Barclays Africa Group Limited

Risk management report

for the reporting period ended
31 December 2013

Contents

Overview

Risk management 2

Basis of preparation 10

Capital management 16

Risk management strategy

Our approach to risk management 29

Risk appetite 32

Credit risk management 32

Market risk management 39

Liquidity risk management 44

Operational risk management 46

Analysis of risk exposures

Credit risk 50

Market risk 64

Operational risk 69

Liquidity risk 70

Annexures

Annexure A: Retail portfolio 75

Annexure B: Wholesale portfolio 78

Annexure C: Capital management 81

Disclaimer

FORWARD-LOOKING STATEMENTS

Certain statements in this document are forward looking that relate to, among other things, the plans, objectives, goals, strategies, future operations and performance of BAGL. Words such as “anticipates”,” estimates”, “expects”, “projects”, “believes”, “intends”, “could” and similar expressions are typically indicative of a forward looking statement. These statements are not guarantees of BAGL’s future operating, financial or other results and involve certain risks, uncertainties and assumptions. Accordingly, actual results and outcomes may differ materially from these expressed or implied by such statements. BAGL makes no representation or warranty, express or implied, that the operating, financial or other results anticipated by such forward-looking statements will be achieved and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario. BAGL undertakes no obligation to update the historical information or forward-looking statements in this document.

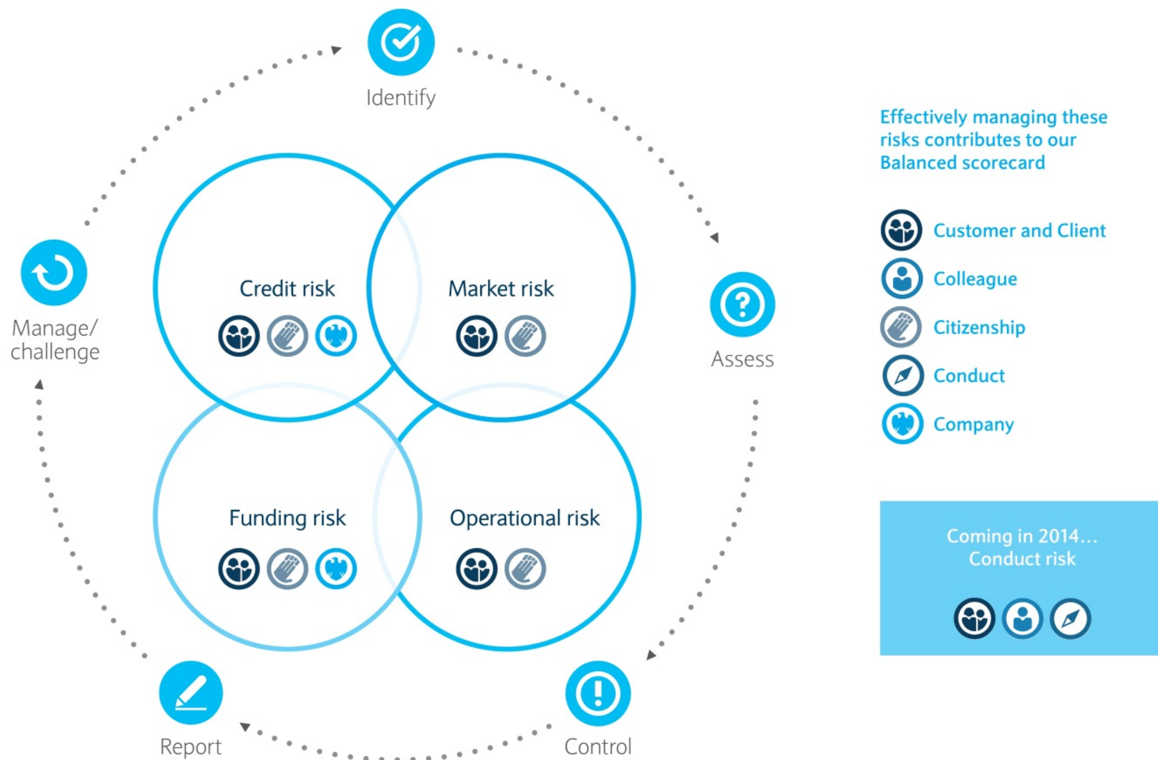
Overview

Risk management

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 our strategy to become the 'Go-To' bank in Africa. It is essential that our business growth plans are properly supported by an effective risk management infrastructure. Our risk culture is closely aligned to that of our business so to ensure trust and understanding, while retaining independence in analytical and objective decision-making at every level.

Our principal risks – the categories of risk in which we have our most significant actual or potential risks – are presented in the diagram below:



We have clear risk management objectives and a well-established risk strategy, delivered through our core risk management processes. Our approach to managing risk is outlined in the enterprise risk management framework. It defines our risk management process and sets out the activities, tools, techniques and organisational arrangements to ensure that all our material risks are identified, understood, managed and mitigated. The framework defines the principal risks, the key roles and responsibilities of principal and key risk owners, as well as related governance requirements. Further, for each risk, a control framework with supporting policies and standards outlines risk, control and governance requirements for management of that risk.

Review of 2013

Against the backdrop of a challenging macro-economic environment, our overall performance continued to improve and risk and capital measures remained within Board-approved risk appetite. Key performance outcomes included:

- Loans and advances increased, driven by growth in Vehicle and Asset Finance, Absa Card, CIB, Kenya and Mauritius, partially offset by a reduction in non-performing loans in Home Loans.
- Credit performance continued to improve across the retail and wholesale portfolios. Both impairment charges and the impairment loss ratio reduced year-on-year while we continued to increase coverage on non-performing loans.
- Market risk exposures were within our risk appetite, despite volatility in interest rate markets, emerging market exchange rates and market liquidity.
- Our operational risk losses were lower than the prior year with fraud and transactional operations being the primary drivers of losses.
- We remain well capitalised above the minimum regulatory requirements and Board-approved target capital ranges. This was after we successfully implemented Basel III in January 2013, declared a special dividend of 708 cents per share in July 2013 and completed the acquisition of Barclays Africa Limited operations on 31 July 2013.
- Our liquidity position remains healthy and well managed within key limits and metrics.
- Our recovery and resolution plan for South African entities was developed and presented to the South African Reserve Bank.

Risk management

Future priorities

We will continue to focus on delivering effective and efficient risk management, while meeting regulatory requirements. We will continue to keep our customers and clients at the centre of what we do and strive to deliver sustainable returns above the cost of equity. Our specific risk management priorities for 2014 include:

- Complete the integration of the acquired African operations to achieve a uniform approach to managing risk across Africa.
- Embed the new enterprise risk management framework and the 'Go-To' target operating model for risk.
- Further improve risk-adjusted returns while reducing volatility in performance.
- Ensure performance is in line with risk appetite and to refine the risk appetite approach for insurance risk.
- Continue to strengthen infrastructure and control with an emphasis on fraud, transactional operations, technology and regulatory risk.
- Continue to build on the recovery and resolution plan for the Group.
- Further develop an approach for the management of conduct risk which is defined as detriment caused to the Group's customers and clients, counterparties or the Bank as a result of inappropriate execution of business activities.

Credit risk

The risk of financial loss should our customers, clients or market counterparties fail to fulfil their contractual obligations.

Factors that influence this risk

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

- Tapering of the US Federal Reserve Bank's quantitative easing programme has led to volatility of emerging market currencies. Depreciation of the South African rand due to weak economic fundamentals, emerging market pessimism and contagion, could lead to rising inflation. The South African Reserve Bank could raise interest rates further, after a 50 bps increase in January 2014, to control inflation and thereby increasing debt service costs and impacting affordability. The implications of US monetary policy developments in other sub-Saharan African economies should be marginal due to the limited participation of non-residents in these bond and equity markets.
- Continued weakness in the South Africa economy and uncertainty surrounding upcoming elections could delay investment thus putting pressure on South Africa's credit rating. A credit rating downgrade could lead to a higher interest rate environment. This, in turn, would adversely impact the credit quality of customers and counterparties, which, if coupled with a decline in collateral values, could lead to reduced recoveries.
- The direct risk arising from a sovereign default in the Eurozone is not considered material as CIB has reduced its exposure to the Eurozone sovereigns, corporates and banks over the past few years. The remaining exposure is adequately secured.
- Wholesale, leveraged or asset-intensive portfolios (such as commercial property finance and commercial asset finance) will be impacted by higher interest rates.

How we manage this risk

- Define clear risk appetite thresholds and triggers.
- Understand our customer and client target market.
- Establish risk acceptance criteria.
- Undertake sound credit approval, monitoring and account management.
- Ensure appropriate risk infrastructure and controls.

Wholesale credit risk

2013 review

	2013 %	2012 %
Pro forma growth in loans and advances	**13,6**	6,8
Risk weighted assets as a percentage of gross credit extended[1, 2]	**29,6**	26,2
Non-performing loans as a percentage of gross loans and advances to customers	**3,2**	4,2
Non-performing loans coverage ratio	**42,4**	40,6
Impairment losses ratio	**0,5**	0,8

Note

[1] Gross credit extended includes off balance sheet exposures as well as exposures to banks and sovereigns.

[2] The percentages only include portfolios subject to the IRB approaches.

Credit risk (continue)

- → **Growth:** loans and advances grew modestly above South African GDP growth rates and within risk appetite. Renewed interest by South African large corporate and multinational corporate clients in infrastructure and other project finance ventures resulted in a noticeable increase in the Investment Bank's term lending portfolio (26,5% increase). The Markets business increased 23% underpinned by increased demand for currency hedging from corporate clients and financial institutions. In Rest of Africa, the wholesale portfolio grew 13%, with Mauritius on-shore and off-shore strategies showing particularly strong results (30% portfolio growth).
- → **Portfolio performance:** was in line with expectations. In particular, arrears within Business Banking reduced and average probability of default measures improved across the wholesale client base. Exposure in our early warning list reduced significantly due to heightened management attention and active client engagement. The South African Reserve Bank's review of our advanced internal ratings-based approach to wholesale risk models and reporting and confirmed the appropriateness of our risk modelling with wholesale credit.
- → **Impairments:** by increasing our risk management interventions, we significantly reduced our exposure to customers falling in the 'legal status' category, resulting in significantly reduced impairments primarily in commercial property finance and commercial asset finance. Our non-performing loans coverage ratio increased across major portfolios.

Future priorities

- Implement a Pan-African target-operating model to manage wholesale credit risk.
- Continue to focus on data quality, analytics and models to enhance our capability in managing portfolio risk.
- Increase focus on reducing the legal book through improved security realisation and management of third-party service providers.
- Review existing processes to ensure we capture optimisation and efficiency opportunities and further improve controls.
- Enhance management of sovereign and country transfer risk, where appropriate.

Retail credit risk

2013 review

	2013 %	2012 %
Growth in loans and advances	**3,1**	3,4
Risk weighted assets as a percentage of gross credit extended[1, 2]	**34,9**	32,4
Non-performing loans as a percentage of gross loans and advances to customers	**5,6**	6,6
Non-performing loans coverage ratio	**41,6**	37,3
Impairment losses ratio	**1,5**	1,9

- → **Growth:** Overall, South African loans and advances remained flat. Growth in vehicle and asset finance, the acquisition of Edcon and a modest increase in unsecured lending were offset by continuing reduction in our Home Loans legal recovery book. Our Rest of Africa portfolio has grown by 11% and makes up 8% to the total retail portfolio. This growth is primarily in unsecured loans, with Kenya and Mauritius being the main contributors.
- → **Portfolio performance:** New business quality in South Africa continued to improve across major portfolios due to improvements in credit policy, customer segmentation and a prudent approach to unsecured lending. In Ghana, Mozambique and Tanzania, we implemented actions to address new business performance concerns caused by operational issues. Overall performance has continued to improve with non-performing loans reducing to 5,6% from 6,6% and the South African home loans non-performing loans portfolio reducing R5,2 billion to 5,9% from 8,0% as a percentage of loans and advances.
- → **Impairments:** Our South African home loans impairment loss ratio reduced to 0,7% from 2,0% driven by non-recurrence of 2012 charges and reduced inflow into non-performing loans due to strong performance of new business and improved collection capabilities. In South Africa, the impairment loss ratios for unsecured loans, cards and vehicle and asset finance increased, returning to more normal levels. This reflects the current economic environment. The impairment loss ratio in Rest of Africa increased to 2,4% from 1,8%, primarily due to performance in Ghana and Botswana. Our overall non-performing loan coverage ratio increased as balances decreased.

Future priorities

- Implement a Pan-African target operating model to manage retail credit risk.
- Continue to invest in analytics and models to improve our risk profile and risk-adjusted returns, with a focus on unsecured lending.
- Heighten focus on reducing the legal book, particularly in South African home loans.
- Respond effectively to a potential increase in South African interest rates. Improve debt counselling and other rehabilitation programmes to ensure appropriate management of customers in financial difficulty.
- Continue to improve risk infrastructure, processes and controls.
- Enhance the credit processes and risk-adjusted returns in Edcon.

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

Risk management

Market risk

The risk that our 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 due to changes in the level or volatility of positions in our 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 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 arises when an adverse movement between pension assets and liabilities contributes to a pension deficit.

Factors that influence this risk

Specific areas and scenarios where market risk could result in significantly lower revenues and adversely affect our results in future years include:

- Reduced client activity and decreased market liquidity as our corporate and investment business model is focused on client intermediation.
- Since the US Federal Reserve's asset buying programme started, there has been continued demand for African and other emerging market local currency government bonds. Significant unexpected capital outflows could arise due to a decline in demand for these bonds, triggered by the unwinding of quantitative easing and a change in sentiment or global economic outlook.
- Interest rate volatility can affect our net interest margin. Rate changes, to the extent they are not neutralised by hedging programmes, might have a material adverse effect on our results, financial condition and prospects.
- Accurate product pricing, prudent reserving and appropriate reinsurance strategies assist in managing the risk of insurance claims. We retain additional capital reserves which target a 99,6% level of confidence that policyholder obligations will be met in these extreme scenarios. We review on a regular basis the Group's adequacy of reserves, premiums and retained capital, as we prepare for the Solvency Assessment and Management legislation.

How we manage this risk

- Monitor risk against the limit and appetite framework.
- Ensure a high degree of net interest margin stability in our banking books.
- Understand risk sensitivity and volatility, leverage 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.
- Ensure pension risk is managed within outlined principles, objectives and governance, as well as the country specific regulations.

2013 review

	2013	2012
Average traded market risk – daily value at risk (DVaR) (Rm)[1]	**24,7**	21,3
Traded market risk regulatory capital (RC) (at 9,5% of RWAs) (Rm)	**1,630**	1,331
Banking book AEaR for a 2% interest rate shock (% of Group net interest income)	**< 7%**	< 7%
Short-term loss ratio	**72,2**	69,9
Life new business margin	**7,6**	8,6

→ **Traded market risk:** We carefully managed our trading exposures to ensure efficient use of trading capital with returns above return hurdles. We managed all exposures within risk appetite. Trading revenues in South Africa were supported by a strong client franchise despite challenging market conditions. The trading business continued to focus on sustainable client flow and facilitation and the careful management of risk within a difficult environment.

→ **Non-traded market risk:** The structural interest rate hedge programme remained in place and was efficiently managed. We remained exposed to prime-JIBAR basis risk arising from the funding of the difference between predominantly prime-linked assets with liabilities that are primarily JIBAR-linked after hedging.

→ **Insurance risk:** We balanced exposure between life and short-term insurance to allow for better diversification and growing risk exposures outside South Africa.

→ **Pension risk:** We took on the responsibility for the employee pension schemes in seven of the countries within the acquisition of majority of the Barclays Africa subsidiaries. The Absa pension fund remained the largest fund.

Note
[1]DVaR for the rest of Africa is based on a historical simulation model that uses sensitivity-based inputs rather than full revaluation as is done for South Africa. A variance-covariance instead of historical simulation model is used for selected African countries only.

Market risk (continue)

Future priorities

- Continue to focus on deterioration in traded market liquidity, sensitivity to traded market volatility and back-testing of the value-at-risk model.
- Respond to regulatory and capital change, specifically Basel IV and the Dodd-Frank regulation, while continuing to make efficient use of capital.
- Efficiently maintain our structural hedge programme.
- Submit results of the third and final quantitative impact study into capital requirements to the regulator for the South African insurance entities.
- Embed the principles of own risk and solvency assessment into the operations and governance of the insurance entities to improve our risk management policies, controls and processes.

Funding risk

The risk that we are unable to achieve our business plans as a result of:

- Capital risk: the risk that we are unable to maintain adequate levels of capital which 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 we are unable to meet our 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.

How we manage this risk

We manage funding risk by adhering to our internal funding risk appetite and by maximising shareholder value through optimisation of our capital, funding and structural components.

Factors that influence this risk

Regulatory change and structural reform of the financial sector is under development internationally. The Group expects these changes to impact not only funding risk but business overall.

Exchange rate and interest rate volatility over the reporting period re-emphasised the importance of structural risk management. After the combination of Barclays Africa, additional risk was introduced through exposure to the rest of Africa.

Capital risk: Effective capital planning and management ensures that we have sufficient and appropriate capital structures to support our 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 through capital and balance sheet structuring.

2013 review

	2013 %	2012 %
Common Equity Tier 1 capital adequacy ratio	**11,9**	13,0[1]
Pro forma return on average risk weighted assets	**2,18**	2,09
Return on average economic capital	**21,0**	20,8
Return on equity	**15,5**	14,1

Our cost of equity decreased to 13,0% from 13,5% and we continue to be capitalised above the minimum regulatory and Board-approved capital target ranges. This is after:

- The successful implementation of Basel III in January 2013.
- The declaration of a special dividend of 708 cents per share in July 2013.
- The completion of the Barclays Africa acquisition.
- Subordinated debt of R1,9 billion, qualifying as Tier 2 capital, was called at the first optional redemption date in March 2013.

Notes
[1]The prior period disclosure is based on Basel II.5 and the current reporting period disclosure is based on Basel III.

Risk management

Funding risk (continue)

Risk-weighted assets optimisation has allowed us to allocate capital more efficiently. These efficiencies have been achieved by asset sales, collateral management and process improvement.

Future priorities

- Ensure all entities remain adequately capitalised above the minimum regulatory requirements, Board-approved target capital ranges and in line with Board-approved risk appetite.
- Optimise the capital mix.
- Enhance regulatory and economic capital management and capital allocation.
- Maintain Basel III requirements and consider capital issuances out of the Group as well as our subsidiaries.
- Keep abreast of regulatory and capital changes (Basel IV).
- Continued optimisation of risk-weighted assets.

Liquidity risk: By ensuring that the bank has sufficient high-quality liquid assets to survive three pre-determined stress scenarios in line with the Board-approved liquidity risk appetite.

The liquidity risk management process includes:

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

2013 review

	2013	2012
Long-term funding ratio (%)	**24,3**	26,5
Loans-to-deposits ratio (%)	**88,3**	87,1

Our liquidity risk position remains healthy and well managed within key limits and metrics. The integration of Barclays' African operations into the Group enhanced our overall liquidity position. A large portion of these entities are deposit-led, with large funding surpluses in both local and hard currency.

Future priorities

- Ensure that our funding position continues to be managed in line with the Board-approved liquidity risk appetite.
- Maintain adequate liquidity buffers to ensure that we are able to meet the liquidity coverage ratio requirements in the required time frame.
- Continue to grow and diversify the funding base.
- Balance the above against the long-term impact on the cost of funding for the Group.

Risk management

Operational risk

This risk arises when there is direct or indirect loss resulting from human factors, inadequate or failed internal processes, systems or external events.

Factors that influence this risk

- Scale and type of fraud, both internal and external.
- Increasing and changing regulatory requirements.
- Extent, nature and management of change in the organisation.
- Technological evolution and progress within and outside the Group.

How we manage this risk

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

- Embed a culture of risk awareness throughout the Group.
- Implement a framework and risk practices in businesses that include risk and control self-assessments, use of risk indicators, management of risk events, including lessons learnt and end-to-end risk and control reviews of specific processes, businesses or type of risks.
- Enhance controls by using automated solutions where possible.
- Set and monitor the appropriate operational risk appetite, which includes assessment of potential extreme scenarios.
- Invest in infrastructure and systems and implement remedial actions should the risk profile not be at an acceptable level.

2013 review

	2013 %	2012 %
Total losses as a % of gross income	**1,1**	1,2

Total operational risk losses were within our appetite and lower than 2012. Incidents relating to fraud and transaction processing remained the largest contributors, accounting for 55% and 21% of total losses respectively.

→ **Risk and control reviews:** We reviewed significant loss events, including a R56 million loss in our structured notes and deposits desk in CIB which related to the financial control and reporting process. Although this was the largest individual loss in the year, it was a reversal of a prior year overstatement of income and not a cash loss to the Group. Remedial actions are complete. In addition, deep dives were performed on a number of operations in the Rest of Africa.

→ **Fraud risk:** Fraud losses increased 55%, primarily due to the acquisition of the Edcon portfolio. Fraud losses in South Africa were 88% of the total Group losses with the majority of the losses in cards. Counterfeit card fraud was the primary driver of losses in the Rest of Africa.

→ **Transaction operations risk:** Transactional losses decreased, although the number of loss events increased. We launched Initiatives to improve the customer experience and strengthen control in customer on-boarding, collections and recoveries, home loans and instalment finance processing, customer complaints management and payment processing.

→ **Regulatory risk:** We increased our focus on regulatory risk, making investments to improve overall regulatory controls, particularly those related to know your client, anti-money laundering and the National Credit Act.

→ **Technology and Information risk:** Key risks include cyclical ageing of technology and infrastructure, information technology security, logical access and system stability. We are addressing these risks through programmes overseen by our Board Information Technology Committee.

Future priorities

- Improve capability in fraud risk, with a focus on Retail Banking and Wealth, Investment Management and Insurance businesses. Optimise fraud detection tools underpinning defences across debit, credit and store cards, and online channels.
- Continue to increase attention on the management of regulatory risk in step with recent and planned regulatory changes. This includes African and international regulatory requirements such as the Foreign Account Tax Compliance Act, Financial Markets Act, Solvency Assessment and Management legislation and the Protection of Personal Information Act.
- Further develop our approach to the management of conduct risk, in line with global best practice and in response to the introduction of the Twin Peaks regulatory model in South Africa.
- Closely oversee management and mitigation of technology risk.
- Monitor risks associated with the expansion of the businesses across Africa.

Basis of preparation

Basis of preparation

Risk disclosure

The purpose of this document is to include Basel Pillar 3 disclosure requirements regulated by section 43 of the South African Bank's Act and represent a holistic view of our risks.

The format of this report changed from the prior reporting period as we aimed to limit duplication. We no longer ring fence a principal risk and provide all relevant information on a specific risk in one section, but rather group activities together with detail on each risk type. The information in this report is unaudited.

Our International Financial Reporting Standards (IFRS) risk reporting disclosure has moved out of this report in an effort to streamline the disclosure. Refer to our annual financial statements to obtain the information.

Scope of consolidation

Disclosure in this report is presented on a consolidated basis for BAGL. The new Group is called Barclays Africa Group Limited (BAGL) (The Group).

