 906	78.3	7.1	-	11
10	0.22	0.22	14.4	6.7	2	5 937	-	-	-	-	43.2	11.9	-	5	75.9	8.6	-	3	82.2	9.2	2	518
11	0.30	0.30	17.8	10.0	10	16 672	-	-	-	-	76.2	18.6	1	425	77.0	13.2	-	147	82.1	15.0	5	644
12	0.46	0.46	12.2	9.5	6	11 783	12.4	8.5	-	369	79.7	19.3	1	468	74.8	17.0	-	21	80.7	17.3	-	61
13	0.65	0.65	13.1	13.2	24	26 252	-	-	-	-	77.2	30.3	3	557	72.1	20.0	-	1	81.5	22.7	5	396
14	0.89	0.88	12.4	15.0	12	13 833	15.1	15.5	-	230	77.6	36.7	2	346	75.1	27.4	27	3 523	81.6	30.8	8	440
15	1.24	1.24	13.9	21.5	24	14 764	16.2	18.8	1	678	71.5	49.4	15	1 690	75.4	36.3	8	1 013	81.7	40.6	16	862
16	1.84	1.84	12.8	25.3	40	20 356	31.2	42.3	2	455	68.6	55.6	18	1 731	76.0	45.4	20	1 361	81.2	53.8	7	223
17	2.59	2.57	14.0	34.0	51	19 036	30.1	43.6	11	2 024	62.1	66.4	49	2 984	75.7	58.2	62	3 026	81.7	67.0	11	228
18	3.63	3.64	12.7	37.5	52	12 679	23.7	46.7	18	2 787	61.3	80.1	27	1 482	74.6	82.4	506	16 691	81.7	88.5	16	331
19	4.84	4.82	13.6	48.6	85	16 842	38.0	59.4	4	344	65.2	93.8	32	1 015	76.7	98.1	87	2 026	81.7	106.2	6	98
20	7.24	7.42	13.8	57.5	89	12 531	35.4	58.3	5	295	65.3	111.5	29	600	77.3	125.3	101	1 590	81.4	133.0	5	70
21	9.95	9.95	13.7	66.6	23	2 228	38.9	71.2	5	218	70.4	131.2	14	221	78.0	154.9	75	834	82.0	165.3	6	53
22	15.43	15.50	13.2	74.0	28	1 494	22.6	46.4	1	75	72.8	168.0	23	190	78.3	186.8	107	816	81.9	191.2	-	3
23	20.89	20.84	12.6	75.8	50	2 264	39.1	93.4	1	13	77.9	210.7	7	46	78.6	219.0	82	451	81.5	230.8	1	5
24	29.58	29.92	13.5	83.3	81	2 589	40.4	105.6	-	5	79.3	235.9	24	103	79.3	244.8	54	214	78.1	245.4	-	-
25	48.49	48.84	13.1	71.7	52	1 194	40.1	111.8	1	12	80.9	257.4	37	112	78.5	236.2	107	223	78.1	250.6	-	-
Default	100.00	100.00	13.8	3.7	2 813	10 595	26.9	213.4	112	189	85.5	9.8	43	133	74.7	-	1 149	1 662	96.2	26.9	85	116
Total	7.92	7.66	13.1	21.2	3 446	249 076	26.0	46.2	160	7 736	68.9	62.4	326	13 368	74.5	64.6	2 394	41 426	82.1	23.5	176	7 363

Annexure A

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

Retail portfolio (continued)[1]