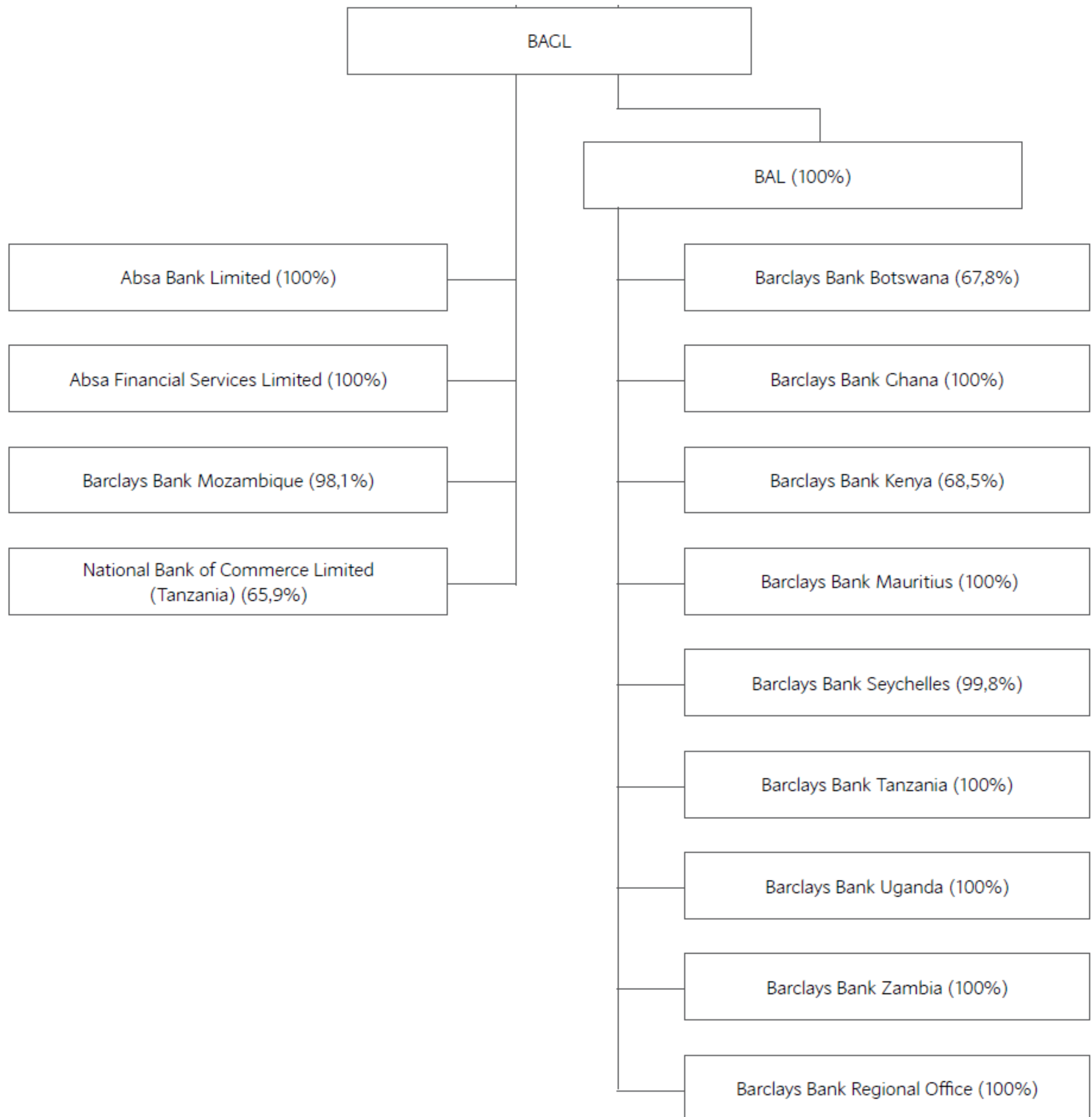
The consolidation is similar to that used for reporting to the South African Reserve Bank (SARB), and for subsidiary reporting ABSA Bank Limited (the Bank) and Barclays Africa Group Limited.

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	Statutory accounting treatment	Basel III regulatory treatment
Subsidiaries engaged in insurance activities. (ABSA Financial Services Limited)	Consolidated	Excluded from the calculation of the capital adequacy ratio.
Associates, joint ventures and participation in businesses that is 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.

Basis of preparation

The new Group structure



Basis of preparation

Changes to comparative numbers

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

Prior period figures restated

- → Our 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 disclosure 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

- → Regular 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 7 June 2013 by the SARB.
- → Disclosure of BAGL entities in current reporting period

Policy, validation and sign-off

This report was validated and approved with governance and policies. All data submissions are attested to by the risk directors. Review and challenge was 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 our assets in terms of exposures and capital requirements. For purpose 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 take account of contractual commitments related to undrawn amounts. In contrast, an asset in our 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 we have 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, we have followed the IFRS definitions used in the annual financial statements.

We apply 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	– Domestic retail portfolios – Domestic 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 service of external vendors

Standardised approach

Our 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, we analyse this risk into 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, we can use our own measures of PD, EAD and LGD.

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.

We classify all credit models 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.

Basis of preparation

All models are subject to an initial validation and approved by the appropriate governance forums. High materiality models require Models Committee (MC) approval. Models are monitored on an ongoing basis and validated, at least annually, by an independent validation unit in our group risk department. The monitoring information and validation results are reported to and discussed at the appropriate governance forums regularly.

Securitisation

We apply the IRB approach in the assessment of our securitisation exposure for RC purposes and use Fitch, Moody's 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.

We have adopted the market-based simple risk weighted 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 in non-financial entities subject to a prescribed scaling factor of 1,06. Investments in financial entities are treated in line with the principals embodied in Basel III and the regulations relating to Banks, whereby the risk weightings are subject to the aggregate value of our shareholding in those investments and also in relation to our Capital. For those financial investments constituting a significant minority investment (i.e. 20% – 50%) with no other significant shareholder, the Group apply a capital deduction.

Economic capital 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 we act 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. Accounting policies relating to subsidiaries and investments in associates and joint ventures are discussed separately in note 63 of our annual financial statements.

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, enterprise value comparisons with similar companies and price-earnings comparisons.

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 our 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 our annual financial statements.

Basis of preparation

Market risk

Basel measurement elected

Traded market risk

Our 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 our general position risk across interest rate, foreign exchange, commodity, equity and traded credit products.
- Trading book positions that have not yet met the SARB or our internal conditions for inclusion within the approved internal model. The capital requirement is calculated using standardised regulatory rules. This approach currently applies to our issuer-specific risk exposures, any instruments traded by us for whom internal model approach approval has not yet been obtained, as well as general market risk for all our African subsidiaries.

Total traded market risk minimum capital requirement increased by 25% or R322 million from the previous reporting period. This increase is mainly due to increased time series volatility resulting from extreme market moves recorded during 2013 that caused an uptick in value at risk (VaR) and stressed value at risk (sVaR). The acquisition of our African subsidiaries also contributed to the increase.

	2013 Rm	2012 Rm
Internal model based approach	**1 184**	956
Value at risk	**527**	404
Stressed value at risk	**657**	552
Standardised approach	**446**	352
Interest rate risk	**349**	248
Equity risk	**74**	104
Foreign exchange risk	**23**	-
Total traded market risk capital requirement[1]	**1 630**	1 308

Liquidity risk

During the reporting period we saw a number of regulatory changes announced. These included:

- South African banks were required to report their Basel III positions on both the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio from January 2013 onwards.
- In January 2013, the Basel Committee on Banking Supervision announced that the implementation timeframes for the LCR will be relaxed, with full compliance only required by 2019. The SARB indicated that all the relevant changes made to the LCR framework will be incorporated.
- In August 2013, the SARB published a letter which outlined the guidelines relating to the design and operations of the Committed Liquidity Facility.
- The Basel Committee on Banking Supervision published its LCR disclosure requirements for consultation. These are required to be published with financial statements starting from 1 January 2015.

Operational risk

Basel measurement elected

We apply the advanced measurement approach (AMA) for the majority of our 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 we are 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.

Capital management

Capital management

Key points

- We maintained our strong capital adequacy position above the board approved target range after the successful implementation of Basel III on 1 January 2013.
- Strong focus on RWA management.
- Completion of the combination of the Barclays African operations with Absa Group Limited on 31 July 2013.
- Declaration of a special dividend of 708 cents per share.
- R1,9 billion call of the ABCPI1 bond on 31 March 2013.
- Absa's National Long-term rating (AAA) and Local Currency Long-term rating (A-) remain the highest amongst peers.
- Recovery plan in place detailing potential options available to restore capital, liquidity and balance sheet positions during times of stress.

Key performance indicators

Group[1,2]	**2013 %**	2012 %
Common Equity Tier 1 capital adequacy ratio[3,4]	**11.9**	13.0
Pro forma return on average risk-weighted assets[5]	**2.18**	2.09
Return on average economic capital	**21.0**	20.8
Cost of equity[6]	**13.0**	13.5

Absa Bank Limited	**2013 %**	2012 %
Common Equity Tier 1 capital adequacy ratio[3]	**11.0**	12.5
Return on average risk-weighted assets	**1.98**	1.90

Strategy

Our 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.
- Deliver RWA efficiencies.
- Proactively assess, manage and efficiently implement regulatory changes to optimise capital usage.
- Maintain a strong credit rating.

Notes

[1]The 31 December 2012 comparatives are based on Absa Group and 31 December 2013 disclosures are based on Barclays Africa Group Limited ("BAGL").

[2]The prior period disclosure is based on Basel II.5 and the current reporting period disclosure is based on Basel III.

[3]Reported ratios include unappropriated profits.

[4]For comparative purposes, the December 2012 Common Equity Tier 1 capital would have been 11,6% post a R6 billion special dividend.

[5]The 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 our RWAs. This does not alter any submissions made to the SARB.

[6]The average CoE is based on the capital asset pricing model ("CAPM").

Capital management

Internal capital adequacy assessment process ("ICAAP")

The efficient use of capital is fundamental to ensure a clear focus on enhancing shareholder value through the careful deployment of capital resources.

The board approved ICAAP process assesses the level of capital required to be held against identified material risks to which we are, or may be, exposed to. 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. We have embedded risk and capital management tools, processes and activities across clusters to actively align management behaviour to strategy.

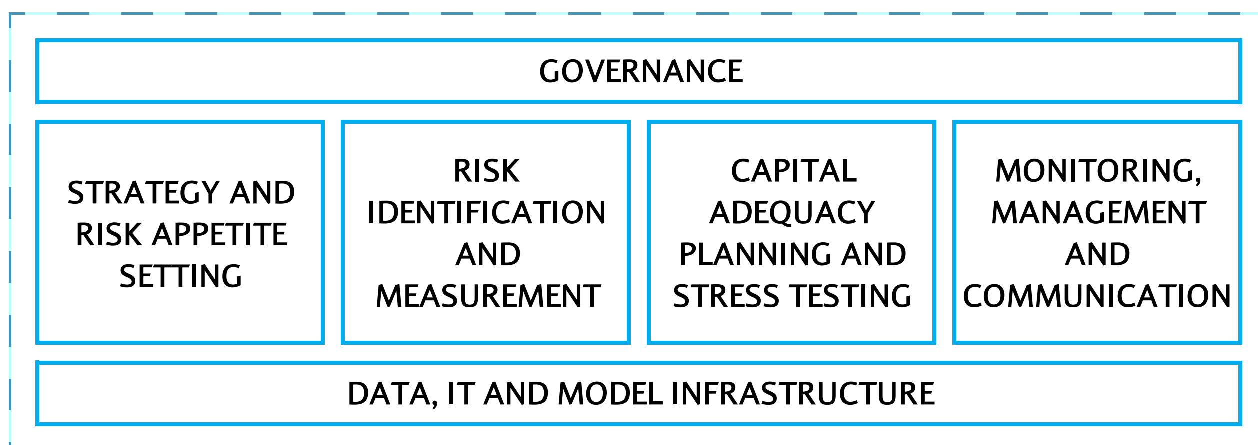
The ICAAP articulates our strategy and is used to ensure that the minimum capital ratios and board approved target ranges can be maintained over the period of the medium-term plan, having been subjected to stress and scenario analysis. Stress testing is conducted annually to identify market condition changes that could adversely impact us. Management actions are identified to mitigate risks on a timely basis.

Furthermore, 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 to remain within the risk appetite on an ongoing basis.

We have adopted a building block approach to achieve a robust and integrated capital management framework.

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. We consider our ICAAP to be in line with international practice and we are of the opinion that it addresses the core banking principles of Pillar 2.

The building blocks of our ICAAP are as follows:



These processes are conducted in an environment with established governance practices and oversight and are supported by adequate data, technology expertise and model infrastructure.

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 we can absorb stress events in order to protect the our depositors and other stakeholders.

Recovery plan

We have a recovery plan in place which was approved by the Group Risk and Capital Management Committee (GRCMC) and ratified by the board and was developed in line with the SARB guidance to ensure that regulatory requirements are met. The Group Recovery Plan has a formalised process in place for the implementation of the plan and the approvals and notifications required if invoked during times of stress.

Capital transferability

Our capital policy stipulates that capital held in our entities in excess of board approved target levels/ranges should be repatriated to us in the form of dividends and/or capital repatriation, subject to local regulatory requirements, exchange controls and strategic management decisions.

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

Capital management

Looking ahead

Our strategic focus is to maintain an optimal mix of high quality capital, while continuing to generate sufficient capital to support economically profitable asset growth and the active management of the business portfolio. As in the current reporting period, RWA management and capital allocation remain key focus areas for us.

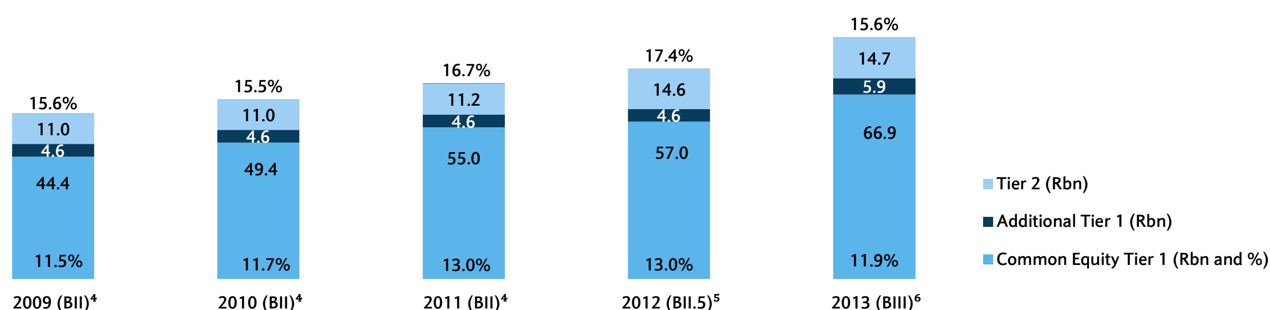
Statutory capital adequacy

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.
Our target capital ratios for the current reporting period were set by 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[1]	2013 (BIII)	2012 (BII.5)	2013 Minimum regulatory capital requirements %	Board target ranges 2013 %
Capital adequacy ratios (%)[2]				
Common Equity Tier 1	**11.9**	13.0	**4.5**	**9.5 - 11.0**
Tier 1	**13.0**	14.0	**6.0**	
Total	**15.6**	17.4	**9.5**	**12.5 - 14.0**
Capital supply and demand for the reporting period (Rm)				
Net generated equity[3]	**(1 901)**	1 082		
Qualifying capital	**87 571**	76 298		
Total RWA	**560 865**	438 216		

Group capital adequacy (Rbn and %)[1,2]



Notes

[1]The 31 December 2012 comparatives are based on Absa Group and 31 December 2013 disclosures are based on BAGL.

[2]Reported ratios include unappropriated profits.

[3]Net generated equity 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.

[4]BII: Basel II.

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

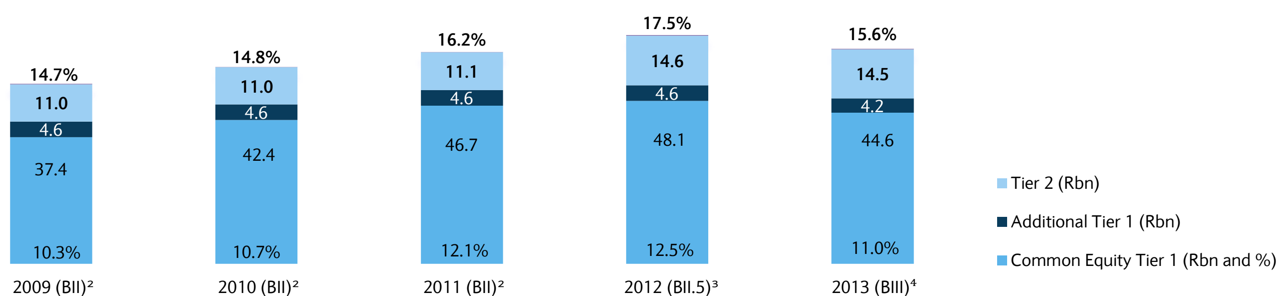
[6]BIII: Basel III.

Capital management

Statutory capital adequacy

Absa Bank Limited	2013 (BIII)	2012 (BII.5)	2013 Minimum regulatory capital requirements %	Board target ranges 2013 %
Capital adequacy ratios (%)[1]				
Common Equity Tier 1	**11.0**	12.5	**4.5**	**9.0 - 10.5**
Tier 1	**12.0**	13.7	**6.0**	
Total	**15.6**	17.5	**9.5**	**12.0 -13.5**
Capital supply and demand for the reporting period (Rm)				
Net generated equity	**(3 825)**	2 930		
Qualifying capital	**63 289**	67 349		
Total RWA	**405 942**	385 855		

Absa Bank Limited capital adequacy (Rbn and %)



Notes

[1] Reported ratios include unappropriated profits.
[2]BII: Basel II.
[3]BII.5: Basel II.5.
[4]BIII: Basel III.

Capital management

Operations	Regulator	2013 Total qualifying capital Rm	2013 Tier 1 ratio %	2013 Total capital adequacy %	2012 Total qualifying capital Rm	2012 Tier 1 ratio %	2012 Total capital adequacy %	2013 Total capital adequacy ratio Regulatory minimum %	2013 Total capital adequacy ratio Board target %
Local entities (South Africa)									
Group[1,2]	SARB								
Including unappropriated profits		87 571	13.0	15.6	76 298	14.0	17.4		12.5-14.0
Excluding unappropriated profits		76 515	11.0	13.6	68 652	12.3	15.7	9.5	
Absa Bank[2]	SARB								
Including unappropriated profits		63 289	12.0	15.6	67 349	13.7	17.5		12.0-13.5
Excluding unappropriated profits		57 887	10.7	14.3	64 154	12.8	16.6	9.5	
Foreign banking entities									
Barclays Bank of Mozambique[3]	Banco de Mozambique	471	11.0	11.0	688	29.8	29.8	8.0	15.0
Barclays Bank of Botswana[3]	Bank of Botswana	1 496	18.1	19.4	1 804	14.2	23.7	15.0	16.0
Barclays Bank of Ghana[3]	Bank of Ghana	1 765	15.1	23.6	1 894	22.2	27.5	10.0	12.0
Barclays Bank of Kenya[3]	Central Bank of Kenya	4 473	21.6	22.5	3 353	14.8	16.0	12.0	14.5
Barclays Bank of Mauritius[3]	Bank of Mauritius	3 921	15.3	15.9	3 529	19.1	19.8	10.0	11.0
National Bank of Commerce[3]	Bank of Tanzania	908	14.8	14.8	511	8.3	8.7	14.5	15.5
Barclays Bank of Tanzania[3]	Bank of Tanzania	345	15.7	15.7	317	13.4	13.4	12.0	14.5
Barclays Bank of Uganda[3]	Bank of Uganda	696	23.2	28.3	744	19.1	24.7	12.0	14.0
Barclays Bank of Seychelles[3]	Bank of Seychelles	683	26.7	34.1	598	26.9	31.4	12.0	14.0
Barclays Bank of Zambia[3]	Bank of Zambia	1 089	14.5	15.3	1 089	15.4	16.3	10.0	12.0
Insurance entities									
Absa Life Limited	FSB[4]	1 424	n/a	3.5xCAR[5]	1 217	n/a	3.0xCAR[5]	1,0xCAR[4]	2.0xCAR[5]
Absa Insurance Company Limited	FSB[4]	1 536	n/a	61.7%xNWP[6,7]	1 592	n/a	55.8%xNWP[6,7]	28.2%xNWP[6,7]	45%xNWP[6,7]
Absa idirect Limited	FSB[4]	134	n/a	48.5%xNWP[6,7]	131	n/a	136,9%xNWP[6,7]	23,6%xNWP[6,7]	45%xNWP[6,7]

Statutory capital adequacy

RWAs are determined by applying the following methods per risk type in accordance with the Basel III revisions, effective 1 January 2013:

- advanced internal ratings-based approach (AIRB) for South African credit portfolio;
- standardised approach (SA) for credit risk in the Edcon portfolio as well as in our African subsidiaries;
- advanced measurement approach (AMA) for operational risk for the majority of our South African entities and the basic indicator approach (BIA) or the standardised approach (TSA) for the remaining entities;
- in respect of traded market risk, Internal models approach (IMA) for general position risk, and standardised approach for issuer-specific risk;
- internal ratings-based (IRB) approach-market-based simple risk-weighted method for equity investment risk in the banking book.

Notes

[1] The 31 December 2012 comparatives are based on Absa Group and 31 December 2013 disclosures are based on BAGL.
[2]The prior period disclosure is based on Basel II.5 and the current reporting period disclosure is based on Basel III.
[3]In country regulatory capital requirements.
[4]Financial Services Board.
[5] Capital adequacy requirement (CAR): Actuarial calculation of value at risk on insurance liabilities. 2,0 times (2012: 2,0 times) being the required capital level determined by Absa Life Limited.
[6]NWP: Net Written Premiums. [7]45% (2012: 45%) of NWP, being the required capital level determined by Absa Insurance Company Limited and Absa idirect Limited.

Capital management

RWAs and minimum required capital

Group[1]	2013 RWAs Rm	2013 Minimum required capital[2] Rm	2012 RWAs Rm	2012 Minimum required capital[2] Rm
Basel measurement approach				
Credit risk	423 703	40 252	321 500	30 542
Portfolios subject to the AIRB approach	319 313	30 335	296 950	28 210
Portfolios subject to the standardised approach	103 452	9 828	23 513	2 233
Securitisation	938	89	1 037	99
Equity investment risk				
Market-based approach (simple risk-weight approach)	14 624	1 389	22 735	2 160
Market risk	17 079	1 623	13 797	1 311
Standardised approach	4 616	439	3 735	355
IMA	12 463	1 184	10 062	956
Operational risk	79 235	7 527	62 385	5 926
BIA	4 236	402	3 630	345
TSA	17 152	1 629	3 185	302
AMA	57 847	5 496	55 570	5 279
Non-customer assets	26 224	2 491	17 799	1 691
	560 865	53 282	438 216	41 630
Pillar 1 requirement (8%)		44 869		35 057
Pillar 2a requirement (1.5%)		8 413		6 573

Absa Bank Limited	2013 RWAs Rm	2013 Minimum required Capital[2] Rm	2012 RWAs Rm	2012 Minimum required Capital[2] Rm
Basel measurement approach				
Credit risk	310 359	29 484	292 003	27 740
Portfolios subject to the AIRB approach	299 667	28 468	278 795	26 485
Portfolios subject to the standardised Approach	9 754	927	12 171	1 156
Securitisation	938	89	1 037	99
Equity investment risk				
Market-based approach (simple risk-weight approach)	9 648	917	14 564	1 384
Market risk	16 163	1 535	13 768	1 308
Standardised approach	3 700	351	3 706	352
IMA	12 463	1 184	10 062	956
Operational risk	57 431	5 456	54 045	5 134
BIA	3 052	290	2 858	271
AMA	54 379	5 166	51 187	4 863
Non-customer assets	12 341	1 172	11 475	1 090
	405 942	38 564	385 855	36 656
Pillar 1 requirement (8%)		32 475		30 868
Pillar 2a requirement (1.5%)		6 089		5 788

Notes
[1] The 31 December 2012 comparatives are based on Absa Group and 31 December 2013 disclosures are based on BAGL.
[2] The required capital is the regulatory minimum (9,5%) excluding the bank specific (Pillar 2b) add on.

Capital management

Capital adequacy

We increased our total qualifying capital supply for the reporting period by R11.3 billion (December 2012: R5, 5 billion).

Movements in qualifying capital

	Group		Absa Bank Limited	
	2013	2012	**2013**	2012
	Rm	Rm	**Rm**	Rm
Balance at the beginning of the reporting period (excluding unappropriated profits)	**68 652**	62 489	**64 154**	56 409
Share capital, premium and reserves	**9 783**	3 363	**(3 609)**	4 700
Non-controlling interest	**(113)**	(185)	**-**	-
Regulatory changes in Additional Tier 1	**1 267**	-	**(464)**	-
Tier 2 subordinated debt issued	**-**	5 000	**-**	5 000
Tier 2 subordinated debt matured	**(1 886)**	(1 500)	**(1 886)**	(1 500)
Regulatory changes in Tier 2	**83**	-	**-**	-
General allowance for impairment losses on loan and advances: Standardised Approach - SA	**324**	66	**198**	53
Regulatory deductions	**(1 595)**	(581)	**(506)**	(508)
Balance at the end of the reporting period (excluding unappropriated profits)	**76 515**	68 652	**57 887**	64 154
Add: unappropriated profits	**11 056**	7 646	**5 402**	3 195
Qualifying capital including unappropriated profit	**87 571**	76 298	**63 289**	67 349

Capital management

Breakdown of qualifying capital

Group[1]	2013 Rm	2013 %[2]	2012 Rm	2012 %[2]
Common Equity Tier 1	55 883	9.9	49 371	11.3
Ordinary share capital	1 694	0.3	1 435	0.3
Ordinary share premium	4 474	0.8	4 604	1.1
Reserves[3,4]	55 403	9.8	45 749	10.4
Non-controlling interest[3]	1 154	0.2	1 267	0.3
Deductions[3]	(6 842)	(1.2)	(3 684)	(0.8)
Goodwill	(760)	(0.1)	(554)	(0.1)
Financial and insurance entities not consolidated	(664)	(0.1)	(162)	(0.0)
Amount by which expected loss exceeds eligible provisions	(2 120)	(0.4)	(1 401)	(0.3)
Other deductions	(3 298)	(0.6)	(1 567)	(0.4)
Additional Tier 1 capital	5 911	1.1	4 644	1.0
Tier 1 capital	61 794	11.0	54 015	12.3
Tier 2 capital	14 721	2.6	14 637	3.4
Instruments recognised as Tier 2 capital	14 308	2.5	16 111	3.7
General allowance for impairment losses on loans and advances – standardised approach	413	0.1	89	(0.0)
Deductions	-	-	(1 563)	(0.3)
Financial and insurance entities not consolidated	-	-	(162)	(0.0)
Amount by which expected loss exceeds eligible provisions	-	-	(1 401)	(0.3)
Total qualifying capital (excluding unappropriated profits)	76 515	13.6	68 652	15.7
Qualifying capital (including unappropriated profits)				
Tier 1 capital	72 850	13.0	61 661	14.0
Common Equity Tier 1 (excluding unappropriated profits)	55 883	9.9	49 371	11.3
Unappropriated profits	11 056	2.0	7 646	1.7
Additional Tier 1	5 911	1.1	4 644	1.0
Tier 2 capital	14 721	2.6	14 637	3.4
Total qualifying capital (including unappropriated profits)	87 571	15.6	76 298	17.4

Notes

[1]The 31 December 2012 comparatives are based on Absa Group and 31 December 2013 disclosures are based on BAGL.

[2]Percentage of capital to RWAs.

[3]The Basel III changes include additional qualifying reserves (mainly foreign currency reserve and available-for-sale reserve); adjustments relating to surplus capital attributable to the shareholders of non-controlling interest, additional Tier 1 and Tier 2 capital; the phasing-out of additional Tier 1 and Tier 2 capital instruments; and changes in regulatory deductions.

Capital management

[4]Reserves exclude unappropriated profits.

Breakdown of qualifying capital

Absa Bank Limited	2013 Rm	%[1]	2012 Rm	%
Common Equity Tier 1	39 231	9.7	44 863	11.6
Ordinary share capital	303	0.1	303	0.1
Ordinary share premium	13 465	3.3	12 465	3.2
Reserves[2,3]	30 050	7.4	34 659	9.0
Deductions[3]	(4 587)	(1.1)	(2 564)	(0.7)
Amount by which expected loss exceeds eligible provisions	(2 326)	(0.6)	(1 517)	(0.4)
Other deductions	(2 261)	(0.5)	(1 047)	(0.3)
Additional Tier 1 capital	4 180	1.0	4 644	1.2
Tier 1 capital	43 411	10.7	49 507	12.8
Tier 2 capital	14 476	3.6	14 647	3.8
Instruments recognised as Tier 2 capital	14 225	3.5	16 111	4.2
General allowance for impairment losses on loans and advances – standardised approach	251	0.1	53	0.0
Deductions				
Amount by which expected loss exceeds eligible provisions	-	-	(1 517)	(0.4)
Total qualifying capital (excluding unappropriated profits)	57 887	14.3	64 154	16.6
Qualifying capital (including unappropriated profits)				
Tier 1 capital	48 813	12.0	52 702	13.7
Common Equity Tier 1 (excluding unappropriated profits)	39 231	9.7	44 863	11.6
Unappropriated profits	5 402	1.3	3 195	0.9
Additional Tier 1	4 180	1.0	4 644	1.2
Tier 2 capital	14 476	3.6	14 647	3.8
Total qualifying capital (including unappropriated profits)	63 289	15.6	67 349	17.5

Economic capital adequacy

The economic capital (EC) framework covers not only Basel III Pillar 1 risks but also additional economic risks not covered at all, or inadequately covered in Pillar 1 such as interest rate risk in the banking book.

The total average EC required by us, determined by the risk assessment models and considering our estimated portfolio effects is compared with the available financial resources (EC supply) to evaluate EC utilisation. We target an EC supply versus EC demand 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. Following the introduction of Basel III greater emphasis is placed on regulatory demand and supply to address the implementation of the revised regulatory framework.

Notes

[1]Percentage of capital to RWAs.

[2]Reserves exclude unappropriated profits.

[3]The Basel III changes include additional qualifying reserves; adjustments relating to surplus capital attributable to the shareholders of non-controlling interest, additional Tier 1 and Tier 2 capital; the phasing-out of Additional Tier 1 and Tier 2 capital instruments; and changes in regulatory deductions.

Capital management

Economic capital and equity

Group[1,2]

Total qualifying capital	2013 Share-holders equity Rm	2013 Economic capital Rm	2013 Tier 1 regulatory capital Rm	2012 Share-holders equity[3] Rm	2012 Economic capital Rm	2012 Tier 1 regulatory capital Rm
Ordinary share capital and share premium	6 168	6 168	6 168	7 030	6 039	6 039
Preference share capital and share premium	–	4 644	5 911	–	4 644	4 644
Retained earnings	64 701	64 701	61 182	64 898	56 902	53 394
Other reserves	6 448	5 844	5 277	5 167	618	–
Non-controlling interest	–	3 240	1 154	–	–	1 268
Expected loss adjustment	–	–	(2 120)	–	–	(1 401)
Other deductions	–	(3 141)	(4 722)	–	(2 561)	(2 283)
	77 317	81 456	72 850	77 095	65 642	61 661
Average capital for the reporting period	77 206	73 549	67 256	73 835	64 326	60 641

Group[1,2]

Capital demand - closing balance	2013 Risk-weighted assets Rm	2013 Economic capital[4] Rm	2012 Risk-weighted assets Rm	2012 Economic capital[4] Rm
Credit risk	423 703	40 311	321 500	28 895
- RBB	290 182	29 494	228 887	20 901
- CIBW	123 878	10 668	87 716	7 806
- Other	9 643	149	4 897	188
Equity investment risk	14 624	2 952	22 735	3 059
Market risk	17 079	3 286	13 797	1 700
Operational risk	79 235	4 865	62 385	4 094
Other	26 224	5 893	17 799	5 862
	560 865	57 307	438 216	43 610

Notes

[1]The 2012 comparatives are based on Absa Group and 2013 disclosures are based on BAGL.

[2]The prior period disclosure is based on Basel II.5 and the current reporting period disclosure is based on Basel III.

[3]2012 comparative shareholders equity restated for acquisition of the Barclays African entities.

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

Capital management

Economic capital resources

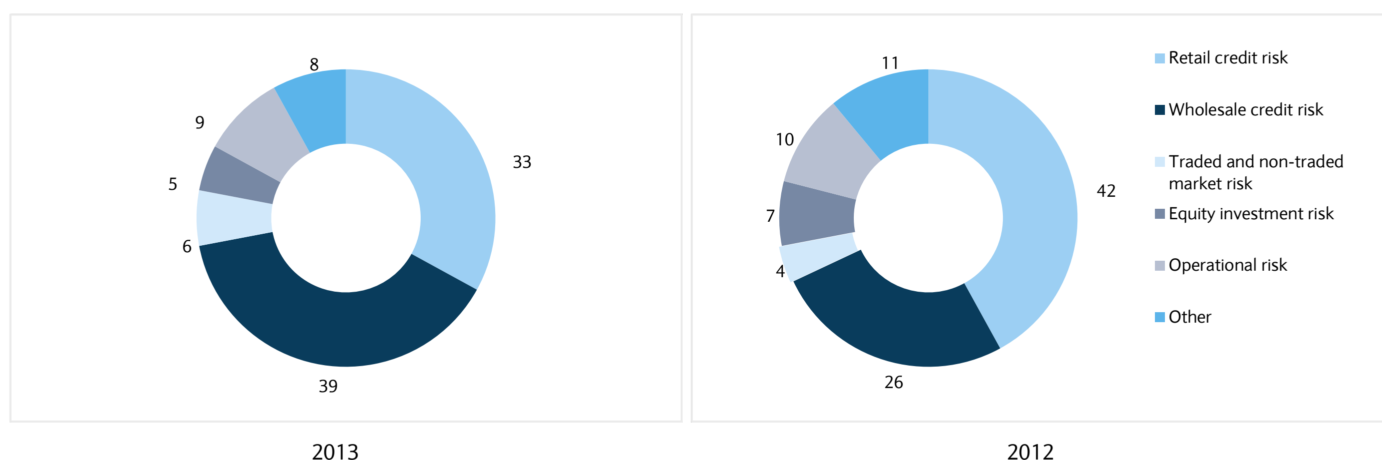
The resources available to meet EC requirements are calculated as the average available shareholders' equity after adjustment including preference shares, but excluding other non-controlling interests. Our EC calculations form the basis of our internal risk view used in the ICAAP.
Funds available for 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; and
- non-redeemable, non-cumulative preference shares.

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

The following are deducted from EC supply:
- goodwill; and
- intangible assets.

Economic capital demand[1] (%)



Notes
[1]Excludes insurance due to the difference in the confidence level resulting from insurance regulation.

Capital management

Capital Risk

Translation foreign exchange risk

Translational foreign exchange 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.

Our 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, we aim 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 our capital risks. This is primarily achieved by subsidiaries issuing capital or holding retained earnings in local currencies or through us issuing debt capital in foreign currency.

Translational foreign currency 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. Translational hedging considerations include exchange control regulations, the strategic nature of the investment, materiality of the risk, prevailing foreign exchange rates, market liquidity, cost of hedging and the impact on capital ratios. Based on these considerations, no foreign currency net investment hedges were in place for the current reporting period.

Translational foreign exchange risk is monitored regularly to consider the need for mitigating actions towards minimising material fluctuations.

Credit ratings[1]

Credit ratings	July 2013 Moody's[1] Absa Bank	July 2013 Fitch ratings Absa Bank	 Absa Group
National			
Short-term	Prime-1.za	F1+ (zaf)	F1+ (zaf)
Long-term	Aa2.za	AAA (zaf)	AAA (zaf)
Outlook	-	Stable	Stable
Local currency			
Short-term	Prime-2	-	-
Long-term	A3	A-	A-
Outlook	Negative	Stable	Stable
Foreign currency			
Short-term	Prime-2	F2	F2
Long-term	Baa1	A-	A-
Outlook	Negative	Stable	Stable
Bank's financial strength	C-	C	C
Baseline credit assessment	Baa1	-	-
Viability rating	-	bbb	bbb
Outlook	Stable	Stable	Stable
Support	-	1	1

Notes
1 The ratings have remained consistent with the ratings as reported at 31 December 2012.

Risk management strategy

Risk management strategy

Our approach to risk management

We have clear risk management objectives and a well-established strategy, delivered through our core risk management processes.

At a strategic level, our risk management objectives are to:

- Identify our significant risks;
- Formulate our risk appetite and ensure that the business profile and plans are consistent with it;
- Optimise risk/return decisions by taking them as closely as possible to the business, while establishing strong and independent review and challenge Processes;
- Ensure that business growth plans are properly supported by effective risk infrastructure;
- Manage the risk profile to ensure that specific financial deliverables remain possible under a range of adverse business conditions; and
- Help executives improve the control and co-ordination of risk-taking across the business.

Our approach is to provide direction on: understanding the principal risks to achieving our strategy; establishing risk appetite; and establishing and communicating the risk management framework. The process is then broken down into five steps: identify, assess, control, report and manage/challenge. Each of these steps is broken down further, to establish end-to-end activities within the risk management process and the infrastructure needed to support it (see panel below). Our risk management strategy was broadly unchanged in 2013.

We employ the following five-step process in terms of our risk management approach:

Risk management process	
Identity	– Understand the principal risks fundamental to achieving our strategy. – Establish the risk appetite. – Establish and communicate the risk management framework including responsibilities, authorities and key controls
Assess	– Establish the process for analysing business-level risks. – Agree and implement measurement and reporting standards and methodologies.
Control	– Establish key control processes and practices, including limit structures, provisioning requirements and reporting standards. – Monitor controls and adherence to risk direction and limits. – Ensure that risk management practices and conditions are appropriate for the business environment.
Report	– Interpret and report on risk exposures, concentrations and risk-taking outcomes. – Interpret and report on sensitivities and key risk indicators. – Agree and operate early warning reporting processes that are used to highlight issues at a Group and business unit level. – Ensure that processes are in place to operate appropriate reporting and controls to ensure that the risk profile is maintained within risk appetite/tolerance.
Manage/ challenge	– Review and challenge all aspects of our risk profile. – Assess new risk-return opportunities. – Advise on ways to optimise our risk profile. – Review and challenge risk management practices.

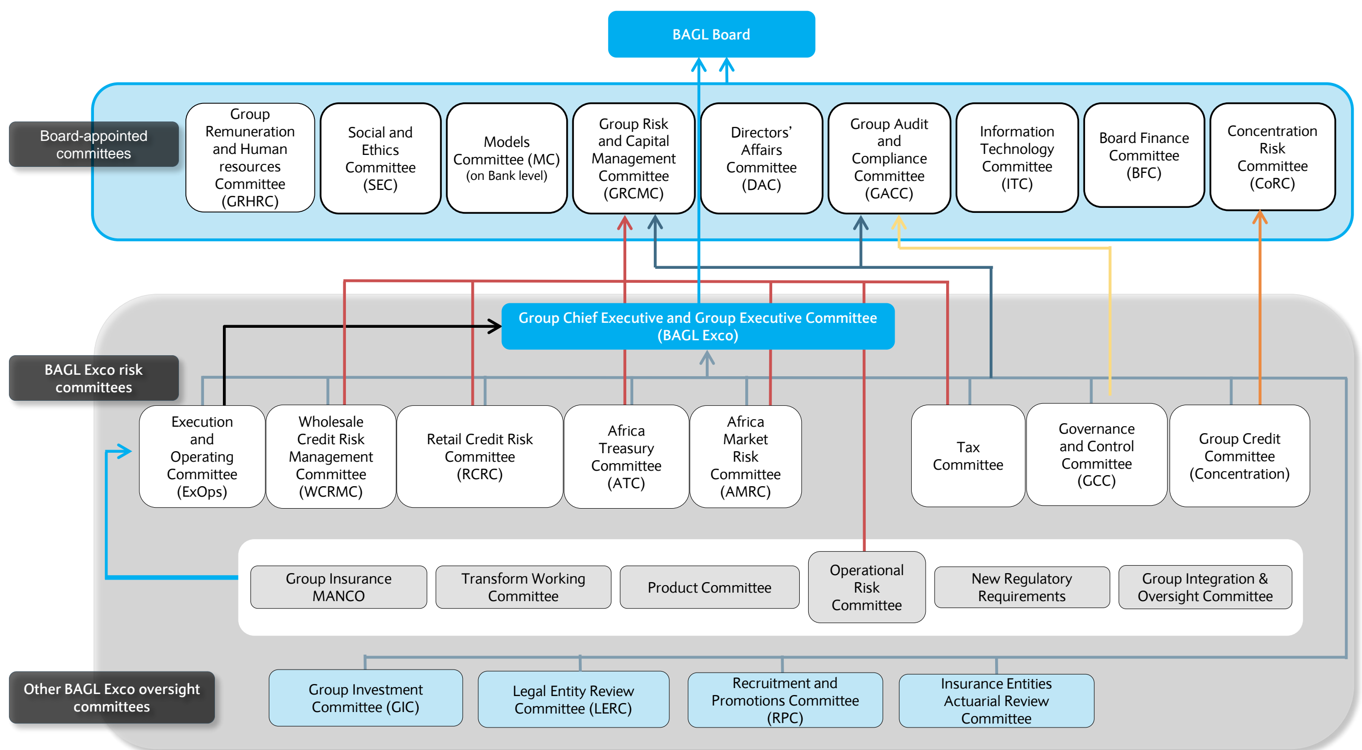
Risk oversight

For the reporting period, the Board is satisfied that our risk and capital management processes operated effectively, that our business activities have been managed within the Board approved risk appetite, and that we are adequately capitalised to support the execution of our strategy. The newly implemented combined assurance model, owned and managed by Group Risk covers each principal risk and business area. The aim of this model is to provide a coordinated approach to all assurance activities, enabling the Board and management to assess whether the significant risks facing the Group are adequately covered.

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

Risk management strategy

BAGL's risk governance structure



The Group Risk and Capital Management Committee

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 our 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, CRO, 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 GACC and attended all meetings of the GACC. He met with the CRO and executive management on a regular basis and reported to the Board after each committee meeting.

Core activities of the Group Risk and Capital Management Committee

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

- recommending BAGL's risk appetite to the Board for approval and monitoring the actual risk 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 profile, 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 our emerging risk profile;
- reviewing the adequacy and effectiveness of the PRP, the completeness of principal risks coverage and the ongoing effectiveness of the framework as implemented by us;
- assessing our 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 status 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.

Risk management strategy

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

The GACC assists the Board with regard to reporting financial information, selecting and properly applying accounting principles and policies, monitoring BAGL'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 our relationship with the external auditors.

Risk management related activities of the Group Audit and Compliance Committee

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

The principal risks policy

The Board approved PRP sets out the scope of the risks facing BAGL and creates clear ownership and accountability for risks. The policy was updated during the reporting period and covers the four principal risks (as discussed earlier) as well as the 22 key risks (as detailed in the table to follow).

The CRO appoints a PRO for each principal risk. Within each principal risk there are individual key risks for which the CRO appoints a Key Risk Owner (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 further monitor the management of the key risk exposures in accordance with the framework, using the five-step process to risk management. Group Exco meet on a regular basis to assess and monitor the key risks.

Principal risk	Key risks	Group Exco risk committees
Credit risk	– Retail credit risk – Wholesale credit risk[1]	– Retail Credit Risk Committee (RCRC) ➢ Retail Credit Risk Technical Committee – Wholesale Credit Risk Committee (WCRMC) ➢ Wholesale Credit Risk Technical Committee
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 – Financial reporting risk – Fraud risk – Information risk – Legal risk – Product risk – Payment process risk – People risk – Premises and security risk – Regulatory risk – Tax risk – Technology risk – Transaction operations 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 management – Structural risk	– Africa Treasury Committee (ATC) ➢ Africa Treasury Technical Committee

We will be introducing the Enterprise Risk Management Framework subsequent to its approval by the BAGL Board in Q2 2014.

Notes
[1]Equity investment risk is reported under wholesale credit risk.
[2]This is reported together with foreign exchange risk and asset management structural risk as non-traded market risk.

Risk management strategy

Risk appetite

Risk appetite and stress testing are key components of our 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 BAGL 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. Our 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 our strategic planning processes. Stress testing occurs throughout the Bank and assists in ensuring that our 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 analysis, we are able to assess the performance of our portfolios in the anticipated economic environment and evaluate the impact of adverse economic conditions on our portfolios. Stress testing also assists us in understanding core assumptions in its capital plans and informs the setting of capital buffers. Stress test results also inform setting of mandate and scale limits.

Stress testing and scenario analysis are central to the monitoring of top and emerging risks, helping us to understand the sensitivities of the core assumptions in our capital plans to the adverse effect of extreme but plausible events. Stress testing allows us to formulate our 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 our capital planning process and enhance the stress scenarios we employ. In addition to our internal stress testing exercises, other stress testing exercises are undertaken at the request of regulators using their prescribed assumptions, and by the regulators themselves. We take into account the results of all such stress testing when assessing our 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

We aim to manage our 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 our customers, clients or market counterparties fail to fulfil their contractual obligations to us. We actively seek 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

Our credit risk objectives are:
- supporting the achievement of sustainable asset and revenue growth in line with our 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 collection and recovery; and
- optimising the control environment.

Approach to credit modelling / internal ratings

The principal objective of credit measurement is to produce the most accurate possible quantitative assessment of credit risk to which we are 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 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 26-point scale of default probabilities.
- 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 our 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 our 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, "pay/no pay" 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 is the process of being redeveloped and should be taken through the appropriate governance process during H1 2014. The remaining products will be redeveloped sequentially in terms of materiality.
- To ensure the effectiveness of the validation process, an independent review is performed annually. Models are approved by the Retail Credit Technical Risk Committee ("RCTRC") and the most material models require approval by the Models Committee ("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.

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.

Risk management strategy

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 our 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. We use two types of PDs, namely:

- TTC PD and PIT PD

Both types of PDs are used extensively in our decision-making processes and several types of rating approaches are employed.
For communication and comparison purposes, our 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 DC 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 deterioration or weakness 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, we will sustain some loss when default occurs.

Exposure at default

The EAD denotes the total amount we expect will be outstanding from a particular customer at the time of default. We calculate 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, we may employ. 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. We modify our LGD estimates 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 prescribes disclosure requirements pertaining to financial instruments for accounting purposes and, as such, is based on a similar set of data used for Pillar 3 reporting purposes. Our IFRS risk reporting disclosure has moved out of this report in an effort to streamline the disclosure. Refer to our annual financial statements to obtain the information.

Credit risk mitigation, collateral and other credit enhancements

We employ a number of techniques to mitigate credit risk, such as:
- Strengthening our 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 our 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.

Our 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 BAGL – Assignment of debtors

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

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. We use 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 our 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, we often place reliance 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.

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

In line with international market practice, we endeavour to use netting agreements wherever possible. We primarily employ 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 our 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 for us 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. We mainly rely on cash, government bonds and negotiable certificates of deposits as collateral for derivative contracts.