	2014																				2013
	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	37.9	51.1	1 079	55 214	75.5	96.3	164	3 404	78.0	99.1	576	12 593	50.0	108.2	262	1 926	29.5	36.5	4 381	379 411	375 312
4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	402
5	39.9	4.6	-	229	73.0	8.5	-	240	76.6	9.2	-	445	50.0	5.8	-	-	26.7	1.8	3	22 377	20 546
6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11.4	1.7	-	2 664	2 701
7	37.4	9.1	-	527	-	-	-	-	82.0	16.5	-	1	-	-	-	-	13.4	2.8	1	9 361	8 222
8	38.1	10.1	1	1 202	74.6	23.7	-	101	78.0	24.8	1	444	-	-	-	-	24.7	3.9	8	25 855	23 403
9	-	-	-	-	71.2	27.5	-	33	73.1	28.2	-	89	-	-	-	-	25.9	5.3	6	13 519	11 566
10	42.2	22.0	-	-	-	-	-	-	83.1	35.9	-	10	-	-	-	-	20.0	7.0	5	6 474	6 513
11	37.5	21.7	-	115	73.8	41.6	1	210	77.7	44.5	3	832	50.0	26.8	-	-	25.1	12.3	20	19 045	18 301
12	37.9	28.1	10	4 052	71.6	49.1	-	38	73.5	50.4	-	106	-	-	-	-	21.1	14.6	19	16 898	16 263
13	37.8	32.5	1	283	73.7	62.5	1	230	77.6	64.4	6	951	50.0	44.9	-	-	18.2	15.9	40	28 668	34 109
14	37.9	39.6	16	3 132	75.0	75.3	1	135	78.2	77.1	8	697	-	-	-	-	30.7	23.4	74	22 335	20 025
15	36.6	43.4	30	5 018	78.6	92.1	9	697	79.7	93.0	36	2 679	50.0	57.7	-	-	34.1	37.1	140	27 399	27 512
16	38.2	51.2	91	9 114	74.4	98.9	3	188	77.5	102.5	16	822	50.0	65.8	-	-	27.5	37.2	198	34 249	34 635
17	37.7	53.9	231	17 502	74.8	106.5	7	257	77.6	110.7	30	1 143	50.0	72.1	-	8	33.1	48.1	450	46 210	47 057
18	38.8	53.8	97	4 459	75.8	114.6	11	313	78.2	118.3	46	1 181	50.0	74.9	-	-	47.1	63.7	773	39 923	27 186
19	38.7	59.7	68	2 120	74.7	119.1	9	178	76.7	120.1	39	700	50.0	78.5	-	-	26.6	58.9	331	23 324	35 101
20	38.0	63.7	185	4 275	75.4	123.4	17	223	76.8	124.7	58	744	50.0	81.9	-	-	28.9	69.2	489	20 329	16 474
21	40.0	80.2	34	392	74.0	130.2	9	95	76.3	134.1	25	250	50.0	87.4	-	-	38.6	95.1	189	4 291	4 761
22	38.6	79.2	81	1 060	76.9	161.5	57	321	78.6	165.2	195	1 060	50.0	108.4	262	1 916	49.6	117.9	754	6 935	8 480
23	38.7	92.2	82	733	72.4	174.5	6	34	76.0	182.9	21	117	50.0	117.8	-	-	29.5	103.0	250	3 662	3 442
24	38.2	101.4	79	584	74.4	198.9	21	76	77.0	207.3	63	226	50.0	138.1	-	-	27.8	109.1	323	3 797	4 162
25	38.9	108.7	73	419	72.2	195.6	11	39	74.8	202.3	28	97	50.0	140.4	-	-	32.9	115.1	309	2 095	4 451
Default	63.5	-	437	1 135	76.6	-	455	328	76.5	0.2	495	1 079	76.6	-	-	17	31.4	5.5	5 589	15 253	18 631
Total	38.4	50.1	1 516	56 349	75.6	87.8	619	3 732	77.9	91.3	1 071	13 672	50.2	107.3	262	1 943	29.6	35.3	9 969	394 665	393 943

Annexure B

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

Wholesale portfolio[1]