We intend to apply for permission to use the Internal Model Method (IMM) in the calculation of our RC requirements for these portfolios once the AIRB method for wholesale credit exposures has been embedded. However, during the current reporting period, all calculations were based on the CEM. Our policies for establishing impairment allowances for counterparties of traded products are based on applicable accounting requirements.

Credit derivatives

Credit rating downgrade

We enter into derivative contracts with rated and unrated counterparties. To mitigate counterparty credit risk, we stipulate credit protection terms, such as limitations on the amount of unsecured credit exposure we will accept, collateralisation in the event of a MTM credit exposure exceeding the current amount and collateralisation and/or termination of a contract when certain credit events occur. Such events might include a downgrade of the counterparty's public credit rating.

Certain counterparties may require us to provide similar credit protection terms, to which we may agree from time to time, on a restrictive basis. Rating downgrades as a collateralisation or termination event are generally only conceded to highly rated counterparties, and whenever possible, on a reciprocal basis.

The impact on us in terms of the additional amount of collateral required in the event of a credit downgrade is determined by the negative MTM value on derivative contracts. Where the impact on our liquidity is deemed to be material, the potential exposure is taken into account in model stress testing. Generally, the extent of legal commitments resulting in additional collateral requirements caused by a rating downgrade is not material and would not adversely affect our financial position.

As at the reporting date, additional collateral of R75.4 million for a one-notch downgrade, R88.2 million for a two-notch downgrade and R141.5 million for a three-notch downgrade would be required.

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 to us 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 our business portfolios, a certain degree of risk concentration in the collateral portfolios is evident. We manage 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. We manage this type of concentration risk through mandate and scale limits, sophisticated, simulation-based exposure models that support a rigorous credit analysis, on-going monitoring of these counterparties and our MTM exposure.

Wrong-way risk

Wrong-way risk is another form of concentration risk and arises when there is a strong correlation between the counterparty's PD and the MTM value of the underlying transaction. We distinguish 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.

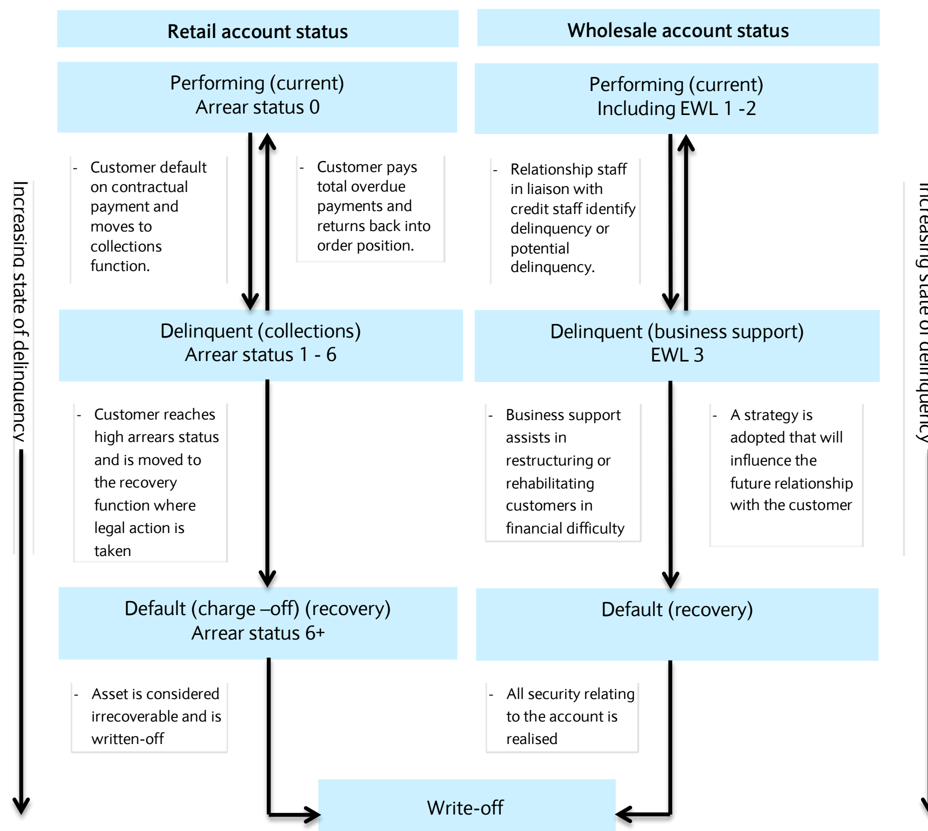
We aim to limit both these risk types. However, we recognise the need to engage in certain transactions that could expose us to specific wrong-way risk, such as funding broad-based black economic empowerment (BBBEE) transactions.

Risk management strategy

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 our 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. We offer 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, we also act as an investor, a service provider, a liquidity provider and credit enhancer to a number of securitisation transactions. We invest directly in the securitisation schemes.

Strategy

Securitisation transactions, used as part of our 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 Market Risk Committee (MRC) and Africa Treasury committee (ATC). There are two main types of securitisation:

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

Risk management strategy

All securitisation transactions entered into as at the reporting date involved the sale of the underlying assets to the securitisation vehicle. We have not originated any synthetic securitisation transactions. Nonetheless, we calculate 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, we have securitised our own assets relating to the Home loan portfolio. For the Home Obligors Mortgage Enhanced Securities Proprietary Limited (Homes securitisation), we apply the look through approach 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.

We do 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.

Our equity investment risk objective is to balance the portfolio composition in line with our risk appetite, with selective exits as appropriate.

Strategy

Our 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 our equity investments are held in CIBW and Business Bank. Equity and other investments held by our insurance entities are addressed in the insurance risk management section of this report.

The equity investment portfolio decreased during the current reporting period primarily due to the sale of the Group's interest in Absa Capital Private Equity Fund 1.

Market Risk management

Market risk is the risk that our 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:

- 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 we are being 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 contributes to 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 ATC subcommittees provide oversight of specific market risk.

Strategy

Market risk management objectives are to:

- ensure risk is managed within our risk appetite by monitoring risk against the limit and appetite framework;
- ensure net interest margin stability in the banking books;
- understand risk sensitivity and volatility, leverage 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; and
- ensure pension risk is managed in accordance with outlined principles, objectives and governance, as well as the country specific regulations.

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 the same 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 (incorporating tail risk metrics) including both VaR and 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 African subsidiaries. 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 BAGL.

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.
We use 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

We conduct 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.

Risk management strategy

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. Our 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 to replicate 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. We perform 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 BAGL's trading books. A full revaluation approach is applied to undertake stress testing for BAGL'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 by BAGL for which internal model approach approval has not yet been obtained.

General risk for the African subsidiaries 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 BAGL). In particular, the maturity method is used to quantify general interest rate risk for African subsidiaries.

Risk control

Risk limits are set and reviewed at least annually to control our trading activities, in line with our 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
- management action triggers: reporting of actual losses based on pre-determined tolerance levels.

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

The Model Validation function is responsible for validating all valuation models used for accounting and risk. The validation reviews the theoretical approach and its applicability to the product. Focus is on ensuring the implementation of the model is correct, identifying the primary risks, model limitations or uncertainties and recommending provisions to account for such uncertainties.

Risk reporting

Our 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.

Risk management strategy

Non-Traded Market Risk

Interest rate risk in the banking book

Approach

Interest rate risk is the risk that our 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 our earnings and our economic value.

Our 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 limits 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 our 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 our accounting policies, are followed.

Structural interest rate risk arises from the variability of income from non-interest bearing products, managed variable rate products and our equity and is managed by Group Treasury.

Interest rate risk also arises in each of the Africa subsidiaries' 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). Our 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 we are 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 we commit 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

We use a sensitivity based approach to calculate DVaR at a 95% confidence level for measuring interest rate risk in the banking book. The DVaR is monitored against approved internal limits and is used as a complementary tool 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 Group Treasury and Group Market Risk to supplement the DVaR and AEaR metrics for South Africa.

Stress testing for the Africa subsidiaries is carried out by Group Market Risk and the risk functions in each subsidiary and has been adopted as one of the primary risk metrics for African subsidiaries 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 at the business level and then cascaded down. The business level limits for AEaR, DVaR and stress are agreed by the AMRC. Compliance with limits is monitored by the respective business market risk team with oversight provided by group market risk.

Risk reporting

DVaR and supporting metrics and stress are reported daily for Group Treasury and the Africa subsidiaries' respectively, with the exception of two African subsidiaries 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 Africa subsidiaries.

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

Our insurance risk management objectives are:

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

Within Financial Services, 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 Governance and Control Committees, the 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 Governance and Control Committees, the Actuarial Review Committee and Key Risk reporting.
- Life insurance mismatch risk is monitored on a monthly basis by the Investment Risk Committee. A quarterly review is conducted by the Absa Financial Services (AFS) Capital and Investment Risk Committee and an annual review by the Actuarial Review Committee.
- Life and short-term insurance investment risk is monitored by the entity Investment risk committee on a quarterly basis.

Foreign exchange risk

Approach

We are exposed to two sources of foreign exchange risk, namely, transactional and translational risk.

Transactional foreign exchange risk

Transactional foreign exchange risk arises when the banking assets and liabilities are not denominated in the functional currency of the transacting entity. Our policy is for transactional foreign exchange risk to be concentrated and managed within the CIBW trading book.

In accordance with our policy, there were no significant net open currency positions outside the CIBW trading book 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.

Other market risks

We maintain 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, we could be required or might choose to make additional contributions to the defined benefit plan.

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 in terms of AEaR 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 Financial Services. Asset management risk was not material during the reporting period.

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 principally 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.

Strategy

Our liquidity risk management objectives are:

- growing and diversifying the funding base to support asset growth and other strategic initiatives;
- lengthening our funding profile in order to improve key liquidity metrics, thereby reducing our liquidity risk exposure;
- maintaining adequate levels of surplus liquid asset holdings in view of the Basel III liquidity requirements; and
- lowering the weighted average cost of funding.

Barclays Africa Group is expected to maintain the healthy liquidity position throughout 2014 which will enable it to support its growth targets.

Basel III impact

We maintain a strong liquid assets buffer and funding tenor position of the funding book, ahead of the timeframes required by the Basel rules outlined in the table below. Liquidity resources remain sufficient under the liquidity risk appetite framework with surplus liquid assets under a one-month survival horizon.

Currently none of Barclays Africa (excluding South Africa) entities have a Basel III – LCR and NSFR requirement. Based on the overall funding and liquidity positions of these entities, this is not expected to have a negative impact at a Group level.

Key metrics under Basel liquidity risk framework and timeframes for compliance

Risk metric	Purpose of metric	Implementation timeframes
LCR	To promote short-term resilience of a bank's liquidity risk profile by ensuring it has sufficient high-quality liquid assets to survive a significant stress scenario lasting for one month.	Requirements phased in from 2015 with full compliance required by 2019.
NSFR	To promote resilience over a longer-time horizon (one year) by creating additional incentives for banks to fund their activities with more stable sources of funding on an ongoing basis.	Compliance required by 2018. (Basel Committee currently reviewing)

Approach to liquidity risk

The Barclays Africa Group applies a five step approach to risk management:

- **Identify:** Various resources are used to identify sources of liquidity risk including business activities and regulatory requirements.
- **Assess:** The impact of these sources of liquidity risk are reviewed regularly based on the current market conditions.
- **Control:** The liquidity risk appetite and other key liquidity limits, metrics and policies are used to control liquidity risk.
- **Report:** Processes are in place to ensure timely, accurate and complete reporting.
- **Manage and Challenge:** Group, business unit and regional Treasury Committees review and challenge reported liquidity risk metrics.

Risk management strategy

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

Funding planning	Liquidity risk monitoring	Execution and intraday 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

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, our 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.

This stress testing provides the basis for the Liquidity Risk Appetite. This is the key internal risk metric used in liquidity risk management.

Key risk metric used in stress liquidity risk management

Risk metric	Purpose of metric
Survival horizon	Provides a measure of the adequacy of the bank's liquidity resources during times of severe stress, measured as the number of days that the bank is expected to survive a defined liquidity scenario.

Liquid assets

We hold 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. 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.

We maintain 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 our level plan. The CFPs set out the specific requirements to be undertaken locally in a crisis situation.

Other funding risks

Recent volatility in exchange rate and interest rate markets has re-emphasised the importance of carefully managing structural risks. We continue to hedge against interest rate movements, thereby ensuring margin stability during these times of market volatility. The exchange rate environment will be of increased importance with the formation of Barclays Africa Group Limited. The resultant risks will continue to be carefully managed to ensure the stability of the overall capital position.

Operational Risk management

Introduction

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 we seek to reduce the likelihood of these in accordance with its risk appetite.

We recognise the significance of operational risk and are committed to enhancing the measurement and management thereof. Within our 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

Our operational risk management objectives are:

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

Approach to operational risk

Operational risk is a principal risk managed through an associated Operational Risk Framework (ORF), which is underpinned by taxonomy of key risks. These key risks constitute the risk environment for operational risk and are all owned by relevant senior management with the appropriate expertise e.g. the People key risk is owned by the Group Human Resources Executive, and the Technology key risk is owned by the Chief Information Officer.

The ORF comprises a number of elements that allow us to manage and measure our operational risk profile and to calculate the amount of operational risk capital that needs to be held to absorb potential losses. The minimum, mandatory requirements for each of these elements are set out in our 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 owners required to monitor information relevant to their key risk from each ORF element.

- We seek to manage and reduce operational risk to optimise the customer/client experience while supporting the bank's strategy, reputation and financial performance. We recognise that operational risk is inherent in our business activities and that it is not always cost effective or possible to attempt to eliminate all operational risks. Operational risks of material significance are expected to be infrequent and we will seek to reduce the likelihood and impact of these. Within this context, the management of operational risk has two key objectives:
  - To minimise the impact of losses suffered in the normal course of business and to avoid or reduce the likelihood of suffering an extreme loss.
  - To improve the effective and efficient management of the Group and to make use of growth opportunities while minimising operational risks.

We are committed to the management and measurement of operational risk and were granted approval to operate an AMA for operational risk under Basel II, which commenced in January 2008. The majority of the South African entities in the Group calculate RC using AMA. We apply the basic indicator approach or the standardised approach for the remaining entities.

Risk management strategy

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 BAGL's information in accordance with its value and sensitivity.
- Legal risk - failure to identify and manage legal risks.
- Product risk - inadequate design, assessment and testing of products/services.
- 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.
- Regulatory risk - failure or inability to comply fully with the laws, regulations or codes applicable specifically to the financial services industry.
- 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.

These risks can result in financial and/or non-financial impacts including legal/regulatory breaches or reputational damage.
We operate within a robust system of internal control that enables business to be transacted and risk taken without exposure to unacceptable potential losses or reputational damage.

The prime responsibility for the management of operational risk rests 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 product lines are responsible for ensuring the implementation of and compliance with the operational risk policies and the ORF

The central operational risk function is responsible for establishing, owning and maintaining an appropriate ORF and for overseeing the portfolio of operational risk. The Operational Risk Committee (ORC) 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 GACC and GRCMC.

In addition, business unit Control Review Committees (CRC) and Country Risk and Control Committees (RCC) monitor risk management and control effectiveness.

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

We identify and assess all material risks in the business and evaluate key controls in place 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 us resulting from inadequately controlled or failed internal processes, people and systems or from an external event. The definition includes situations in which we could have made a loss, but in fact made a gain, as well as incidents resulting in reputational damage or regulatory impact. We also track boundary events, i.e. operational risk within credit risk. Thresholds are used across the organisation for reporting risk events and as part of our analysis we seek to identify where improvements are needed to processes or controls, to reduce the recurrence and/or magnitude of risk events. We also use a database of external risk events, which are publicly available. The external loss information is used to support and inform risk identification, assessment, and measurement, and provide management with insight into possible emerging risks.

Root cause analysis of and lessons learnt from events is key to our understanding of our risk and control environment and inform appropriate remediation targeted at continuously improving our operational risk management processes.

Key indicators

Key indicators (KIs) are metrics that are used to monitor our operational risk profile. KIs include measurable thresholds that reflect the risk appetite of the business. 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). The assessment is performed by Key Risk owners 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 Risk Owners 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);
- 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 our risk management approach, we also use insurance to mitigate the impact of some operational risks.

Reporting

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

Operational risk measurement

Barclays 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. Barclays also assesses its economic capital requirements to cover 99.98% of the estimated losses that exceed the typical losses (diversified across all risk classes).

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 the Operational RiskData eXchange (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

Analysis of risk exposures

Analysis of risk exposures

Credit risk

In this section of the report we aim to provide our credit exposure based on the strategy and policies as discussed. In the tables that follow we disclose how this exposure is calculated based on our internal models and the volatility over time.

We also disclose the effectiveness of our credit risk mitigation strategy based on our exposures. We further analyse our exposure in terms of contractual maturity, geographical and industry splits.

Gross exposure per Basel III (2012: Basel II.5) approach and asset class

	2013						2012
	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	20 525	10 627	11 138	65 290	107 580	43 251	47 980
Corporate exposure	177 342	119 075	7 664	13 151	317 232	240 050	210 492
Corporate	128 294	104 330	7 664	13 065	253 353	180 327	158 146
SME Corporate	39 200	10 806	-	-	50 006	49 051	44 756
Specialised lending - income producing real estate	4 744	1 236	-	-	5 980	4 866	2 476
Specialised lending - project finance	5 104	2 703	-	86	7 893	5 806	5 114
Local government and municipalities	7 367	4 626	-	-	11 993	9 867	9 423
Public sector entities	7 303	5 364	65	906	13 638	9 702	8 503
Retail exposure	348 246	93 623	-	-	441 869	393 944	388 509
Mortgages (including any home loan equity lines of credit)	232 829	44 858	-	-	277 687	252 916	259 083
Other	74 901	1 303	-	-	76 204	72 839	67 828
Unsecured lending≤ 30 000	3 717	96	-	-	3 813	4 048	15 424
Unsecured lending > 30 000	12 334	1 189	-	-	13 523	13 288	5 006
Other	2 109	-	-	-	2 109	2 109	-
Vehicle and asset finance	56 741	18	-	-	56 759	53 394	47 398
Revolving credit	23 371	39 302	-	-	62 673	44 851	41 679
Credit cards	18 590	36 004	-	-	54 594	37 710	34 546
Non-credit cards	4 781	3 298	-	-	8 079	7 141	7 133
SME	17 145	8 160	-	-	25 305	23 338	19 919
Secured lending	8 514	604	-	-	9 118	8 744	6 632
Unsecured lending	8 631	7 556	-	-	16 187	14 594	13 287
Securities firms	2 327	835	8 057	1 160	12 379	3 442	3 400
Sovereigns	67 335	1 000	-	177	68 512	69 337	68 265
Standardised approach							
Banks	31 809	1 161	-	-	32 970	31 809	1 981
Corporate exposure							
SME Corporate	34 062	24 116	-	-	58 178	41 603	5 951
Retail exposure	39 716	14 707	-	-	54 423	42 136	17 782
Mortgages (including any home loan equity lines of credit)	10 506	18	-	-	10 524	10 506	123
Vehicle and asset finance	1 505	-	-	-	1 505	1 505	1 373
Revolving credit	27 705	14 689	-	-	42 394	30 124	16 286
Credit cards	12 048	13 611	-	-	25 659	13 929	16 228
Non credit cards	15 657	1 078	-	-	16 735	16 195	58
Sovereigns	29 717	129	-	-	29 846	29 778	3 686
Total	765 749	275 263	26 924	80 684	1148 620	914 919	765 972

Analysis of risk exposures

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

Analysis of risk

The principal objective of credit risk measurement is to produce the most accurate possible quantitative assessment of credit risk to which we are 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:

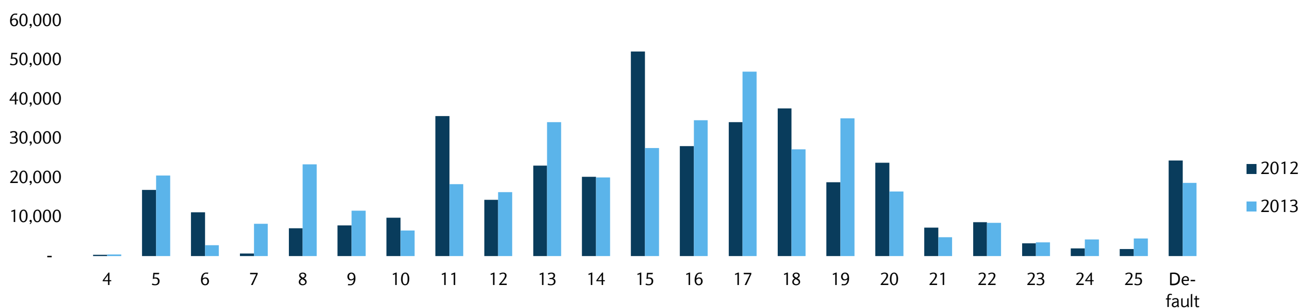
- PD
- EAD
- LGD and
- Maturity

The purpose of this following section is to provide a view of the performance of Basel models used to measure and manage our risk exposure as disclosed in the previous tables.

Comparison of probability of default estimates with actual default

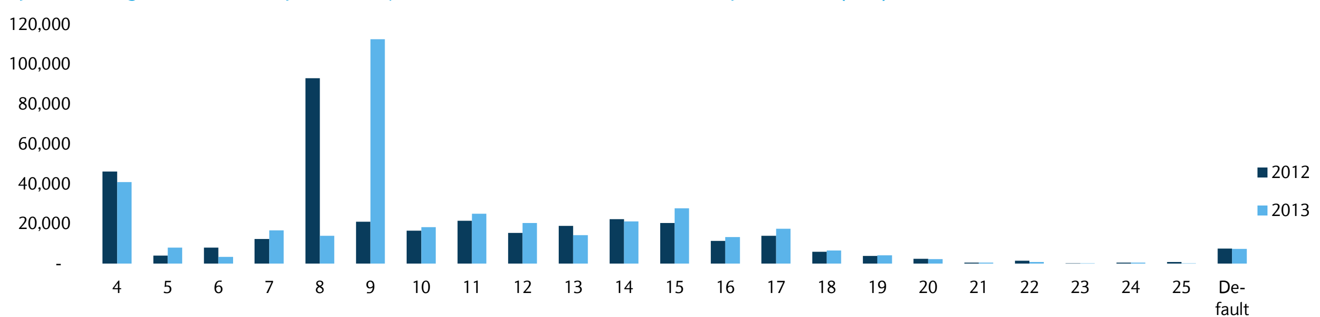
The objective of PD back testing is to compare the accuracy of the PD estimates for regulatory purposes with actual default data.

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.



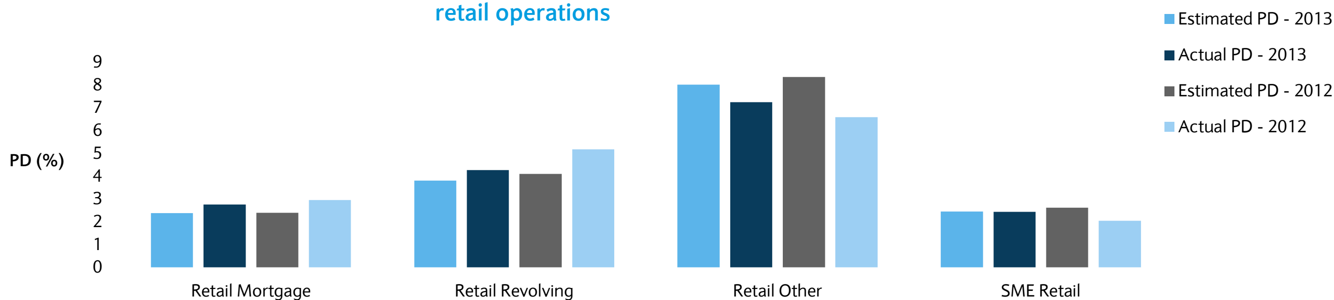
EAD weighted average PD (performing): 2012: 17 2013: 18

During the period there has been a reduction in the default category as noted in the trend of NPL ratio but there has been a migration toward higher risk grades within the performing portfolio. This is mostly driven by a PD recalibration within the mortgage portfolio which led to an increase PDs. The underlying trend across portfolios shows an improvement within secured products and a slight deterioration within unsecured products. This is in line with portfolio delinquency and impairment trends.



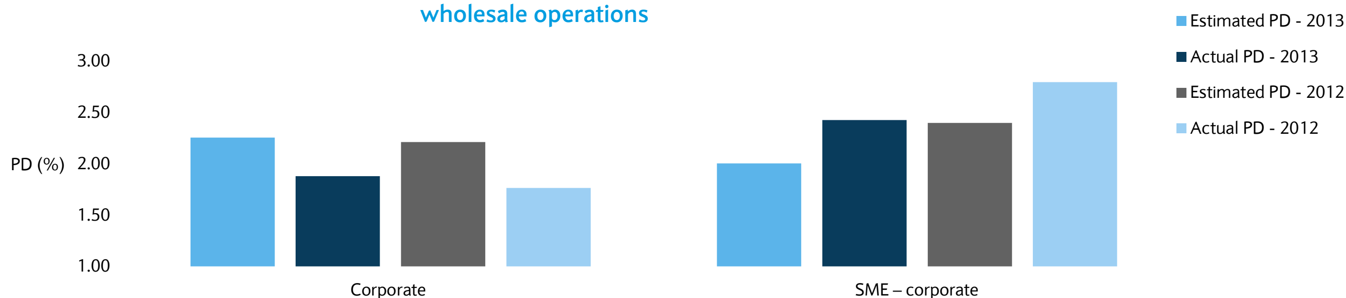
EAD weighted average PD (performing): 2012: 14 2013: 13

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 2013 compared to 2012. Slight underestimation occurred within mortgages and retail revolving with overestimation present in retail other. For mortgages the back test was performed prior to implementing the recalibration. These results are in line with internal monitoring which also considers the level of TTC PD estimates relative to experiences long run default rates. Based on this back testing and additional internal monitoring we are 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 that TTC PDs in wholesale credit operations remained stable for Corporates, while there is a slight improvement in the actual and estimated PDs for 2013 in the SME-corporate book. Underestimation occurred in the SME-Corporate book, mitigated through a Post Model Adjustment process, while estimates for Corporate entities remain conservative. The back testing and internal monitoring processes confirms the appropriateness of the overall level of PDs within acceptable ranges.

Analysis of risk exposures

Approach to credit risk

Risk-weighted assets and minimum required capital

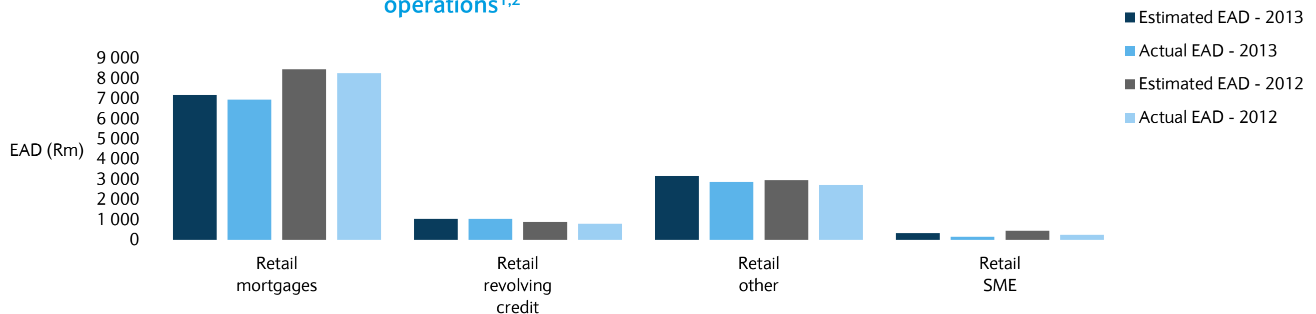
	Group			
	2013		2012	
	RWAs Rm	Required capital Rm	RWAs Rm	Required capital Rm
Banks	14 211	1 350	7 258	689
Corporate exposure	145 312	13 805	130 474	12 394
Corporate [1]	106 524	10 120	92 762	8 812
SME Corporate	32 854	3 121	31 719	3 013
Specialised lending – income producing real estate	2 676	254	2 266	215
Specialised lending – project finance	3 258	310	3 727	354
Local governments and municipalities	1 450	138	1 717	163
Public sector entities	3 045	289	2 161	205
Retail exposure	155 328	14 756	150 618	14 308
Mortgages (incl home equity line of credit)	62 189	5 908	65 938	6 264
Other	51 965	4 937	48 167	4 576
Unsecured lending <= 30 000	4 385	417	16 612	1 578
Unsecured lending > 30 000	14 622	1 389	5 315	505
Other - other	2 254	214	-	-
Vehicle and asset finance	30 704	2 917	26 240	2 493
Revolving credit	29 486	2 801	26 721	2 538
Credit cards	27 538	2 616	24 782	2 354
Non-credit cards	1 948	185	1939	184
SME[1]	11 689	1 111	9 792	930
Secured lending	3 345	318	1 892	180
Unsecured lending	8 344	793	7 900	750
Securities firms	849	81	1 035	98
Sovereign	4 210	400	3 686	350
Securitisation	-	-	1 037	99
Standardised approach	113 597	9 088	23 513	2 233
Total	438 003	39 908	321 499	30 539

Analysis of risk exposures

Comparison of exposure at default with actual exposure at default

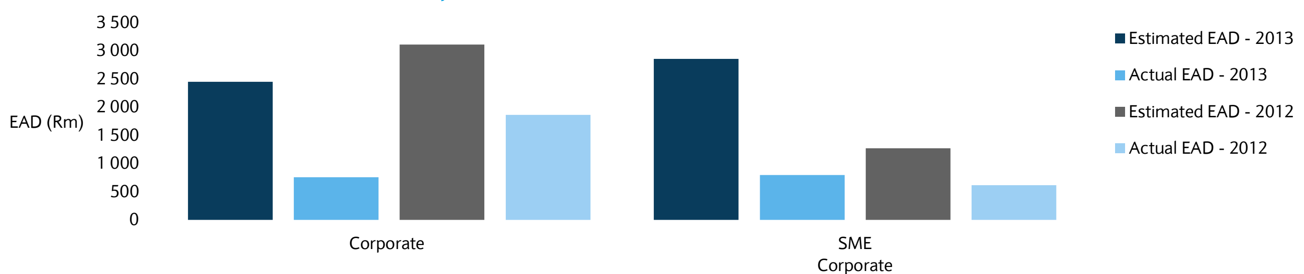
The objective of EAD back testing is to compare the accuracy of EAD estimates for regulatory purposes with actual EAD. For each retail and wholesale Basel III asset class, the estimated EAD at the previous reporting date is compared to the actual EAD of those loans that defaulted during the period.

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



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.

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

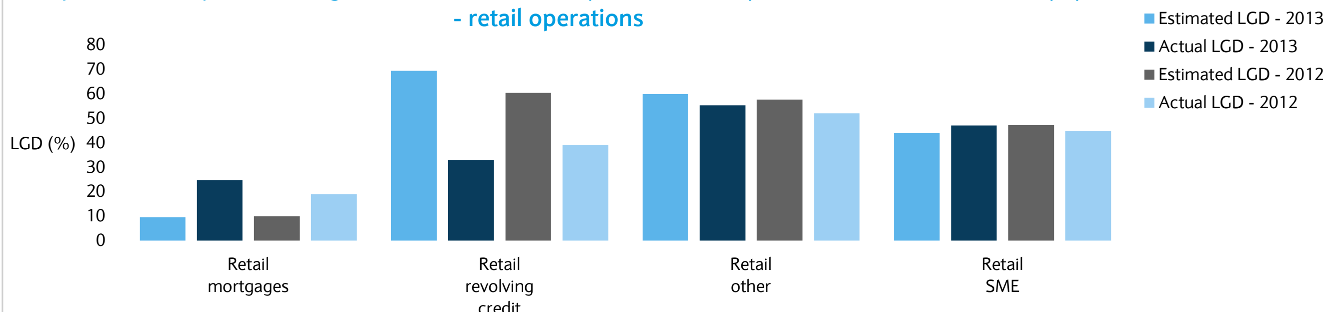


The EAD models in wholesale remains conservative while additional information is collected to improve the accuracy of the models.

Comparison of loss given default estimates with actual loss given default

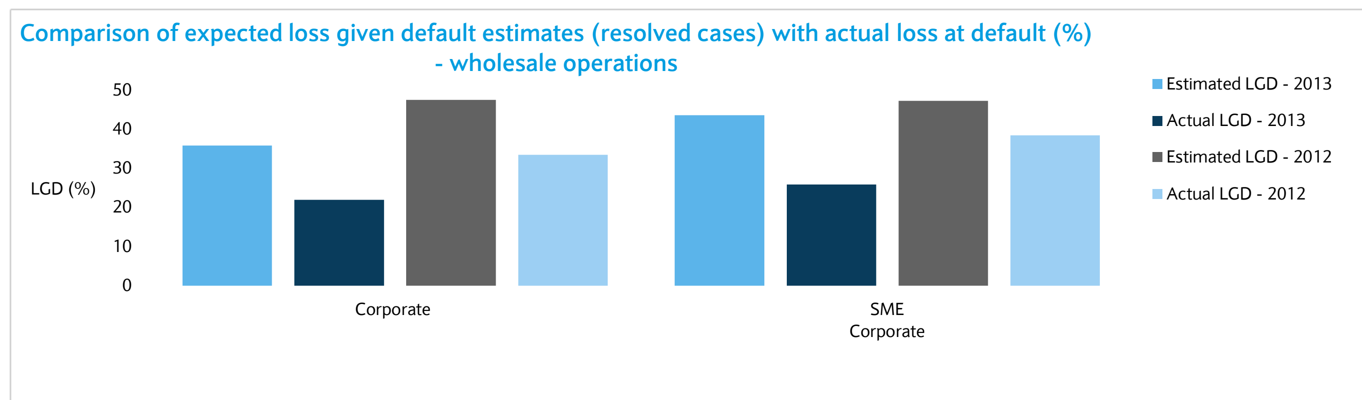
The objective of LGD back testing is to compare the accuracy of LGD estimates for regulatory purposes with actual LGD. For each retail and wholesale Basel III asset class, the actual LGD for those cases resolved during the period is compared to the estimated LGD of those cases at the time of defaulting.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

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



Analysis of risk exposures

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 during 2012 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 collection over the past few years relative to the expectations at the time of default. We expect this to normalise into the future along with the trends we have observed within the portfolio performance. The estimates for the other portfolios are in line the actual experience. Based on this analysis and taking into account the post model adjustment within the mortgage portfolio we are comfortable with the overall level of LGD estimates across Retail portfolios.



The LGD actual experience improved for both the Corporate and SME-Corporate environment. LGD estimates utilised in the calculation of regulatory measures remain conservative in line with expectations.

In terms of Regulation 43 an analysis of impairment and non-performing loans are required. The analysis of impairment disclosures were made in our annual financial statements. Please refer to note 64.2 for the IFRS 7 analysis for impairments. An analysis of the NPL was disclosed in our booklet. Please refer to note 3 for the NPL disclosure.

Analysis of risk exposures

Credit risk mitigation

Credit risk mitigation

	2013						2012
	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	84 351	32 632	51 718	4 852	4 858	9 711	2 735
Corporate exposure	311 294	4 644	306 650	4 383	69 823	74 205	74 110
Corporate	247 456	4 643	242 813	2 703	29 930	32 632	43 620
SME Corporate	49 976	-	49 976	1 680	35 993	37 673	28 402
Specialised lending – income producing real estate	5 979	-	5 979	-	3 900	3 900	2 088
Specialised lending – project finance	7 883	1	7 882	-	-	-	-
Local governments and municipalities	11 992	-	11 992	-	121	121	1 069
Public sector entities	12 737	74	12 662	61	67	128	27
Retail	450 356	-	450 356	2 119	655 071	657 192	607 065
Mortgages (including home equity lines of credit)	288 418	-	288 418	650	557 036	557 687	528 410
Other	76 210	-	76 210	90	83 051	83 141	65 896
Unsecured lending ≤ 30 000	3 814	-	3 814	-	-	-	118
Unsecured lending > 30 000	13 528	-	13 528	60	63	123	150
Other	2 109	-	2 109	-	-	-	
Vehicle and asset finance	56 759	-	56 759	30	82 988	83 018	65 628
SME	24 742	-	24 742	297	14 755	15 052	11 415
Secured lending	9 118	-	9 118	-	10 009	10 009	9 061
Unsecured lending	15 624	-	15 624	297	4 746	5 043	2 354
Revolving credit	60 986	-	60 986	1 082	229	1 312	1 344
Credit cards	55 177	-	55 177	-	-	-	-
Non-credit cards	5 809	-	5 809	1 082	229	1 312	1 344
Securities firms	11 698	168	11 531	305	305	610	605
Sovereign	68 387	52	68 335	311	311	623	377
	950 815	37 570	913 244	12 031	730 556	742 590	685 989

Analysis of risk exposures

Credit derivatives

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

Exposure by instrument bought or sold[1]

	2013				2012			
	Intermediation portfolio				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	9 858	5 086	5 373	10 517	-	4 169	1 504	10 190
Other	498	2 269	-	-	7 809	1 705	163	-
Total notional exposure to Credit derivative transactions	10 355	7 355	5 373	10 517	7 809	5 874	1 667	10 190

This book is volatile and derivative exposures are driven by MTM movements due to changes in the underlying instrument during the current reporting period. The implementation of Basel III, resulted in an increase in credit RWA specifically on the trading book.

Breakdown of OTC and credit derivative exposure

	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

	2012						
	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	614	433	181	447	158	470	4 028
Credit derivatives	110	99	12	1 274	591	694	16 421
Equity derivatives	1 478	739	739	1 658	658	1 739	26 964
Foreign exchange derivatives	10 951	9 254	1 697	15 260	8 077	8 880	778 897
Interest rate derivatives	38 496	32 164	6 332	10 831	5 753	11 410	3 398 199
	51 649	42 689	8 961	29 470	15 237	23 193	4 224 509

Note
[1]Our statutory reserve and liquid asset portfolio moved from the Standardised to the AIRB approach with effect from January 2012 resulting in a decrease compared with the previous reporting period.

Analysis of risk exposures

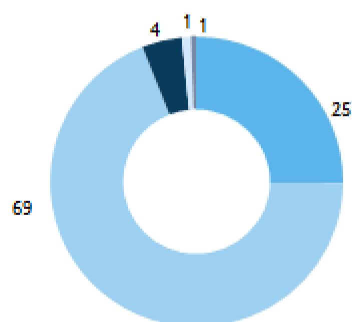
Residual contractual maturity of exposures

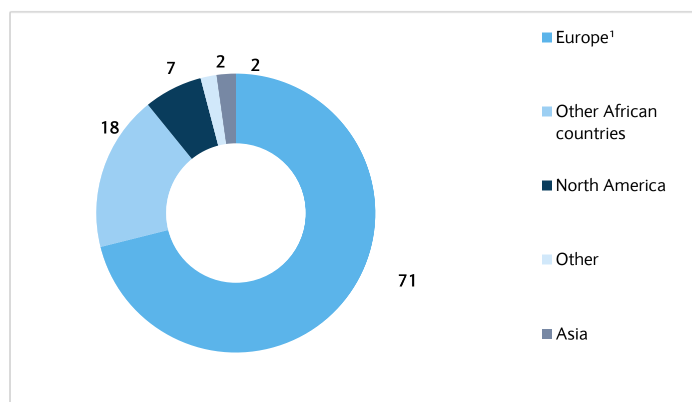
	2013 EAD				
	Current to 6 months Rm	6 months to 1 year Rm	1 year to 5 years Rm	More than 5 years Rm	Total Rm
Banks	34 615	19 305	18 074	3 066	75 060
Corporate exposure	35 507	97 114	116 771	32 264	281 656
Corporate	5 774	75 525	83 343	15 686	180 328
SME Corporate	29 652	21 088	27 508	12 407	90 655
Specialised lending - income producing real estate	81	480	1 845	2 461	4 867
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	9 701
Retail exposures	108 682	8 936	106 841	211 621	436 080
Mortgages (including any home loan equity line of credit)	39 024	3 297	19 570	201 531	263 422
Other	4 714	1 094	61 574	6 963	74 345
Unsecured lending ≤ 30 000	676	49	2 014	1 310	4 049
Unsecured lending > 30 000	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	-	74 975
Credit cards	51 639	-	-	-	51 639
Non credit cards	6 670	471	16 195	-	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
Sovereigns	50 181	2 568	20 222	26 143	99 114
	228 995	138 313	268 843	278 769	914 920

	2012 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	5 057	27 478	14 621	2 804	49 960
Corporate Exposure	3 554	100 013	77 449	35 426	216 442
Corporate	3 119	79 140	57 092	18 794	158 145
SME Corporate	435	20 684	17 794	11 794	50 707
Specialised lending - income producing real estate	-	1	660	1 815	2 476
Specialised lending - project finance	-	188	1 903	3 023	5 114
Local governments and municipalities	31	3 785	1 713	3 894	9 423
Public sector entities	1	3 033	4 298	1 172	8 504
Retail	105 344	10 521	67 642	222 787	406 294
Mortgages (incl home equity lines of credit)	36 091	4 161	7 804	211 150	259 206
Other	5 558	2 343	53 881	7 423	69 205
Unsecured lending ≤ 30000	798	362	2 243	1 604	5 007
Unsecured lending > 30000	2 267	752	7 440	4 965	15 424
Vehicle and asset finance	2 493	1 229	44 198	854	48 774
Revolving credit	57 379	528	58	-	57 965
Credit cards	50 774	-	-	-	50 774
Non credit cards	6 605	528	58	-	7 191
SME	6 316	3 489	5 899	4 214	19 918
Secured lending	45	121	2 987	3 478	6 631
Unsecured lending	6 271	3 368	2 912	736	13 287
Securities firms	470	2 477	221	231	3 399
Sovereign	23 365	134	18 433	30 018	71 950
	137 822	147 441	184 377	296 332	765 972

Analysis of risk exposures

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

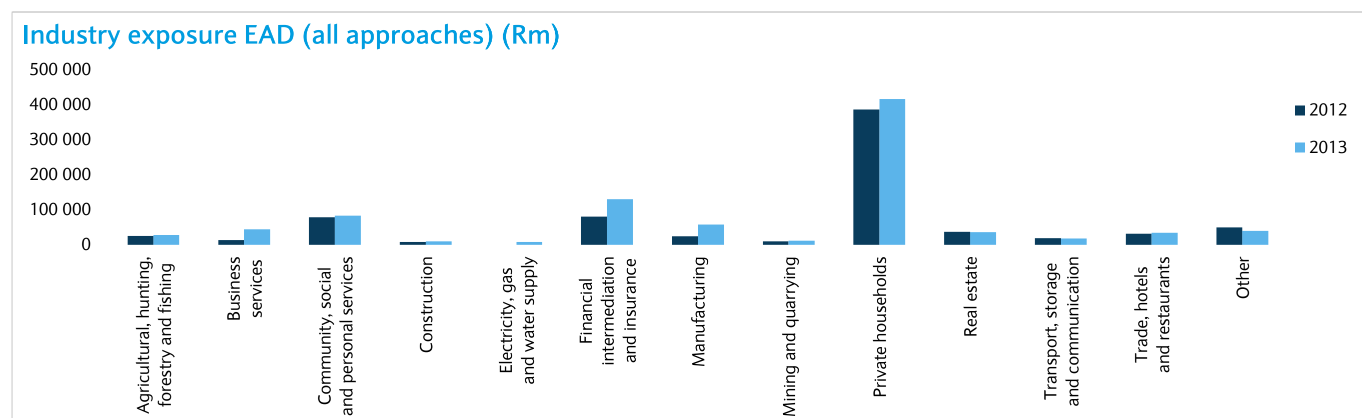




2013

2012

Breakdown of exposure per industry



Breakdown of gross exposure by geographical area

	2013							
	Asia Rm	**Europe[1] Rm**	**North America Rm**	**Other African Countries Rm**	**Other Rm**	**South Africa Rm**	**South America Rm**	**Total Rm**
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**

	2012							
	Asia	Europe[1]	North America	Other African Countries	Other	South Africa	South America	Total
AIRB approach	2 411	78 414	7 441	5 662	2 059	888 831	-	984 818
Standardised approach	-	-	-	150 758	-	24 657	-	175 415
	2 411	78 414	7 441	156 420	2 059	913 488	-	1 160 233

Notes

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

Analysis of risk exposures

Securitisation

Our securitisation activities

Securitisation transactions have been used as a means of raising long-term funding. We apply the IRB approach in the assessment of our 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, we also act as an investor, a service provider, a liquidity provider and credit enhancer to a number of securitisation transactions. We invest directly in the securitisation schemes.
The following table provides a breakdown of our 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			√			
Grayston Conduit Proprietary Limited				√		
Home Obligors Mortgage Enhanced Securities Proprietary Limited	√	√	√		√	√
Nitro 4				√		
Nqaba Finance Proprietary Limited				√		
Mmela			√			

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	2013 Amount securitised Rm	2012 Amount securitised Rm
Mortgage advances	Moody's, Fitch and Standard and Poor's	4 518	5 057

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

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

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

Outstanding securitisation balances

IRB exposure	2013 Rm	2012 Rm
On-statement of financial position		
Retail - mortgages	4 104	4 632
Total IRB exposures	**4 104**	4 632
Of which notes issued		
Investment grade	3 182	4 019
Sub-investment grade[1]	922	1 038

Notes
[1]BBB and below.

Analysis of risk exposures

Originator	2013 Amount securitised originator Rm	2013 Past due originator Rm	2012 Amount securitised originator Rm	2012 Past due originator Rm
Mortgage advances[1]	4 076	1	5 057	1

Retained or purchased securitisation exposures per asset class

Exposure type - Retail	2013 Retained Rm	2013 Purchased Rm	2013 Total Rm	2012 Retained Rm	2012 Purchased Rm	2012 Total Rm
Mortgages	-	-	-	923	21	944
Other	-	450	450	-	-	-
	-	450	450	923	21	944

Retained or purchased securitisation exposure by risk weight band

Risk-weighted band (%)[2]	2013 Retained Rm	2013 Purchased Rm	2012 Retained Rm	2012 Purchased Rm
20 - 49	-	450	-	21
1 250 or deducted	922	-	923	-
	922	450	923	21

Rated securitised exposures

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

IRB exposures	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	2012 Total senior exposure rated BBB or better Rm	2012 Total base risk weight exposure rated BBB or better Rm	2012 Total exposure rated BBB or below Rm
Instalments sales and leasing	1	-	-	1	-	1
Mortgages	32	34	92	32	60	92
Other	7	16		8	-	8
	40	50	92	41	60	101

Notes

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

[2]The following risk weight bands had no retained or purchased securitisation exposures in the current or previous reporting period 7 – 10; 50 –99 and 350 – 1 250.