	2013	2014																				
			Corporate exposure																			
			Corporate				SME				Specialised lending – Income producing real estate				Specialised lending – Project finance				Public sector entities			
Risk Grade	Average PD	Average PD	LGD	Exposure Weighted average Risk weight	Expected loss	EAD	LGD	Exposure weighted average risk weight	Expected loss	EAD	LGD	Exposure weighted average risk weight	Expected loss	EAD	LGD	Exposure weighted average risk weight	Expected loss	EAD	LGD	Exposure weighted average risk weight	Expected loss	EAD
	%	%	%	%	Rm	Rm	%	%	Rm	Rm	%	%	Rm	Rm	%	%	Rm	Rm	%	%	Rm	Rm
Non-default	0.85	1.01	37.9	56.55	316	161 937	35.8	70.81	296	73 059	16.4	36.36	6	4 025	19.7	42.20	8	4 952	18.8	21.90	8	11 208
4	0.03	0.03	42.5	13.17	1	5 250	45.9	17.02	-	345	-	-	-	-	-	-	-	-	-	-	-	-
5	0.04	0.04	39.9	12.62	1	12 674	37.5	11.08	-	169	-	-	-	-	-	-	-	-	-	-	-	-
6	0.05	0.06	43.8	19.83	1	5 639	18.2	9.73	-	213	-	-	-	-	5.0	1.32	-	-	43.9	34.86	-	2
7	0.08	0.08	40.3	18.39	2	9 119	39.7	21.79	-	88	26.0	20.47	-	44	-	-	-	-	33.4	12.08	-	39
8	0.12	0.12	36.6	23.00	5	14 998	22.6	13.13	-	1 374	10.0	8.13	-	129	-	-	-	-	-	-	-	-
9	0.18	0.18	36.9	33.39	7	18 733	25.2	21.33	-	159	10.0	11.34	-	33	14.9	20.39	-	2 680	16.3	16.00	1	2 971
10	0.23	0.23	33.1	41.19	8	17 699	36.4	31.97	2	3 396	10.0	11.94	-	41	26.6	44.67	-	223	25.0	28.14	1	4 119
11	0.32	0.32	34.7	42.08	7	10 970	37.8	40.71	2	6 414	10.0	15.30	-	47	-	-	-	-	24.6	24.80	2	1 841
12	0.46	0.47	35.4	55.16	9	10 727	33.0	45.84	4	8 212	12.2	20.11	-	509	17.8	23.82	-	696	18.4	31.68	-	87
13	0.61	0.61	40.8	69.17	11	8 680	38.6	56.65	6	6 178	24.7	36.29	-	567	-	-	-	-	5.0	9.82	-	-
14	0.90	0.90	38.5	78.51	12	6 767	33.4	63.95	9	6 649	10.6	22.48	-	421	43.9	72.34	-	4	-	-	-	-
15	1.32	1.30	39.5	102.86	71	19 161	31.1	61.16	11	7 781	19.3	42.19	1	828	31.3	127.34	1	500	16.7	37.41	-	51
16	1.82	1.84	33.7	98.07	15	6 128	34.7	73.35	18	6 478	16.3	47.48	1	362	-	-	-	-	24.9	52.22	1	209
17	2.65	2.64	40.8	111.21	28	7 257	37.8	90.63	46	11 214	18.1	54.32	1	285	43.9	106.60	2	394	7.5	21.07	-	1
18	3.70	3.68	38.0	127.35	10	2 023	37.8	92.64	33	4 975	21.0	63.31	1	199	24.1	70.06	1	218	42.3	157.96	-	2
19	5.21	5.20	38.8	145.73	19	2 314	40.7	113.42	51	4 884	14.9	49.56	-	102	-	-	-	-	-	-	-	-
20	7.41	7.33	41.7	156.40	22	1 225	38.8	121.30	30	2 087	10.5	37.69	2	459	-	-	-	-	2.6	10.58	3	1 886
21	10.03	10.23	36.9	164.80	2	94	42.2	154.05	18	908	-	-	-	-	-	-	-	-	-	-	-	-
22	15.89	15.43	43.7	240.46	55	2 027	38.7	154.36	32	965	-	-	-	-	-	-	-	-	-	-	-	-
23	19.69	19.25	41.2	222.97	3	73	41.0	187.46	6	188	-	-	-	-	-	-	-	-	-	-	-	-
24	29.94	29.28	33.3	194.27	13	193	27.2	134.84	11	232	-	-	-	-	-	-	-	-	-	-	-	-
25	39.91	40.99	42.7	225.23	17	186	40.6	186.02	15	151	-	-	-	-	5.0	27.69	4	237	-	-	-	-
Default	100.00	100.00	43.8	325.78	376	809	26.3	73.72	1 294	5 233	36.5	31.24	157	452	-	-	-	-	-	-	-	-
Total	2.81	2.62	37.9	57.88	692	162 746	35.2	71.00	1 590	78 293	18.4	35.85	163	4 477	19.7	42.20	8	4 952	18.8	21.90	8	11 208

Annexure B

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

Wholesale portfolio (continued)[1]