Analysis of risk exposures

Risk-weighted assets and capital deductions (IRB)

IRB exposures - Retail	2013 RWAs Rm	2013 Required capital Rm	2012 RWAs Rm	2012 Required capital Rm
Instalment sales and leasing	4	0	11	1
Mortgages	695	68	941	89
Other	238	23	85	8
	937	91	1 037	99

Equity investment risk

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:

- we do 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
- we do 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:

Realised and unrealised gains on equity investments

	2013 Rm	2012 Rm
Cumulative realised gains/(losses) arising from sales and liquidations	22	54
Total unrealised gains/(losses) recognised directly in the statement of financial position	17	(4)

Equity investments in the banking book

	2013 Rm	2012 Rm
Statement of financial position	3 966	5 603
Exchange traded investments, associates and joint ventures[1]	525	393
Privately held traded investments, associates and joint ventures[2]	3 441	5 209
Fair value of exchange traded investments, associates and joint ventures[3]	525	393
Risk-weighted assets	14 624	23 179
Exchange traded investments, associates and joint ventures	213	1 255
Privately held traded investments, associates and joint ventures	14 411	21 924
Economic capital	2 188	2 945
Exchange traded investments, associates and joint ventures[1]	114	332
Privately held traded investments, associates and joint ventures[2]	2 074	2 613

Notes

[1] Includes significant minority financial investments deducted from net qualifying regulatory capital, amounting to R298 million as at 31 December 2013 (30 June 2013: R307 million; 31 December 2012: R60 million).
[2] Includes significant minority financial investments deducted from net qualifying regulatory capital, amounting to R114 million as at 31 December 2013 (30 June 2013: R92 million; 31 December 2012: R98 million).
[3]To address specific SARB Pillar 3 requirements for equity risk in the banking book relating to the value of investments, it should be noted that the difference between the statement of financial position value and fair value of associates and joint ventures amounts to Rnil million as at 31 December 2013 (30 June 2013: Rnil million; 31 December 2012: Rnil million). The difference in previous periods relates to conservative impairments applied on the listed associates, which followed a prudent and considered assessment by the board, therefore resulting in the fair value of the said investments being higher than the statement of financial position values. Additionally there are no differences between the fair value and market value of exchange traded investments, associates and joint ventures.

Analysis of risk exposures

Market risk

Traded market risk

Analysis of market risk exposure

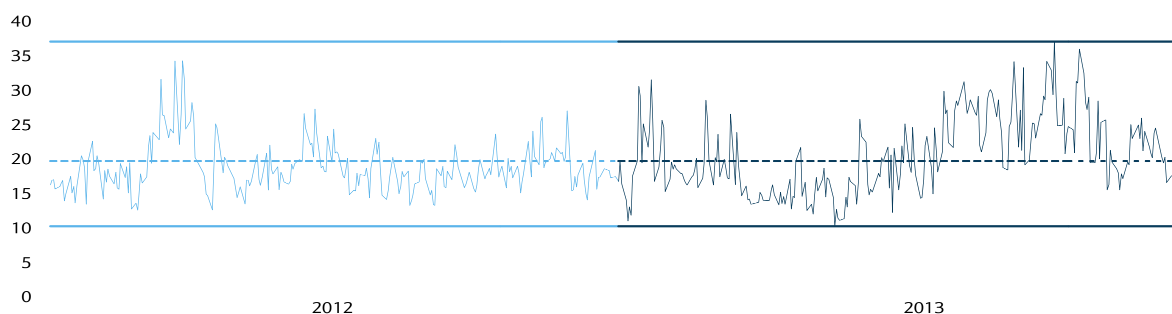
The following table reflects the DVaR and expected shortfall statistics for our trading book activities as measured by the internal models approach (IMA) for general trading position risk. Our traded market risk exposure, as measured by average total DVaR, increased to R20,73 million for the reporting period, which is up 10% compared to the previous reporting period (R18,87 million). This was principally due to increased volatility in time series data given extreme market moves recorded during the period. The business model of CIB is orientated around client flow and the risk profile is maintained so that it is aligned with the near-term demands of our clients. The model showed resilience in tough trading conditions. Trading revenues declined marginally compared to the previous reporting period, but a favourable risk-adjusted return was sustained for the reporting period.

Our trading book DVaR summary

	2013				2012			
	Average Rm	High[1] Rm	Low[1] Rm	As at the reporting date Rm	Average Rm	High[1] Rm	Low[1] Rm	As at the reporting date Rm
Interest rate risk	16.36	37.04	7.06	11.28	16.99	30.71	8.84	11.87
Foreign exchange risk	**6.96**	**23.59**	**1.20**	**2.93**	7.30	21.34	2.13	8.23
Equity risk	**4.45**	**15.95**	**1.38**	**4.32**	5.12	16.72	1.13	1.88
Commodity risk	**1.52**	**4.16**	**0.32**	**0.34**	0.85	2.92	0.17	1.29
Inflation risk	**8.29**	**17.37**	**4.36**	**4.46**	7.06	17.95	2.63	8.80
Credit spread risk	**4.52**	**8.98**	**1.96**	**4.35**	4.05	5.76	1.95	3.69
Diversification effect	**(21.37)**	**n/a**	**n/a**	**(14.28)**	(22.50)	n/a	n/a	(18.21)
Total DVaR[2]	**20.73**	**37.14**	**10.34**	**13.40**	18.87	34.38	12.66	17.55
Expected Shortfall[2]	**30.53**	**53.81**	**14.48**	**21.66**	27.46	49.65	17.58	23.84
Regulatory VaR[3]	**35.94**	**76.09**	**17.35**	**29.65**	32.38	53.67	20.11	31.91
Regulatory sVaR[3]	**51.15**	**91.19**	**23.81**	**29.16**	44.42	93.58	27.19	40.88

The following graph indicates the daily history of our total trading book DVaR for which internal models approval has been obtained for the previous period and the reporting period, along with the period averages, highs and lows. In comparison with the previous period and continuing the trend, the DVaR demonstrated higher variability in DVaR with a higher maximum and lower minimum compared to the previous period. Large DVaR days remained limited although average risk levels were higher. We, on some occasions in the conduct of client transactions, take on larger than usual market risk. This is undertaken within our market risk appetite.

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



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.

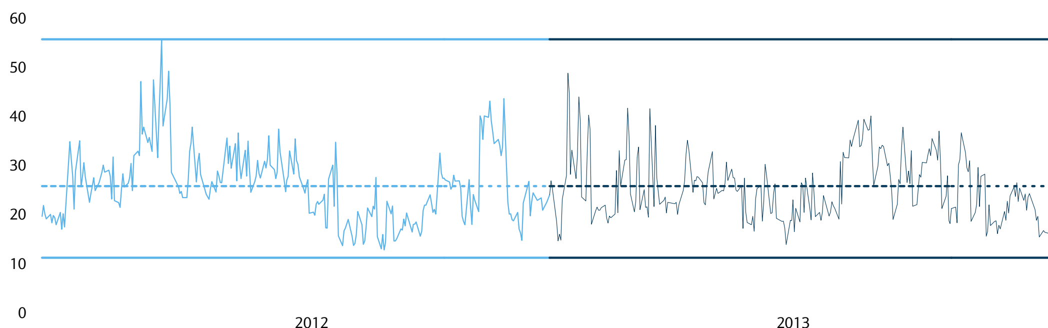
[2] The analysis includes trading books for which internal models approval has been obtained.

[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.

Analysis of risk exposures

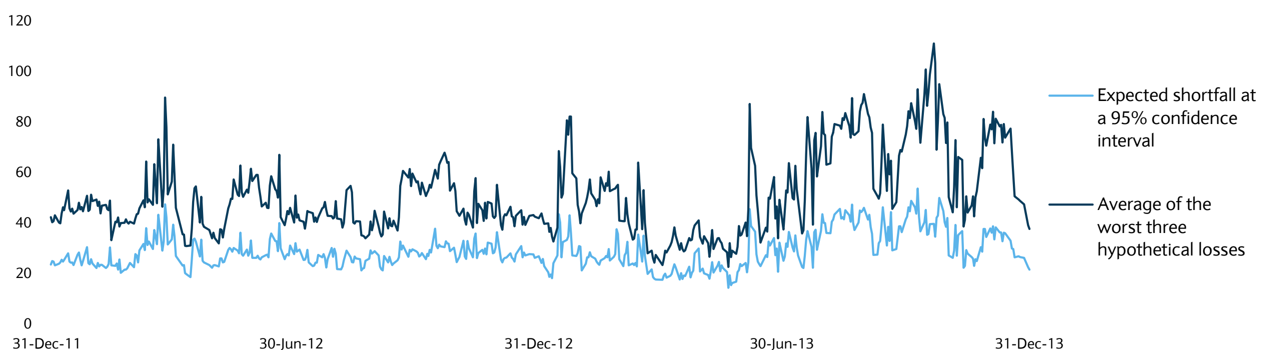
The following graph shows the daily history of our total trading book sVaR for which internal models approval has been obtained for the previous period and the reporting period.

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



The following graph shows the daily history of our total trading book tail metrics for which internal models approval has been obtained for the previous period and the reporting period. Similar to VaR, the average of the worst three hypothetical losses increased due to stressed market moves seen during the reporting period.

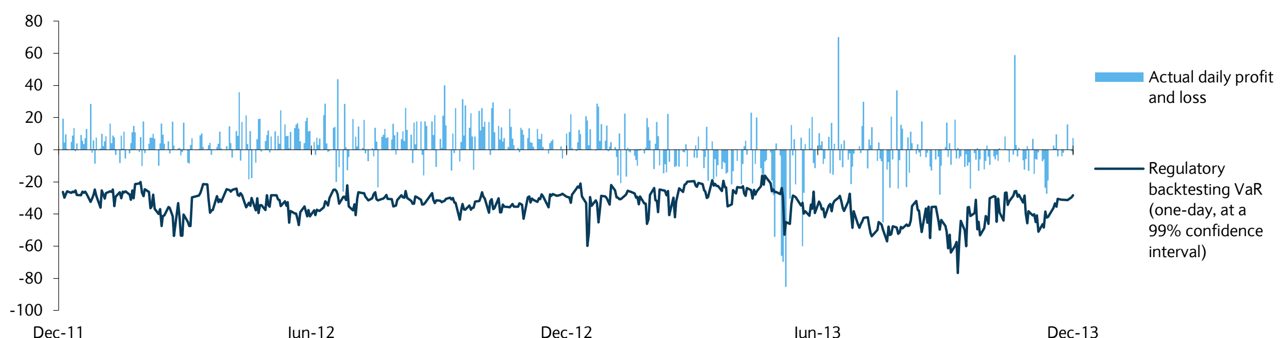
Our trading book tail metrics (daily values) (Rm)



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 backtesting purposes.
During the reporting period, there were seven instances in which an actual daily trading loss exceeded the corresponding VaR estimate. There were also nine theoretical losses that exceeded the VaR estimate. This is higher than for the previous reporting period and can be attributed to significantly larger market moves recorded in May and June during the reporting period, which also caused a shift in the VaR distribution.

Our trading book revenue backtested against regulatory value at risk (Rm)

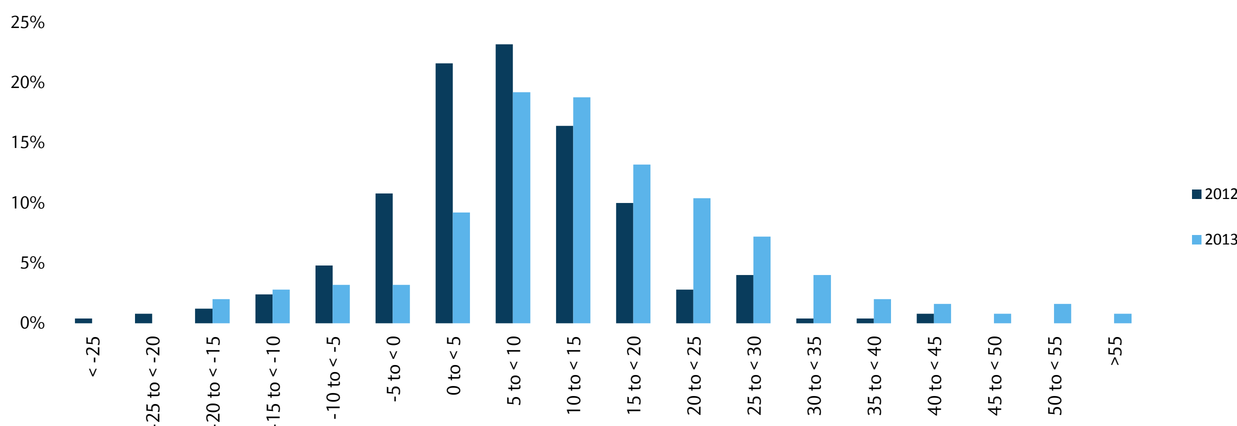


Analysis of risk exposures

Analysis of trading revenue

The following histogram depicts the distribution of daily trading revenue of our trading book for the previous period and the reporting period. Revenue includes net trading book income, excluding net fees and commissions. The distributions are skewed to the profit side. The average daily trading revenue for the reporting period increased compared to that of the previous period. With the same number of business days during the previous period and the current period, the percentage of positive revenue days increased to 89% for the reporting period, from 80% in the previous reporting period, indicating higher profit days and higher average profit compared to the previous period. This was largely driven by trade flow and to a lesser extent by positioning in a period of high market volatility.

Our 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 our 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 **R2,04 billion** (2012: R1,88 billion). A similar increase would result in an increase in projected 12-month net interest income of **R1,85 billion** (2012: R1,88 billion). AEaR decreased by 0,1% to 6,3% 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 2012: 84%), therefore indicating that the Group remains primarily exposed to South African market interest rates.

	Group			
	Change in market interest rates			
	200 bps decrease	100 bps decrease	100 bps increase	200 bps increase
As at the current reporting period				
Domestic bank book[1] (Rm)	(1 753)	(866)	758	1 562
Foreign subsidiaries[1] banks books[2](Rm)	(283)	(142)	128	283
Total (Rm)	(2 036)	(1 008)	886	1 845
Percentage of the Group's net interest income (%)	(6,3)	(3,1)	2,7	5,7
Percentage of the Group's equity (%)	(2,4)	(1,2)	1,0	2,2

Note

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

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

Analysis of risk exposures

	Change in market interest rates			
	200 bps decrease	100 bps decrease	100 bps increase	200 bps increase
As at the previous reporting period				
Domestic bank book[1] (Rm)	(1 568)	(769)	776	1 574
Foreign subsidiaries[1] banks books[2](Rm)	(307)	(154)	153	307
Total (Rm)	(1 875)	(923)	929	1 881
Percentage of the Group's net interest income (%)	(6,4)	(3,2)	3,2	6,4
Percentage of the Group's equity (%)	(2,2)	(1,1)	1,1	2,2

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

Interest return on average balances

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

Group average statement of financial position

	2013			2012		
	Average balance[1]	Average rate[2]	Interest income/ (expense)[3]	Average balance[1]	Average rate[2]	Interest income/ (expense)[3]
Group average statement of financial position	**Rm**	**%**	**Rm**	Rm	%	Rm
Assets						
Cash, cash balances and balances with central banks	14 110	1,74	245	11 776	1,41	166
Statutory liquid asset portfolio	62 083	7,01	4 352	58 286	7,27	4 235
Loans and advances to banks and customers	638 504	8,12	51 825	606 709	8,07	48 982
Investment securities	8 125	25,50	2 072	7 322	23,79	1 742
Other	-	-	1 738	-	-	2 172
Interest-bearing assets	722 822	8,33	60 232	684 093	8,38	57 297
Non-interest-bearing assets	194 494	-	-	203 462	-	-
Total assets	917 316	6,57	60 232	887 555	6,46	57 297
Liabilities						
Deposits from banks and due to customers	565 617	(3,92)	(22 158)	509 679	(3,90)	(19 863)
Debt securities in issue	107 503	(6,09)	(6 545)	121 452	(6,59)	(8 008)
Borrowed funds	15 528	(9,56)	(1 485)	13 355	(10,16)	(1 357)
Other	-	-	2 307	-	-	1 233
Interest-bearing liabilities	688 648	(4,05)	(27 881)	644 486	(4.44)	(27 995)
Non-interest-bearing liabilities	145 198	-	-	164 467	-	-
Total liabilities	833 846	(3,34)	(27 881)	808 953	(3,46)	(27 995)
Total equity	83 470	-	-	78 602	-	-
Total equity and liabilities	917 316	(3,04)	(27 881)	887 555	(3,15)	(27 995)

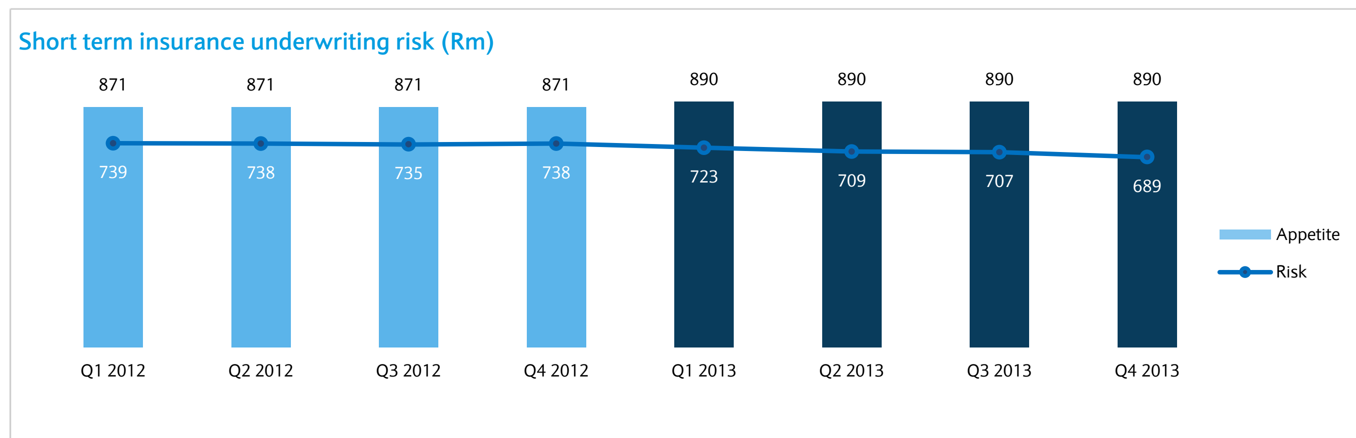
Notes
[1]The average prime rate for the reporting period was 9.00% (30 June 2012: 9.87%, 31 December 2012: 8.77%)
[2]Calculated based on daily weighted average balances.
[3]Comparatives have been reclassified.
[4]Also includes fair value adjustments on hedging instruments and hedging items.

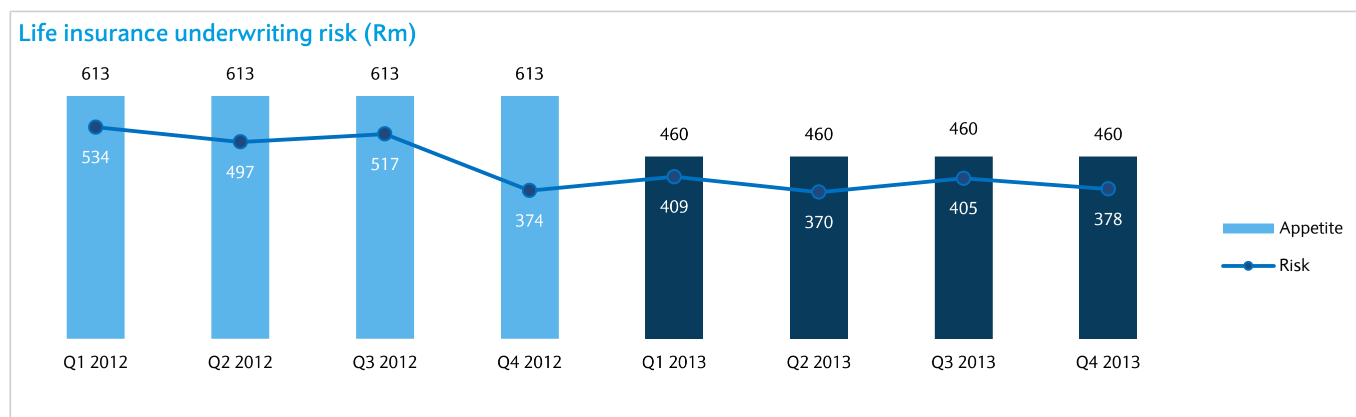
Analysis of risk exposures

Insurance risk

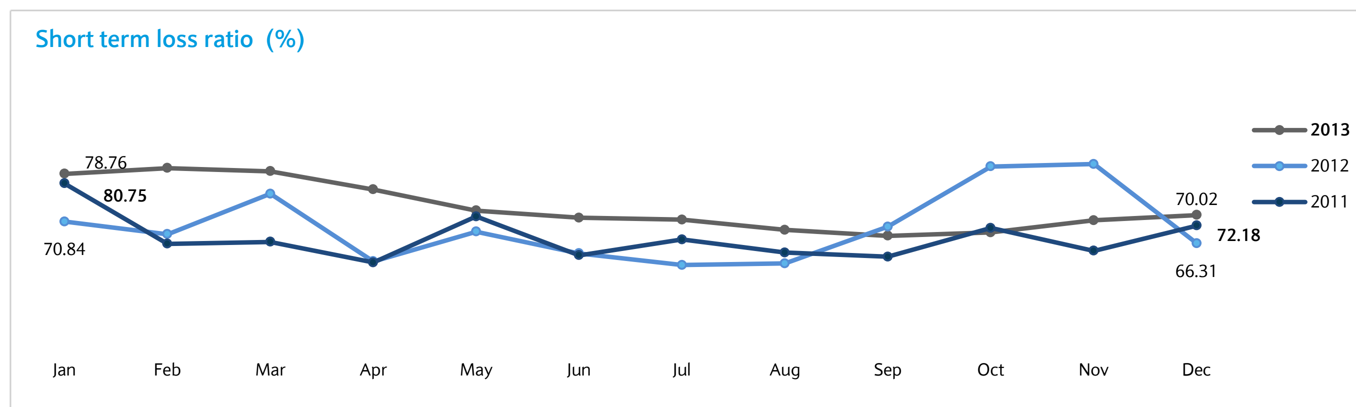
The underwriting risk figures were approved by the entity Actuarial Review Committees in November 2013. The figures are based on economic capital principles and refer to 1 in 250 event levels. Absa Life extrapolates the underwriting Capital Adequacy Requirement (CAR) by assuming that life underwriting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

The following graphs show detailed matrix in our insurance business



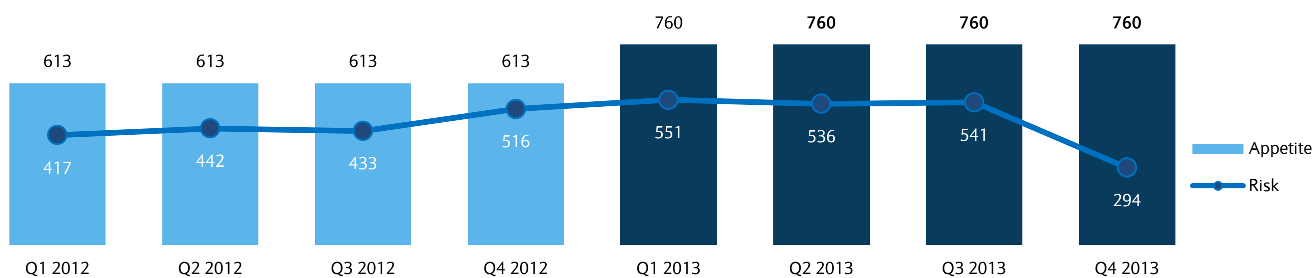


Short-term insurance loss ratios were flat over the reporting period despite drought-related claims in the agricultural crop insurance.



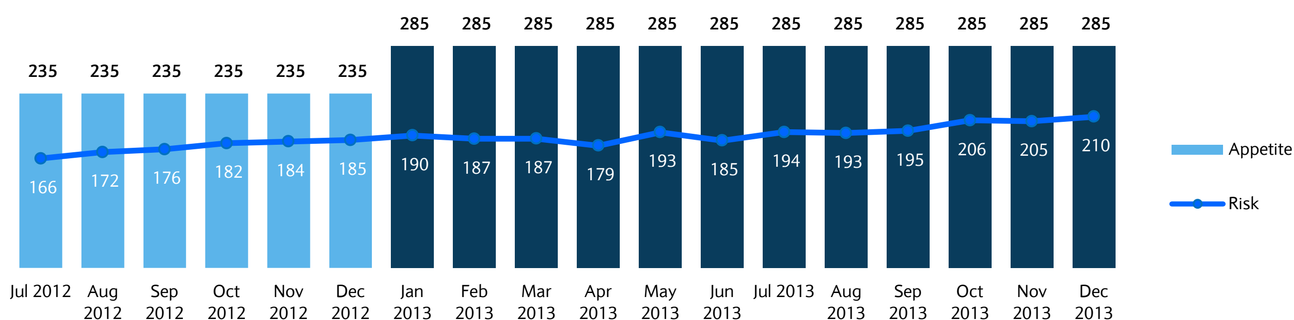
Analysis of risk exposures

Life insurance mismatch risk (Rm)



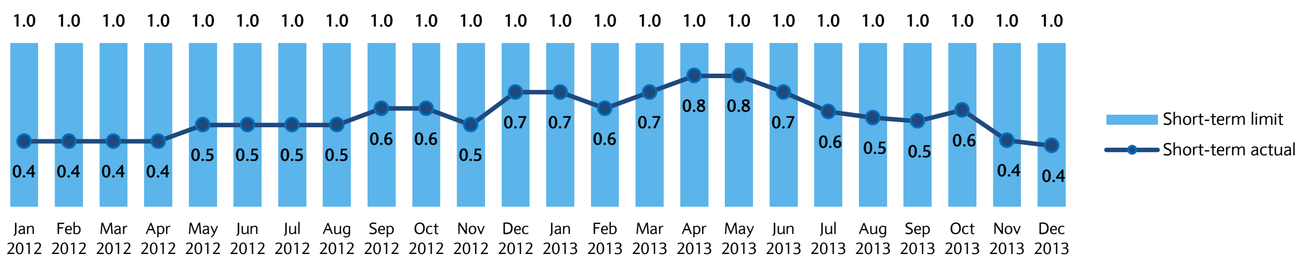
Life insurance mismatch risk remained well within appetite over the reporting period.

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



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

Short term insurance duration matching (years)



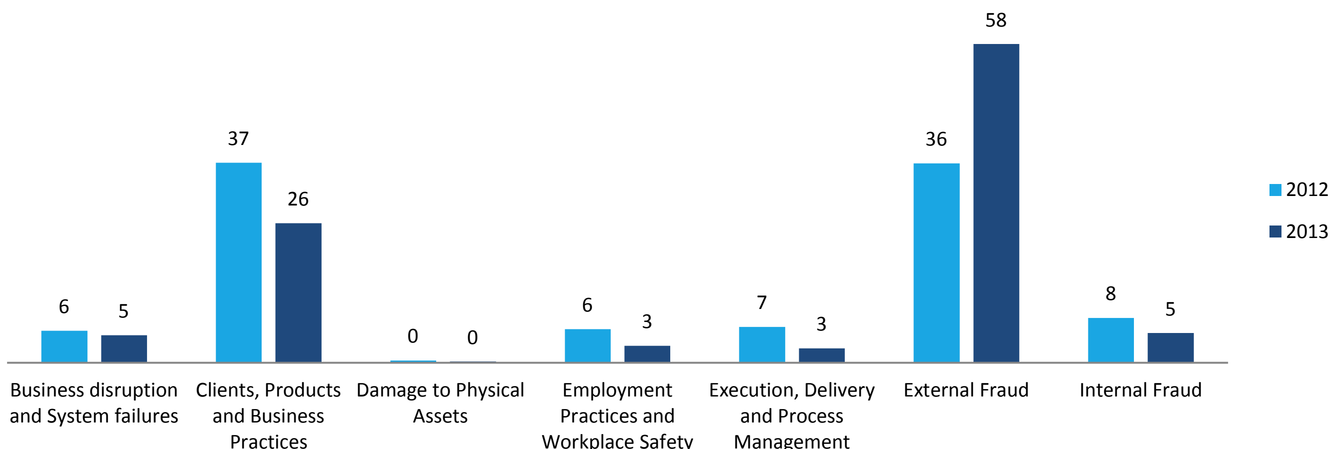
Operational risk

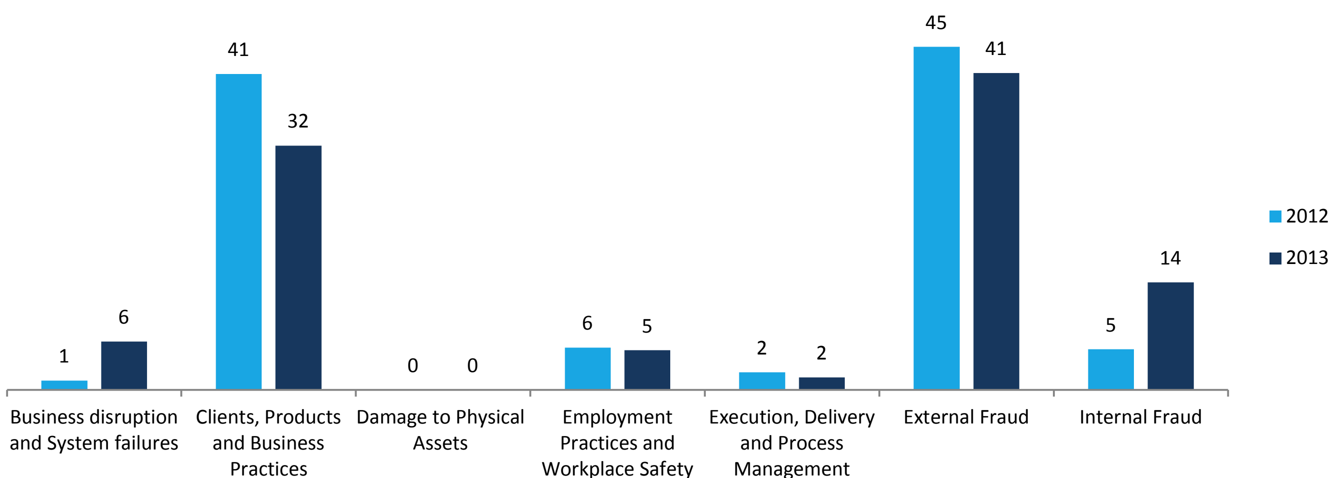
We monitor trends in operational risk events by size, product line and internal risk categories (including Key Risk). For comparative purposes, the analysis below presents the operational risk events by Basel II category. The highest frequency of events occurred in external fraud (58%). This pattern is in line with the nature of operational risk and the environment in which we operate.

The highest portion of losses by value occurred in external fraud (41%). External Fraud losses are largely influenced by the card portfolio, primarily related to the acquisition of the Edcon portfolio. An increase in ATM bombings & Technology related business disruptions contributed 6% of all losses (an increase of 5% over 2012).

The category 'Clients, Products & Business Practices' accounts for 32% of total losses by value, driven predominantly by process design and operational failures that had an impact on our customers. The largest contributor to the increase in value of internal fraud is a single event in Wealth, Investment Management and Insurance.

Analysis of risk exposures



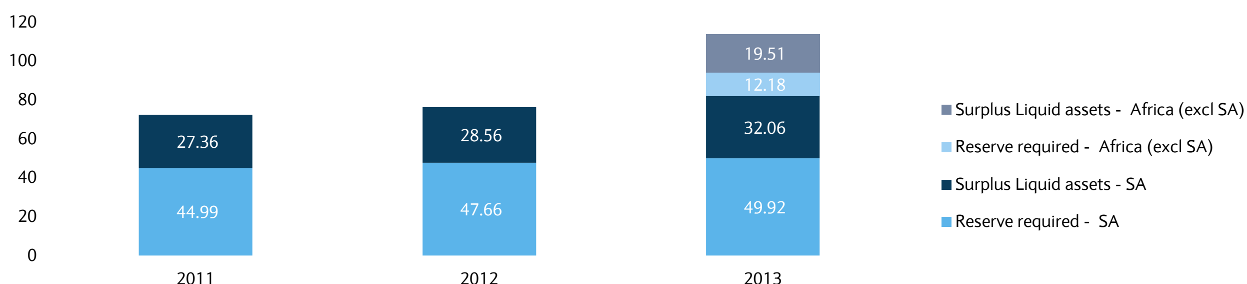


Liquidity Risk

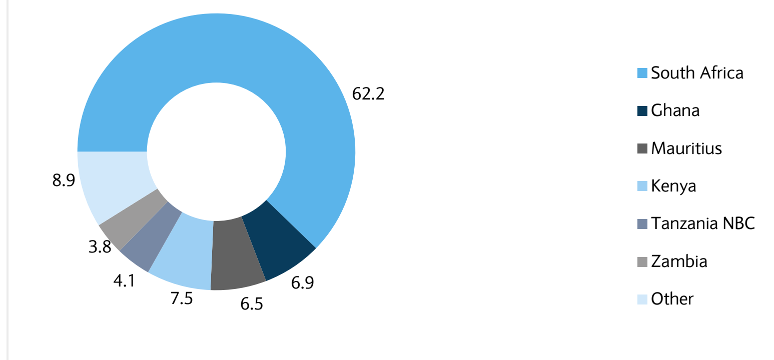
Surplus liquid assets and reserves held

The level of surplus liquid assets and reserves held by us (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 surplus of R32bn for South Africa. The acquisition of the Barclays Africa entities increased the liquid assets from R82bn to R114bn and surplus from R32bn to R52bn. These entities are generally surplus funded with excess deposits invested in liquid assets.

Summary liquid assets and reserves position (Rbn)



Analysis of risk exposures



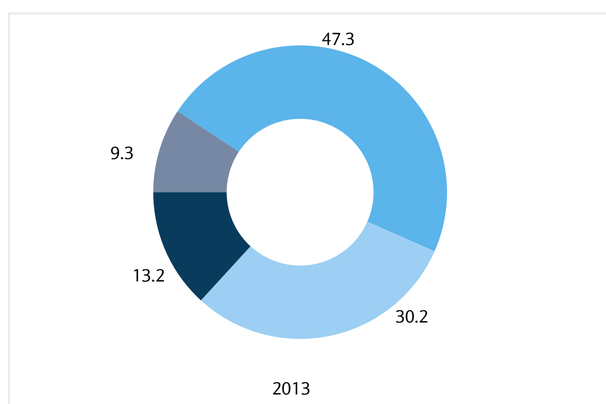
BAGL sources of liquidity	2013	2012
Prudential requirement	**62,1**	57,1
Surplus liquid assets	**51,6**	44,1
Other sources of liquidity	**40,2**	43,4
	153.9	144.6

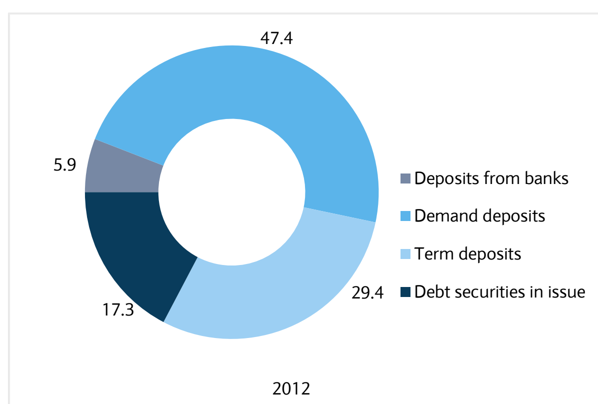
Funding Structure

Our funding position in South Africa has continued to improve with further increases in term deposits reducing the reliance on wholesale debt securities. The retail and business bank remains only partly funded by retail and business deposits, while the corporate business is self-funded. We continue to rely on wholesale funding markets for the balance of the funding requirement. Corporate Investment Banking (CIB) acts as the bank's face to the market' for obtaining wholesale funding. Our deposit base outside of South Africa has grown significantly both in local and hard currency.

Funding is sourced from a variety of depositors representing a diversity of South African economic sectors, with a wide range of maturities. We have 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.

Summary funding composition (%)

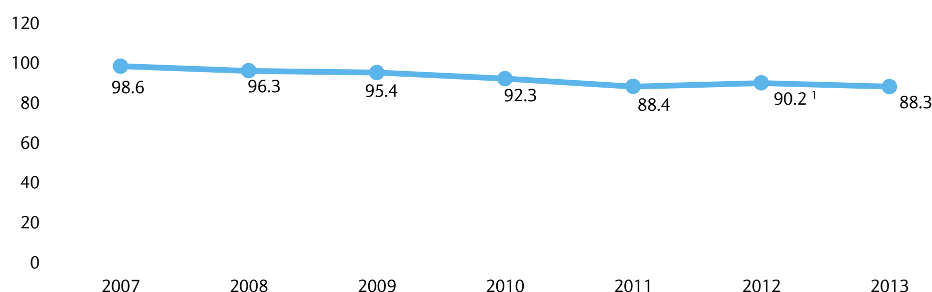




Loan–to-deposits ratio

The progression of the loans-to-deposits ratio is summarised in the graph below. During 2013 the South African loan-to-deposit ratio slightly increased to 93%. Again, the acquisition of the Barclays Africa entities had a positive impact on the ratio reducing it by 4.7% to 88.3%, because the majority of these banks are deposit lead.

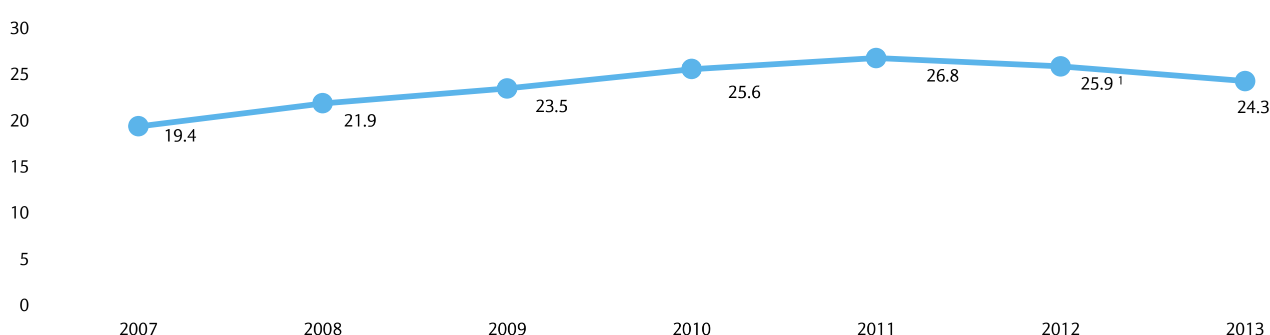
Analysis of risk exposures



	2013 Rm	2012[1] Rm
Advances		
Loans and advances to customers (note 9)	**605 337**	566 262
Deposits		
Deposits due to customers (note 22)	**588 011**	543 101
Debt securities in issue (note 23)	**97 829**	106 804
	685 840	649 905
Loans-to-deposits ratio (%)	**88.3**	87.1

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. During 2013 the South African average long-term funding ratio increased to 27.3%. The acquisition of the Barclays Africa entities reduced the overall ratio by 3.0% to 24.3%. The African entities are predominantly deposit lead banks funded through retail and corporate deposits. Whilst these deposits are very stable they are generally short term.

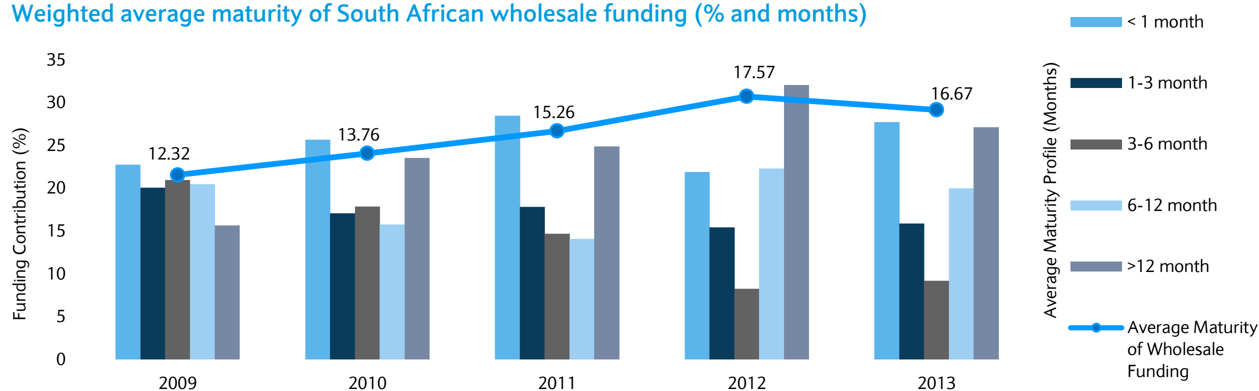


Notes
[1] 87.1% when restated to include Africa Subsidiaries

Analysis of risk exposures

Weighted average maturity of South African wholesale funding

The graph below summarises the extent to which we have been able to extend the South African wholesale funding profile. The weighted average remaining term of wholesale funding has decreased slightly since 31 December 2012 to 16.7 months at 31 December 2013.



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 in terms of Directive 8 issued 7 June 2013 by the SARB

- → Capital disclosure – Group and Bank
- → Main features – Group and Bank
- → Reconciliation of accounting capital to regulatory capital (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]

	2012	2013													
			Mortgages: (including any home loan equity line of credit)				Other: unsecured lending ≤30 000				Other: unsecured lending ≥30 000			
Risk grade	Average PD %	Average PD %	LGD %	Exposure weighted average risk weight %	Expected loss Rm	EAD Rm	LGD %	Exposure weighted average risk weight %	Expected loss Rm	EAD Rm	LGD %	Exposure weighted average risk weight %	Expected loss Rm	EAD Rm
Non-default	2.93	3.35	13.32	25.93	1,154	239,014	75.21	102.00	167	3,682	77.83	104.59	498	12,276
4	0.03	0.03	13.96	1.44	0	43	-	-	-	-	83.10	9.27	-	26
5	0.04	0.04	10.69	1.20	1	15,856	72.47	8.40	-	203	75.00	8.70	-	219
6	0.05	0.05	11.23	1.70	0	2,643	-	-	-	-	-	-	-	-
7	0.09	0.09	10.48	2.41	1	7,567	-	-	-	-	-	-	-	-
8	0.11	0.11	10.69	2.78	2	16,914	73.65	23.35	-	104	76.90	24.41	-	375
9	0.16	0.16	13.48	4.92	2	8,739	71.29	27.53	-	34	72.90	28.15	-	80
10	0.23	0.22	14.54	6.81	2	5,941	-	-	-	-	82.47	35.75	-	21
11	0.32	0.30	17.93	10.05	8	15,776	73.46	41.38	-	208	77.23	44.41	2	733
12	0.45	0.46	12.08	9.31	6	10,655	72.24	49.66	-	43	73.47	50.80	-	99
13	0.66	0.65	13.23	13.21	27	31,504	73.58	62.40	1	229	77.14	64.18	4	862
14	0.90	0.89	12.62	15.45	13	11,842	74.92	75.45	1	147	78.13	78.18	4	677
15	1.24	1.24	13.83	21.30	25	14,986	78.47	91.78	7	724	79.68	92.96	25	2,589
16	1.81	1.84	12.81	25.17	52	22,226	74.25	98.63	3	192	77.58	102.57	11	815
17	2.55	2.59	13.80	33.58	81	22,505	74.73	106.50	5	260	77.85	111.08	21	1,096
18	3.79	3.63	13.11	81.23	184	12,642	75.53	113.92	8	306	78.20	118.13	32	1,126
19	5.14	4.84	14.88	52.56	116	15,140	74.34	116.13	8	205	76.92	120.08	23	600
20	7.37	7.24	15.46	63.47	112	10,359	76.61	128.31	11	202	77.12	125.16	40	734
21	9.74	9.95	14.16	68.69	29	2,006	74.38	130.65	8	115	76.96	134.92	21	289
22	14.87	15.43	14.47	81.27	57	2,515	75.53	156.52	45	399	77.92	161.91	136	1,172
23	20.84	20.89	13.57	81.50	62	2,184	72.19	174.12	9	61	75.31	181.82	31	192
24	28.94	29.58	13.89	85.68	129	3,116	74.54	199.39	38	179	76.88	206.86	90	395
25	40.14	48.49	13.07	69.38	243	3,856	72.14	194.00	23	72	74.61	201.73	58	177
Default	100.00	100.00	13.66	1.44	4,310	13,901	76.56	169.29	255	366	76.58	176.17	640	1,012
Total	9.02	7.92	13.34	24.59	5,464	252,916	75.33	108.32	422	4,048	77.73	110.04	1,139	13,288

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

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															
Other: vehicle and asset finance				Revolving credit: credit cards				Revolving credit: non-credit cards				SME: secured lending			
LGD %	Exposure weighted average risk weight %	Ex-pected loss Rm	EAD Rm	LGD %	Exposure weighted average risk weight %	Ex-pected loss Rm	EAD Rm	LGD %	Exposure weighted average risk weight %	Ex-pected loss Rm	EAD Rm	LGD %	Exposure weighted average risk weight %	Ex-pected loss Rm	EAD Rm
37.88	52.00	637	52 011	74.32	69.36	1 109	36 164	81.90	22.99	50	7 062	22.32	35.55	69	8 585
-	-	-	-	-	-	-	-	82.71	2.06	-	189	36.08	3.78	-	6
39.60	4.59	-	255	71.42	1.84	-	4	82.03	2.11	1	2 911	10.00	-	-	-
-	-	-	-	-	-	-	-	82.30	3.68	-	9	14.22	2.61	-	47
37.40	9.12	-	494	77.73	4.41	-	2	82.03	3.95	-	158	-	-	-	-
38.06	10.10	-	1 239	70.67	4.89	4	4 742	78.12	5.79	-	3	-	-	-	-
-	-	-	-	69.43	6.37	3	2 694	78.10	7.14	-	13	-	-	-	-
41.96	21.90	-	-	78.28	8.86	-	1	82.21	9.23	1	491	-	-	-	-
37.47	21.62	-	297	77.94	13.45	-	164	82.00	15.00	2	593	-	-	-	-
37.91	28.21	8	4 276	76.33	17.34	-	19	80.35	16.97	-	43	13.70	9.40	-	605
37.81	32.71	1	584	76.36	20.91	-	1	81.53	22.67	2	375	39.76	37.03	-	-
37.86	39.65	11	2 978	74.74	27.31	21	3 244	81.63	30.86	3	433	14.01	14.29	-	394
36.77	51.76	22	4 705	75.11	36.12	8	884	81.78	40.58	9	870	15.62	17.95	2	1 062
38.18	51.03	54	7 597	75.83	45.07	16	1 239	81.35	53.83	4	224	25.80	34.84	3	531
37.73	54.15	150	15 664	76.39	58.81	38	2 089	81.72	66.86	5	234	25.73	37.30	14	2 003
38.20	66.35	94	5 682	75.47	77.40	68	2 472	81.64	87.68	9	285	21.22	43.33	21	2 774
38.22	60.42	57	2 863	74.58	89.00	485	14 602	81.74	106.35	4	88	32.80	51.23	7	415
38.31	63.86	76	2 553	77.35	125.55	82	1 476	81.29	133.47	5	77	29.61	48.67	8	370
37.62	65.78	37	1 033	77.96	155.32	61	772	81.99	164.87	5	59	35.65	63.44	8	234
38.25	79.15	64	1 127	78.39	187.00	90	805	81.27	197.79	-	4	20.13	40.54	3	116
39.15	93.36	33	411	78.75	219.62	77	483	81.72	226.51	1	4	33.22	78.99	1	19
38.84	103.31	21	188	79.40	245.11	48	217	82.01	247.31	-	-	34.28	94.58	-	4
39.78	111.36	9	64	79.08	238.13	107	253	78.07	252.70	-	-	37.92	106.28	1	5
62.92	269.89	512	1 384	74.69	158.68	980	1 546	94.81	408.37	61	79	27.11	184.02	153	159
38.53	57.50	1 149	53 394	74.34	73.03	2 089	37 710	82.04	27.28	111	7 141	22.41	38.25	222	8 744