	2014																				2013
	Local governments and municipalities				Sovereigns				Banks				Securities firms				Total				Total
Risk Grade	LGD	Exposure Weighted average Risk weight	Expected loss	EAD	LGD	Exposure weighted average risk weight	Expected loss	EAD	LGD	Exposure weighted average risk weight	Expected loss	EAD	LGD	Exposure weighted average risk weight	Expected loss	EAD	LGD	Exposure weighted average risk weight	Expected loss	EAD	EAD
	%	%	Rm	Rm	%	%	Rm	Rm	%	%	Rm	Rm	%	%	Rm	Rm	%	%	Rm	Rm	Rm
Non-default	14.6	13.04	1	6 580	5.6	7.02	11	71 318	43.6	34.51	23	52 913	40.8	24.88	1	4 516	31.0	44.70	669	390 509	9 702
4	-	-	-	-	20.3	11.57	-	439	43.3	25.41	3	27 764	43.9	19.36	-	3 484	43.0	22.88	4	37 281	4
5	-	-	-	-	-	-	-	-	43.9	44.53	-	999	43.9	72.96	-	139	40.2	15.48	2	13 981	-
6	44.4	29.06	-	30	-	-	-	-	43.9	15.19	1	8 567	43.9	134.84	-	1	43.5	16.96	2	14 451	-
7	11.7	4.43	-	1 049	-	-	-	-	43.9	53.01	-	173	-	-	-	-	37.4	17.58	2	10 513	-
8	45.0	26.97	-	344	-	-	-	-	-	-	-	-	-	-	-	-	35.4	22.16	5	16 845	199
9	10.5	10.40	-	4 353	5.0	5.85	6	69 281	43.9	54.49	-	1 531	43.9	52.09	-	208	12.5	12.77	15	99 949	4 736
10	45.0	34.19	-	134	25.0	31.15	-	1 341	43.9	50.55	3	7 028	20.8	27.88	-	611	34.1	39.97	14	34 591	902
11	18.3	18.14	-	462	-	-	-	-	43.9	58.22	2	4 201	43.9	68.43	-	49	36.0	42.75	13	23 984	1 735
12	45.2	87.91	-	116	-	-	-	-	43.9	63.32	-	15	-	-	-	-	33.3	49.55	13	20 361	-
13	45.3	73.58	-	8	-	-	-	-	43.9	67.25	-	12	43.9	45.06	-	9	39.3	62.95	17	15 453	-
14	20.9	46.12	-	1	-	-	-	-	43.9	100.31	-	8	43.9	94.61	-	-	35.2	69.82	22	13 849	-
15	11.0	9.46	-	74	-	-	-	-	43.9	101.78	1	160	43.9	189.12	-	16	36.4	89.85	86	28 572	204
16	45.0	77.68	-	1	-	-	-	-	43.9	89.15	11	2 101	-	-	-	-	35.0	84.53	45	15 278	1 826
17	46.3	137.29	-	8	5.0	9.54	-	1	43.9	130.28	3	337	-	-	-	-	38.9	98.78	79	19 497	29
18	45.0	150.61	-	-	-	-	-	-	43.9	133.06	-	6	-	-	-	-	37.0	100.69	45	7 423	53
19	45.0	184.72	-	1	43.9	189.94	4	255	43.9	193.36	-	3	-	-	-	-	39.9	125.07	74	7 559	13
20	-	-	-	-	-	-	-	-	43.9	203	-	5	-	-	-	-	25.1	85.31	57	5 663	-
21	-	-	-	-	-	-	-	-	43.9	181.78	-	4	-	-	-	-	41.7	155.16	20	1 005	-
22	-	-	-	-	-	-	-	-	43.9	235.00	-	1	-	-	-	-	42.1	212.69	86	2 993	-
23	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	41.0	197.42	9	261	-
24	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	30.0	161.85	24	425	-
25	-	-	-	-	-	-	-	-	43.9	266.33	-	-	-	-	-	-	26.6	133.20	36	574	-
Default	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	29.2	102.16	1 828	6 494	-
Total	14.6	13.04	1	6 580	5.6	7.02	11	71 318	43.6	34.51	23	52 913	40.8	24.88	1	4 516	31.0	45.64	2 496	397 003	9 701

Annexure C: Capital management

Reconciliation of accounting capital to regulatory capital

	Dec-14 Group Rm	Dec-14 Bank Rm
Ordinary share capital and premium	6 242	16 768
Other reserves	6 211	3 004
Retained earnings	70 237	32 534
Non - controlling interest - ordinary shares	3 611	-
Non - controlling interest - preference shares	4 644	4 644
Total Equity per IFRS	**90 945**	**56 950**
Less: Non qualifying reserve funds	(6 140)	(1 543)
Non - controlling interest - ordinary shares	(1 361)	-
Share of associated companies earnings	(811)	-
Additional regulatory general reserve	(596)	-
Reserves related to financial and insurance entities not consolidated for regulatory purposes	(3 372)	(1 543)
Less: Regulatory deductions (CET1)	(6 332)	(3 943)
Regulatory adjustments (AT1)	(72)	(929)
Tier 1 capital	78 401	50 535
Add: Borrowed Funds (Tier 2)	10 603	10 228
Total regulatory capital including unappropriated profits	**89 004**	**60 763**
Less: Unappropriated profits	(8 115)	(4 264)
Total regulatory capital excluding unappropriated profits	**80 889**	**56 499**

Annexure C: Capital management

Composition of capital disclosure

Barclays Africa Group Limited

	Group	Amount subject to Basel III Rm	Amount subject to Pre-Basel III treatment Rm
	Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	6 242	
2	Retained earnings	58 816	
3	Accumulated other comprehensive income (and other reserves)	4 738	
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	0	
	Public sector capital injections grandfathered until 1 January 2018	0	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	2 250	3 611
6	Common Equity Tier 1 capital before regulatory adjustments	72 046	
	Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustments	0	0
8	Goodwill (net of related tax liability)	762	0
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	2 109	0
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	493	0
11	Cash-flow hedge reserve	351	0
12	Shortfall of provisions to expected losses	1 326	0
13	Securitisation gain on sale	0	0
14	Gains and losses due to changes in own credit risk on fair valued liabilities	0	0
15	Defined-benefit pension fund net assets	586	0
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	0	0
17	Reciprocal cross-holdings in common equity	0	0
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)	0	0
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)	0	0
20	Mortgage servicing rights (amount above 10% threshold)	0	0
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	0	0
22	Amount exceeding the 15% threshold	0	0
23	of which: significant investments in the common stock of financials	0	0
24	of which: mortgage servicing rights	0	0
25	of which: deferred tax assets arising from temporary differences	0	0
26	National specific regulatory adjustments	705	0
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	0	
	OF WHICH: [INSERT NAME OF ADJUSTMENT]	0	
	OF WHICH	0	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	0	
28	Total regulatory adjustment to Common equity Tier 1	6 332	
29	Common Equity Tier 1 capital (CET1)	65 714	

Annexure C: Capital management

	Group	Amount subject to Basel III Rm	Amount subject to Pre-Basel III treatment Rm
	Additional Tier 1 capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	0	
31	of which: classified as equity under applicable accounting standards	0	
32	of which: classified as liabilities under applicable accounting standards	0	
33	Directly issued capital instruments subject to phase out from Additional Tier 1	0	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	4 645	
35	of which: instruments issued by subsidiaries subject to phase out	4 644	
36	**Additional Tier 1 capital before regulatory adjustments**	4 645	
	Additional Tier 1 capital: regulatory adjustments		
37	Investments in own Additional Tier 1 instruments	0	0
38	Reciprocal cross-holdings in Additional Tier 1 instruments	0	0
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)	17	0
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)	0	0
41	National specific regulatory adjustments	0	
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	0	
	OF WHICH: [INSERT NAME OF ADJUSTMENT]	0	
	OF WHICH	0	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	0	
43	**Total regulatory adjustments to Additional Tier 1 capital**	74	
44	**Additional Tier 1 capital (AT1)**	4 572	
45	**Tier 1 capital (T1 = CET1 + AT1)**	70 286	
	Tier 2 capital and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	500	
47	Directly issued capital instruments subject to phase out from Tier 2	0	
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)	9 686	
49	of which: instruments issued by subsidiaries subject to phase out	16 563	
50	Provisions	417	
51	Tier 2 capital before regulatory adjustments	10 603	
	Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments	0	0
53	Reciprocal cross-holdings in Tier 2 instruments	0	0
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)	0	0
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	51	0
56	National specific regulatory adjustments		
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 2 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	0	
	OF WHICH: [INSERT NAME OF ADJUSTMENT]	0	

Annexure C: Capital management

	Group	Amount subject to Basel III Rm	Amount subject to Pre-Basel III treatment Rm
	OF WHICH	0	
57	Total regulatory adjustments to Tier 2 capital	0	
58	Tier 2 capital (T2)	10 603	
59	Total capital (TC = T1 + T2)	80 889	
	RISK WEIGHTED ASSETS IN REPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	614 038	
	of which: Basel III amendments	5 667	
60	Total risk weighted assets	619 705	
	Capital ratios		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	10.6	
62	Tier 1 (as a percentage of risk weighted assets)	11.4	
63	Total capital (as a percentage of risk weighted assets)	13.1	
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)	5.5	
65	of which: capital conservation buffer requirement	0	
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)	5.5	
	National minima (if different from Basel III)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	5.5	
70	National Tier 1 minimum ratio (if different from Basel III minimum)	7.0	
71	National total capital minimum ratio (if different from Basel III minimum)	10.0	
	Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investments in the capital of other financials	0	
73	Significant investments in the common stock of financials	0	
74	Mortgage servicing rights (net of related tax liability)	0	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	289	
	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)	417	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	417	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	0	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	0	
	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	0	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0	
82	Current cap on AT1 instruments subject to phase out arrangements	0	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	0	
84	Current cap on T2 instruments subject to phase out arrangements	0	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0	

Annexure C: Capital management

Composition of capital disclosure
Absa Bank

	Absa Bank	Amount subject to Basel III Rm	Amount subject to Pre-Basel III treatment Rm
	Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	16 768	
2	Retained earnings	27 031	
3	Accumulated other comprehensive income (and other reserves)	2 700	
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	0	
	Public sector capital injections grandfathered until 1 January 2018	0	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	0	0
6	Common Equity Tier 1 capital before regulatory adjustments	46 499	
	Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustments	0	0
8	Goodwill (net of related tax liability)	0	0
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	1 310	0
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	0	0
11	Cash-flow hedge reserve	351	0
12	Shortfall of provisions to expected losses	1 816	0
13	Securitisation gain on sale	0	0
14	Gains and losses due to changes in own credit risk on fair valued liabilities	0	0
15	Defined-benefit pension fund net assets	466	0
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	0	0
17	Reciprocal cross-holdings in common equity	0	0
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)	0	0
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)	0	0
20	Mortgage servicing rights (amount above 10% threshold)	0	0
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	0	0
22	Amount exceeding the 15% threshold	0	0
23	of which: significant investments in the common stock of financials	0	0
24	of which: mortgage servicing rights	0	0
25	of which: deferred tax assets arising from temporary differences	0	0
26	National specific regulatory adjustments	0	0
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	0	
	OF WHICH: [INSERT NAME OF ADJUSTMENT]	0	
	OF WHICH	0	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	0	
28	Total regulatory adjustment to Common equity Tier 1	3 943	
29	Common Equity Tier 1 capital (CET1)	42 556	

Annexure C: Capital management

	Absa Bank	Amount subject to Basel III Rm	Amount subject to Pre-Basel III treatment Rm
	Additional Tier 1 capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	3 715	
31	of which: classified as equity under applicable accounting standards	3 715	
32	of which: classified as liabilities under applicable accounting standards	0	
33	Directly issued capital instruments subject to phase out from Additional Tier 1	4 644	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	0	
35	of which: instruments issued by subsidiaries subject to phase out	0	
36	Additional Tier 1 capital before regulatory adjustments	3 715	
	Additional Tier 1 capital: regulatory adjustments		
37	Investments in own Additional Tier 1 instruments	0	0
38	Reciprocal cross-holdings in Additional Tier 1 instruments	0	0
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)	0	0
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)	0	0
41	National specific regulatory adjustments	0	
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	0	
	OF WHICH: [INSERT NAME OF ADJUSTMENT]	0	
	OF WHICH	0	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	0	
43	Total regulatory adjustments to Additional Tier 1 capital	0	
44	Additional Tier 1 capital (AT1)	3 715	
45	Tier 1 capital (T1 = CET1 + AT1)	46 271	
	Tier 2 capital and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	10 000	
47	Directly issued capital instruments subject to phase out from Tier 2	16 111	
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)	0	
49	of which: instruments issued by subsidiaries subject to phase out	0	
50	Provisions	228	
51	Tier 2 capital before regulatory adjustments	10 228	
	Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments	0	0
53	Reciprocal cross-holdings in Tier 2 instruments	0	0
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)	0	0
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	0	0
56	National specific regulatory adjustments	0	

Annexure C: Capital management

	Absa Bank	Amount subject to Basel III Rm	Amount subject to Pre-Basel III treatment Rm
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 2 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	0	
	OF WHICH: [INSERT NAME OF ADJUSTMENT]	0	
	OF WHICH	0	
57	Total regulatory adjustments to Tier 2 capital	0	
58	Tier 2 capital (T2)	10 228	
59	Total capital (TC = T1 + T2)	56 499	
	RISK WEIGHTED ASSETS IN REPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	437 189	
	of which: Basel III amendments	6 766	
60	Total risk weighted assets	443 955	
	Capital ratios		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	9.6	
62	Tier 1 (as a percentage of risk weighted assets)	10.4	
63	Total capital (as a percentage of risk weighted assets)	12.7	
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)	5.5	
65	of which: capital conservation buffer requirement	0	
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)	5.5	
	National minima (if different from Basel III)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	5.5	
70	National Tier 1 minimum ratio (if different from Basel III minimum)	7.0	
71	National total capital minimum ratio (if different from Basel III minimum)	10.0	
	Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investments in the capital of other financials	0	
73	Significant investments in the common stock of financials	0	
74	Mortgage servicing rights (net of related tax liability)	0	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	0	
	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)	228	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	228	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	0	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	0	
	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	0	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0	
82	Current cap on AT1 instruments subject to phase out arrangements	0	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	0	
84	Current cap on T2 instruments subject to phase out arrangements	0	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0	

Annexure C: Capital management

Main features disclosure
Barclays Africa Group

	Main features of regulatory capital instruments	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
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	Absa Bank Limited	Barclays Bank of Botswana Limited	Barclays Bank of Kenya Limited	Barclays Bank of Kenya Limited	Barclays Bank Zambia	Barclays Africa Group Limited	Barclays Africa Group Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	ZAE000174124	ZAE000079810	ZAG000029315	ZAG000073669	ZAG000077074	ZAG000077082	ZAG000101221	ZAG000101239	ZAG000101254	BBG003BHGHR9	BBKTR02SBFL02	BBKTR02SBFL02	BBG0019JPQR2	ZAG000121476	ZAG000121484
3	Governing law(s) of the instrument	Banks Act, 1990 (Act no 94. of 1990) (As amended).	Banks Act, 1990 (Act no 94. of 1990) (As amended).	Banks Act, 1990 (Act no 94. of 1990) (As amended). The subordinated callable notes are listed on the Bond Exchange of South Africa.	Banks Act, 1990 (Act no 94. of 1990) (As amended). The subordinated callable notes are listed on the Johannesburg Stock Exchange.	Banks Act, 1990 (Act no 94. of 1990) (As amended). The subordinated callable notes are listed on the Johannesburg Stock Exchange.	Banks Act, 1990 (Act no 94. of 1990) (As amended). The subordinated callable notes are listed on the Johannesburg Stock Exchange.	Banks Act, 1990 (Act no 94. of 1990) (As amended). The subordinated callable notes are listed on the Johannesburg Stock Exchange.	Banks Act, 1990 (Act no 94. of 1990) (As amended). The subordinated callable notes are listed on the Johannesburg Stock Exchange.	Banks Act, 1990 (Act no 94. of 1990) (As amended). The subordinated callable notes are listed on the Johannesburg Stock Exchange.	Banks Act, 1990 (Act no 94. of 1990) (As amended).	Banks Act, 1990 (Act no 94. of 1990) (As amended).	Banks Act, 1990 (Act no 94. of 1990) (As amended).	Banks Act, 1990 (Act no 94. of 1990) (As amended).	Banks Act, 1990 (Act no 94. of 1990) (As amended). The subordinated callable notes are listed on the Johannesburg Stock Exchange.	Banks Act, 1990 (Act no 94. of 1990) (As amended). The subordinated callable notes are listed on the Johannesburg Stock Exchange.
	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
5	Post-transitional Basel III rules	Common Equity Tier 1	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	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	Solo and 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
8	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	R 1 694	R 3 715	R 2 000	R 1 500	R 400	R 600	R 1 805	R 2 007	R 1 188	R 0	R 0	R 0	R 16	R 370	R 130
9	Par value of instrument	R 1 694	R 4 644	R 2 000	R 845	R 400	R 600	R 1 805	R 2 007	R 1 188	R 108	R 90	R 153	R 102	R 370	R 130
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
11	Original date of issuance	1986	2006 and 2007	27 Mar 2006	10 Dec 2009	03 May 2010	03 May 2010	21 Nov 2012	21 Nov 2012	21 Nov 2012	09 May 2008	14 Jul 2008	14 Jul 2008	18 May 2009	18 Nov 2014	18 Nov 2014
12	Perpetual or dated	Perpetual	Perpetual	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	NA	NA	27 Mar 2020	07 Dec 2028	03 May 2022	03 May 2022	21 Nov 2022	21 Nov 2023	21 Nov 2023	09 May 2015	14 Jul 2015	14 Jul 2015	18 May 2016	19 Nov 2024	19 Nov 2024
14	Issuer call subject to prior supervisory approval	NA	NA	Yes	Yes	Yes	Yes	Yes	Yes	Yes	NA	NA	NA	NA	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	NA	NA	27 Mar 2015, tax contingent event call, redemption amount equal to Principal amount issued	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.	NA	NA	NA	NA	19 Nov 2019, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued	19 Nov 2019, tax and regulatory contingent events call, redemption amount equal to Principal Amount issued
16	Subsequent call dates, if applicable	NA	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	NA	NA	NA	NA	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	Fixed to floating	Floating	Floating	Fixed to floating	Floating	Floating	Fixed	Fixed	Floating	Fixed	Floating	Floating	Fixed
18	Coupon rate and any related index	NA	70% of the prime overdraft lending rate	8.10%	5.5 % indexed to ZAR revised CPI	3M JIBAR+210bps	10.28%	3M JIBAR+195bps	3M JIBAR+205bps	8.2950%	11% fixed NACS	182 day T-bill +1%	11.50%	182-day T-bill+2.5%	3M JIBAR+330bps	10.835%
19	Existence of a dividend stopper	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
21	Existence of step up or other incentive to redeem	NA	No	Yes	Yes	Yes	Yes	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
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

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

Annexure C: Capital management

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
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
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	ZAE000079810	ZAE000079810	ZAG000029315	ZAG000073669	ZAG000077074	ZAG000077082	ZAG000101221	ZAG000101239	ZAG000101254	ZAG000121492	ZAG000121500
3	Governing law(s) of the instrument	Banks Act, 1990 (Act no 94. of 1990) (As amended).	Banks Act, 1990 (Act no 94. of 1990) (As amended).	Banks Act, 1990 (Act no 94. of 1990) (As amended). The subordinated callable notes are listed on the Bond Exchange of South Africa.	Banks Act, 1990 (Act no 94. of 1990) (As amended). The subordinated callable notes are listed on the Johannesburg Stock Exchange.	Banks Act, 1990 (Act no 94. of 1990) (As amended). The subordinated callable notes are listed on the Johannesburg Stock Exchange.	Banks Act, 1990 (Act no 94. of 1990) (As amended). The subordinated callable notes are listed on the Johannesburg Stock Exchange.	Banks Act, 1990 (Act no 94. of 1990) (As amended). The subordinated callable notes are listed on the Johannesburg Stock Exchange.	Banks Act, 1990 (Act no 94. of 1990) (As amended). The subordinated callable notes are listed on the Johannesburg Stock Exchange.	Banks Act, 1990 (Act no 94. of 1990) (As amended). The subordinated callable notes are listed on the Johannesburg Stock Exchange.	Banks Act, 1990 (Act no 94. of 1990) (As amended). The subordinated callable notes are listed on the Johannesburg Stock Exchange.	Banks Act, 1990 (Act no 94. of 1990) (As amended). The subordinated callable notes are listed on the Johannesburg Stock Exchange.
	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
5	Post-transitional Basel III rules	Common Equity Tier 1	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	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 and Group	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
8	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	R303	R3 715	R2 000	R1 500	R400	R600	R1 805	R2 007	R1 188	R370	R130
9	Par value of instrument	R303	R4 644	R2 000	R845	R400	R600	R1 805	R2 007	R1 188	R370	R130
10	Accounting classification	Shareholders' equity	Shareholders' equity	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option
11	Original date of issuance	1986	2006 and 2007	27 Mar 2006	10 Dec 2009	03 May 2010	03 May 2010	21 Nov 2012	21 Nov 2012	21 Nov 2012	18 Nov 2014	18 Nov 2014
12	Perpetual or dated	Perpetual	Perpetual	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	NA	NA	27 Mar 2020	07 Dec 2028	03 May 2022	03 May 2022	21 Nov 2022	21 Nov 2023	21 Nov 2023	19 Nov 2024	19 Nov 2024
14	Issuer call subject to prior supervisory approval	NA	NA	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	NA	NA	27 Mar 2015, tax contingent event call, redemption amount equal to Principal amount issued	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
16	Subsequent call dates, if applicable	NA	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
	Coupons / dividends											
17	Fixed or floating dividend/coupon	Floating	Fixed	Fixed to floating	Floating	Floating	Fixed to floating	Floating	Floating	Fixed	Floating	Fixed
18	Coupon rate and any related index	NA	70% of the prime overdraft lending rate	8.1%	5.5 % indexed to ZAR revised CPI	3M JIBAR+210bps	10.28%	3M JIBAR+195bps	3M JIBAR+205bps	8.295%	3M JIBAR+330bps	10.835%
19	Existence of a dividend stopper	No	No	No	No	No	No	No	No	No	No	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	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	Yes	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
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
24	If convertible, conversion trigger (s)	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
26	If convertible, conversion rate	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
28	If convertible, specify instrument type convertible into	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
30	Write-down feature	No	No	No	No	No	No	No	No	No	Yes	Yes
31	If write-down, write-down trigger(s)	NA	NA	NA	NA	NA	NA	NA	NA	NA	At SARBs discretion in accordance with Condition 11.12 of the Terms and Conditions and Regulation 38(14)(a)(i) of the Tier 2 Capital Regulations, upon the receipt by the Issuer of written notice from the Registrar of Banks of the occurrence of a Non-Viability Trigger Event	At SARBs discretion in accordance with Condition 11.12 of the Terms and Conditions and Regulation 38(14)(a)(i) of the Tier 2 Capital Regulations, upon the receipt by the Issuer of written notice from the Registrar of Banks of the occurrence of a Non-Viability Trigger Event

32	If write-down, full or partial	NA	NA	NA	NA	NA	NA	NA	NA	NA	The Principal Amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written-off permanently, in full or in part on a pro rata basis (in the case of a write off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks	The Principal Amount and all accrued unpaid interest owing in respect of the Notes of this Tranche shall be written-off permanently, in full or in part on a pro rata basis (in the case of a write off in part) in accordance with the Capital Regulations and to the satisfaction of the Registrar of Banks
33	If write-down, permanent or temporary	NA	NA	NA	NA	NA	NA	NA	NA	NA	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Columns 3 to 11, then Column 2	Columns 3 to 11	Deposits and other general debits of the bank including non subordinated notes	Deposits and other general debits of the bank including non subordinated notes	Deposits and other general debits of the bank including non subordinated notes	Deposits and other general debits of the bank including non subordinated notes	Deposits and other general debits of the bank including non subordinated notes	Deposits and other general debits of the bank including non subordinated notes	Deposits and other general debits of the bank including non subordinated notes	Deposits and other general debits of the bank including non subordinated notes	Deposits and other general debits of the bank including non subordinated notes
36	Non-compliant transitioned features	NA	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	NA	NA
37	If yes, specify non-compliant features	NA	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability	NA	NA

Abbreviations and acronyms

A

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

B

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

C

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

D

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

E

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

F

FIRB	foundation internal ratings-based approach
FRC	Financial Risk Committee

G

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

H

HEPS	headline earnings per share

I

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

J

JIBAR	Johannesburg Interbank Agreed Rate
JSE	Johannesburg Stock Exchange

K

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

L

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

M

MC	Absa Bank Models Committee
MTM	mark-to-market

N

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

O

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

P

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

Abbreviations and acronyms

R	
RBB	Retail and Business Banking
RC	regulatory capital
RCC	Risk and Control Committees
RCRC	Retail Credit Risk Committee
RCTRC	Retail Credit Technical Risk Committee
RoA	return on average assets
RoE	return on average equity
RoRC	return on average regulatory capital
RoRWA	return on average risk-weighted assets
RWA	risk-weighted assets
S	
SA	South Africa
SAICA	South African Institute of Chartered Accountants
SAM	Solvency Assessment Management
SARB	South African Reserve Bank
SG	Singapore
SME	small and medium enterprises
STC	secondary tax on companies
sVaR	stressed value at risk
T	
TRC	Trading Risk Committee
TSA	the standard approach
TTC	through-the-cycle
V	
VAF	Vehicle and Asset Finance
VaR	value at risk
VaS	value at stake
W	
WCRMC	Wholesale Credit Risk Committee