Notes

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

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												2012
SME: unsecured lending				Other				Total				
LGD %	Exposure weighted average risk weight %	Expected loss Rm	EAD Rm	LGD %	Exposure weighted average risk weight %	Expected loss Rm	EAD Rm	LGD %	Exposure weighted average risk weight %	Expected loss Rm	EAD Rm	EAD Rm
62.25	57.24	268	14 435	50.00	108.13	170	2 084	28.90	38.86	4 122	375 312	364 138
32.21	3.48	-	139	-	-	-	-	57.30	2.97	-	402	313
81.59	2.28	-	1 099	50.00	5.80	-	-	26.25	1.58	2	20 546	16 884
40.42	6.41	-	2	-	-	-	-	11.54	1.73	-	2 701	11 116
82.02	3.95	-	-	-	-	-	-	13.50	2.84	1	8 222	638
79.17	7.49	-	27	-	-	-	-	25.72	4.04	7	23 403	7 089
81.52	7.26	-	6	-	-	-	-	27.20	5.48	5	11 566	7 777
22.07	8.68	-	58	-	-	-	-	19.94	7.10	3	6 513	9 750
79.30	17.31	1	529	50.00	27.06	-	-	25.64	12.37	14	18 301	35 682
80.54	17.91	2	524	-	-	-	-	21.92	14.95	16	16 263	14 339
75.63	31.63	3	554	50.00	44.89	-	-	17.44	15.57	38	34 109	23 045
69.96	36.00	2	310	50.00	48.26	-	-	31.52	24.16	56	20 025	20 215
66.65	47.22	14	1 690	50.00	57.67	-	-	33.09	37.66	113	27 512	52 169
61.83	53.51	19	1 810	50.00	65.81	-	-	25.70	35.60	161	34 635	28 012
56.47	62.20	50	3 193	50.00	72.06	-	13	30.12	46.03	364	47 057	34 125
51.95	68.85	36	1 899	50.00	75.44	-	-	31.68	75.01	452	27 186	37 641
51.81	77.04	31	1 189	50.00	78.04	-	-	44.65	70.83	729	35 101	18 839
58.35	99.43	32	703	50.00	82.46	-	-	30.50	74.17	366	16 474	23 770
59.22	111.32	15	254	50.00	89.08	-	-	39.16	90.83	185	4 761	7 242
66.68	151.71	28	275	50.00	108.41	169	2 067	45.80	114.10	592	8 480	8 583
73.85	199.59	13	88	50.00	117.84	-	-	31.97	112.70	228	3 442	3 214
77.43	228.39	13	62	50.00	138.35	-	1	28.00	113.33	339	4 162	1 903
80.13	250.73	7	24	50.00	140.38	-	-	20.99	87.87	450	4 451	1 792
77.66	51.85	39	159	76.56	-	-	25	28.13	50.94	6 951	18 631	24 373
62.42	57.18	307	14 594	50.31	106.86	170	2 109	28.86	39.43	11 072	393 943	388 511

Notes

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

Annexure B

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

AIRB approach -Wholesale portfolio[1]

	2012	2013												
			Banks				Corporate exposure: Corporate				Corporate exposure: SME			
Risk grade	Average PD %	Average PD %	LGD %	Exposure weighted average risk weight %	Ex-pected loss Rm	EAD Rm	LGD %	Exposure weighted average risk weight %	Ex-pected loss Rm	EAD Rm	LGD %	Exposure weighted average risk weight %	Ex-pected loss Rm	EAD Rm
Non-default	0.87	0.85	43.12	32.86	16	43 251	38.09	59.24	568	176 232	36.39	67.18	335	46 417
4	0.03	0.03	42.66	29.25	3	27 277	37.49	15.22	1	10 871	34.92	5.90	-	172
5	0.04	0.04	43.91	12.25	-	2 170	42.96	42.05	-	5 221	38.66	15.21	-	157
6	0.06	0.05	43.91	24.89	-	572	41.90	29.59	1	2 330	25.52	9.64	-	219
7	0.09	0.08	43.91	36.08	1	2 790	42.06	21.44	5	13 902	44.80	26.39	-	12
8	0.13	0.12	43.91	46.19	3	4 557	37.60	24.80	3	7 687	24.11	18.01	-	34
9	0.17	0.18	43.91	42.80	4	4 894	36.28	34.27	16	24 791	37.32	29.83	-	112
10	0.23	0.23	43.91	33.33	-	8	37.79	35.14	10	12 063	38.63	36.63	3	3 417
11	0.31	0.32	43.91	38.70	-	14	37.80	45.98	19	16 148	37.89	40.01	7	5 906
12	0.46	0.46	43.91	56.82	1	546	39.81	60.66	24	13 291	33.79	42.63	8	5 595
13	0.62	0.61	43.91	56.68	-	6	38.98	71.52	23	10 037	37.01	53.93	9	4 040
14	0.88	0.90	43.91	75.23	-	40	38.44	80.49	50	14 679	37.34	63.12	19	5 564
15	1.30	1.32	43.91	36.41	1	246	35.52	91.94	95	20 120	30.30	88.09	45	5 063
16	1.80	1.82	43.91	113.85	-	-	37.65	101.10	49	7 017	36.94	75.48	26	3 902
17	2.64	2.65	43.91	132.23	1	122	38.71	114.14	108	10 533	37.62	86.57	66	6 621
18	3.66	3.70	44.00	124.50	-	-	38.60	129.69	51	3 511	37.64	91.65	34	2 462
19	5.12	5.21	43.91	190.90	-	6	36.54	137.40	45	2 412	38.24	105.06	27	1 393
20	7.32	7.41	43.91	161.01	-	1	34.01	133.55	16	673	40.13	120.30	25	809
21	9.88	10.03	43.91	181.80	-	1	30.78	137.89	7	222	44.05	152.66	12	272
22	14.87	15.89	43.91	340.91	-	-	27.30	144.49	13	326	40.27	162.63	27	456
23	19.95	19.69	-	-	-	-	43.24	236.39	-	4	42.19	189.36	3	33
24	29.89	29.94	-	-	-	-	23.51	146.25	27	376	37.45	177.99	14	135
25	54.03	39.91	-	-	-	-	39.63	220.66	3	18	49.79	237.22	8	44
Default	100.00	100.00	-	-	-	-	32.00	51.87	1 562	4 096	28.25	63.51	787	2 634
Total	3.02	2.81	43.12	32.86	14	43 250	37.95	59.07	2 128	180 328	35.96	66.98	1 120	49 052

Notes

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

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 Corporate exposure: Specialised lending - income producing real estate				Corporate exposure: Specialised lending - project finance				Local governments and municipalities				Public sector entities			
LGD %	Exposure weighted average risk weight %	Ex-pected loss Rm	EAD Rm	LGD %	Exposure weighted average risk weight %	Ex-pected loss Rm	EAD Rm	LGD %	Exposure weighted average risk weight %	Ex-pected loss Rm	EAD Rm	LGD %	Exposure weighted average risk weight %	Ex-pected loss Rm	EAD Rm
21.03	62.11	24	4 157	24.44	56.11	16	5 806	11.87	14.70	3	9 858	21.81	31.39	10	9 702
-	-	-	-	-	18.14	-	-	-	-	-	-	43.91	18.14	-	4
-	-	-	-	-	-	-	-	45.00	13.64	-	5	-	-	-	-
-	-	-	-	-	-	-	-	45.00	14.11	-	-	-	-	-	-
-	-	-	-	-	-	-	-	45.00	20.43	-	1	-	-	-	-
10.00	12.18	-	184	43.91	21.04	-	115	30.12	27.14	-	925	40.39	21.04	-	199
34.16	23.16	-	400	13.88	22.55	1	2 626	9.34	11.87	1	6 209	20.40	22.55	2	4 736
10.00	7.93	-	-	43.91	50.77	-	76	12.13	17.45	-	1 831	35.31	50.77	1	902
10.00	20.19	-	256	-	23.88	-	-	6.29	6.51	-	804	23.75	23.88	1	1 735
20.17	44.30	-	131	23.77	15.34	1	860	47.59	89.26	-	19	6.72	15.34	-	-
21.49	53.98	-	103	-	-	-	-	45.00	69.18	-	24	10.00	-	-	-
19.56	52.29	1	695	43.91	59.90	1	230	45.00	123.43	-	-	21.14	59.90	-	-
14.73	43.00	2	847	43.30	46.61	7	1 216	10.08	32.03	-	4	24.91	46.61	1	204
20.92	62.65	2	569	-	50.33	-	-	45.00	106.95	-	1	15.00	50.33	5	1 826
16.73	58.24	-	75	-	16.72	-	-	45.15	156.21	-	26	5.00	16.72	-	29
21.09	76.22	1	129	43.91	55.35	4	268	45.00	146.21	-	7	14.52	55.35	-	53
57.80	185.06	-	1	5.00	110.90	1	416	45.00	192.94	-	-	25.00	110.90	-	13
29.28	139.76	17	769	-	-	-	-	45.00	222.32	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
26.96	13.21	-	709	-	-	-	-	5.00	-	-	9	-	-	-	-
21.89	54.98	23	4 868	24.44	31.39	15	5 807	11.86	14.69	1	9 865	21.81	31.39	10	9 701

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

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												2012
Securities firms				Sovereigns				Total				
LGD %	Exposure weighted average risk weight %	Ex-pected loss Rm	EAD Rm	LGD %	Exposure weighted average risk weight %	Ex-pected loss Rm	EAD Rm	LGD %	Exposure weighted average risk weight %	Ex-pected loss Rm	EAD Rm	EAD Rm
43.91	24.65	1	3 442	5.42	6.07	9	69 337	30.83	44.86	981	368 201	340 507
43.91	11.19	-	2 234	25.46	15.06	-	322	41.19	24.32	5	40 879	46 187
43.91	49.85	-	435	-	-	-	-	43.19	33.83	1	7 988	3 953
43.91	15.23	-	202	-	-	-	-	41.29	26.59	1	3 323	7 940
-	-	-	-	-	-	-	-	42.37	23.89	6	16 705	12 413
43.91	56.55	-	252	-	-	-	-	38.97	32.51	7	13 955	93 075
43.91	28.43	-	3	5.24	5.64	6	68 855	14.95	15.02	30	112 626	20 978
43.91	87.29	-	25	5.00	-	-	-	35.30	34.49	15	18 322	16 467
43.91	56.25	-	206	-	-	-	-	35.61	41.60	28	25 069	21 554
-	-	-	-	-	-	-	-	37.48	54.73	35	20 443	15 433
43.91	60.78	-	44	-	-	-	-	38.33	66.36	33	14 254	18 926
43.91	74.36	-	26	-	-	-	-	37.61	75.46	71	21 234	22 291
43.91	150.67	-	16	44.00	100.00	-	-	34.27	90.50	151	27 716	20 403
-	-	-	-	-	-	-	-	33.63	84.99	82	13 314	11 427
43.91	106.20	-	-	5.00	12.51	-	1	38.19	103.43	176	17 407	13 997
-	-	-	-	43.91	173.13	3	159	38.06	115.68	93	6 588	5 980
43.91	129.75	-	-	-	-	-	-	33.99	115.02	74	4 241	3 799
-	-	-	-	-	-	-	-	34.60	130.93	58	2 251	2 431
-	-	-	-	-	-	-	-	38.10	146.08	19	495	444
-	-	-	-	-	-	-	-	34.86	155.06	40	782	1 434
-	-	-	-	-	-	-	-	42.29	194.07	3	37	95
-	-	-	-	-	-	-	-	27.19	154.63	41	511	519
-	-	-	-	-	-	-	-	46.89	232.48	11	61	761
-	-	-	-	-	-	-	-	30.16	52.24	2 350	7 448	7 554
43.91	24.65	-	3 443	5.42	6.07	9	69 337	30.82	45.01	3 330	375 649	348 061

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

Annexure C
Capital management

Reconciliation of accounting capital to regulatory capital

	Dec-13 Group Rm	Dec-13 Bank Rm
Ordinary share capital and premium	6 168	13 768
Other reserves	6 448	3 622
Retained earnings	64 701	33 558
Non - controlling interest - ordinary shares	3 240	-
Non - controlling interest - preference shares	4 644	4 644
Total Equity per IFRS	**85 201**	**55 592**
Less: Non qualifying reserve funds	(6 776)	(1 728)
Share of associated companies earnings	(669)	-
Additional regulatory general reserve (from DR)	(439)	-
Reserves related to financial and insurance entities not consolidated for regulatory purposes	(5 653)	(1 728)
Other non distributable reserves	(15)	-
Less: Regulatory deductions (CET1)	(6 842)	(4 587)
Regulatory adjustments(AT1)	1 267	(464)
Tier 1 capital	**72 850**	**48 813**
Add: Borrowed Funds(Tier 2)	**16 525**	**16 525**
Less: Regulatory adjustments and non-qualifying Tier 2 items	(1 804)	(2 049)
Total regulatory capital including unappropriated profits	**87 571**	**63 289**
Less: Unappropriated profits	(11 056)	(5 402)
Total regulatory capital excluding unappropriated profits	**76 515**	**57 887**

Annexure C
Capital management

Composition of capital disclosure template

Barclays Africa Group Limited
31 December 2013

	Group	31 December 2013 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	6 168	
2	Retained earnings	50 126	
3	Accumulated other comprehensive income (and other reserves)	5 277	
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)	1 154	3 240
6	**Common Equity Tier 1 capital before regulatory adjustments**	62 725	
	Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustments	0	0
8	Goodwill (net of related tax liability)	760	0
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	1 980	0
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	142	0
11	Cash-flow hedge reserve	604	0
12	Shortfall of provisions to expected losses	2 120	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	572	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	664	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	

Annexure C
Capital management

28	**Total regulatory adjustment to Common equity Tier 1**	6 842	
29	Common Equity Tier 1 capital (CET1)	55 883	
	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)	5 952	
35	of which: instruments issued by subsidiaries subject to phase out	4 180	
36	**Additional Tier 1 capital before regulatory adjustments**	5 952	
	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)	41	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**	41	
44	**Additional Tier 1 capital (AT1)**	5 911	
45	**Tier 1 capital (T1 = CET1 + AT1)**	61 794	
	Tier 2 capital and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	0	
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)	14 308	
49	of which: instruments issued by subsidiaries subject to phase out	14 916	
50	Provisions	413	
51	Tier 2 capital before regulatory adjustments	14 721	
	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	
	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)**	14 721	
59	**Total capital (TC = T1 + T2)**	76 515	

Annexure C
Capital management

	RISK WEIGHTED ASSETS IN REPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	553 741
	of which: Basel III amendments	7 124
60	**Total risk weighted assets**	560 865
	Capital ratios	
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	9.9
62	Tier 1 (as a percentage of risk weighted assets)	11.0
63	Total capital (as a percentage of risk weighted assets)	13.6
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement expressed as a percentage of risk weighted assets)	4.5
65	of which: capital conservation buffer requirement	0.00
66	of which: bank specific countercyclical buffer requirement	0.00
67	of which: G-SIB buffer requirement	0.00
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	5.5
	National minima (if different from Basel 3)	
69	National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)	4.5
70	National Tier 1 minimum ratio (if different from Basel 3 minimum)	6.0
71	National total capital minimum ratio (if different from Basel 3 minimum)	9.5
	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	5
74	Mortgage servicing rights (net of related tax liability)	0
75	Deferred tax assets arising from temporary differences (net of related tax liability)	359
	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)	565
77	Cap on inclusion of provisions in Tier 2 under standardised approach	413
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 template

Absa Bank
31 December 2013

	Bank	31 December 2013 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	13 768	
2	Retained earnings	27 035	
3	Accumulated other comprehensive income (and other reserves)	3 015	
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**	43 818	
	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)	1 190	0
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	3	0
11	Cash-flow hedge reserve	604	0
12	Shortfall of provisions to expected losses	2 326	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	464	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**	4 587	

29	Common Equity Tier 1 capital (CET1)	39 231	
	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	4 180	
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**	4 180	
	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)**	4 180	
45	**Tier 1 capital (T1 = CET1 + AT1)**	43 411	
	Tier 2 capital and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	0	
47	Directly issued capital instruments subject to phase out from Tier 2	14 225	
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	251	
51	Tier 2 capital before regulatory adjustments	14 476	
	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	
	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)**	14 476	
59	**Total capital (TC = T1 + T2)**	57 887	
	RISK WEIGHTED ASSETS IN REPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	398 935	

	of which: Basel III amendments	7 007
60	**Total risk weighted assets**	405 942
	Capital ratios	
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	9.7
62	Tier 1 (as a percentage of risk weighted assets)	10.7
63	Total capital (as a percentage of risk weighted assets)	14.3
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement expressed as a percentage of risk weighted assets)	4.5
65	of which: capital conservation buffer requirement	0.0
66	of which: bank specific countercyclical buffer requirement	0.0
67	of which: G-SIB buffer requirement	0.0
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	5.2
	National minima (if different from Basel 3)	
69	National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)	4.5
70	National Tier 1 minimum ratio (if different from Basel 3 minimum)	6.0
71	National total capital minimum ratio (if different from Basel 3 minimum)	9.5
	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)	349
77	Cap on inclusion of provisions in Tier 2 under standardised approach	251
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

Main features disclosure template

Barclays Africa Group Limited

31-Dec-13

	Disclosure template for 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	Absa Bank Limited	Absa Bank Limited	Barclays Bank of Botswana Limited	Barclays Bank of Kenya Limited	Barclays Bank of Kenya Limited	Barclays Bank Zambia
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	ZAE000174124	ZAE000079810	ZAG000029315	ZAG000037086	ZAG000065251	ZAG000073669	ZAG000077074	ZAG000077082	ZAG000101221	ZAG000101239	ZAG000101254	BBG003BHGHR9	BBKTR02SBFL02	BBKTR02SBFL02	BBG0019JPQR2
3	Governing law(s) of the instrument	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (As amended)	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (As amended)	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (As amended). The subordinated callable notes are listed on the Bond Exchange of South Africa.	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (As amended). The subordinated callable notes are listed on the Bond Exchange of South Africa.	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (As amended). The subordinated callable notes are listed on the Bond Exchange of South Africa.	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (As amended). The subordinated callable notes are listed on the Bond Exchange of South Africa.	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (As amended). The subordinated callable notes are listed on the Bond Exchange of South Africa.	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (As amended). The subordinated callable notes are listed on the Bond Exchange of South Africa.	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (As amended). The subordinated callable notes are listed on the Bond Exchange of South Africa.	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (As amended). The subordinated callable notes are listed on the Bond Exchange of South Africa.	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (As amended). The subordinated callable notes are listed on the Bond Exchange of South Africa.	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (As amended).	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (As amended).	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (As amended).	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (As amended).
	Regulatory treatment															
4	Transitional Basel III rules	Common Equity Tier 1	Additional Tier 1	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
5	Post-transitional Basel III rules	Common Equity Tier 1	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible	Ineligible
6	Eligible at solo/group/group&solo	Group	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Solo and Group	Solo and 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 4 180	R 2 000	R 1 725	R 3 000	R 1 500	R 400	R 600	R 1 805	R 2 007	R 1 188	R 108	R 90	R 153	R 102
9	Par value of instrument	R 1 694	R 4 644	R 2 000	R 1 725	R 3 000	R 845	R 400	R 600	R 1 805	R 2 007	R 1 188	R 108	R 90	R 153	R 102
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-06	07-Mar-07	20-Mar-09	10-Dec-09	03-May-10	03-May-10	21-Nov-12	21-Nov-12	21-Nov-12	09-May-08	14-Jul-08	14-Jul-08	18-May-09
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-20	07-Mar-19	20-Sep-19	07-Dec-28	03-May-22	03-May-22	21-Nov-22	21-Nov-23	21-Nov-23	09-May-15	14-Jul-15	14-Jul-15	18-May-16
14	Issuer call subject to prior supervisory approval	NA	NA	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	NA	NA	NA	NA
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 Mar 2014, tax contingent event call, redemption amount equal to Principal amount issued.	20 Sep 2014, tax and regulatory contingent events call, redemption amount equal to Principal amount issued plus CPI adjustment if the amount is not less than R 3.000.000.000 otherwise 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
16	Subsequent call dates, if applicable	NA	NA	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

Main features disclosure template

Barclays Africa Group Limited

31-Dec-13

	Disclosure template for main features of regulatory capital instruments	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	Coupons / dividends															
17	Fixed or floating dividend/coupon	Floating	Fixed	Fixed to floating	Fixed to floating	Floating	Floating	Floating	Fixed to floating	Floating	Floating	Fixed	Fixed	Floating	Fixed	Floating
18	Coupon rate and any related index	NA	70% of the prime overdraft lending rate	8.10%	8.80%	6.0% indexed to ZAR non revised CPI	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%
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	Yes	Yes	No	No	No	No	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	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	No	No
31	If write-down, write-down trigger(s)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
32	If write-down, full or partial	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
33	If write-down, permanent or temporary	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
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	Yes	Yes
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	Loss absorbency criteria and point of non-viability	Loss absorbency criteria and point of non-viability

Main features disclosure template

Absa Bank

31-Dec-13

	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	ZAG000037086	ZAG000065251	ZAG000073669	ZAG000077074	ZAG000077082	ZAG000101221	ZAG000101239	ZAG000101254
3	Governing law(s) of the instrument	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (As amended)	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (As amended)	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (As amended). The subordinated callable notes are listed on the Bond Exchange of South Africa.	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (As amended). The subordinated callable notes are listed on the Bond Exchange of South Africa.	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (As amended). The subordinated callable notes are listed on the Bond Exchange of South Africa.	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (As amended). The subordinated callable notes are listed on the Bond Exchange of South Africa.	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (As amended). The subordinated callable notes are listed on the Bond Exchange of South Africa.	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (As amended). The subordinated callable notes are listed on the Bond Exchange of South Africa.	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (As amended). The subordinated callable notes are listed on the Bond Exchange of South Africa.	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (As amended). The subordinated callable notes are listed on the Bond Exchange of South Africa.	Section 1 of the Banks Act, 1990 (Act no 94. of 1990) (As amended). The subordinated callable notes are listed on the Bond Exchange of South Africa.
	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	Ineligible	Ineligible
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 and Group	Solo and Group
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares	Preference shares	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes	Subordinated Callable Notes	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	R4 180	R2 000	R1 725	R3 000	R1 500	R400	R600	R1 805	R2 007	R1 188
9	Par value of instrument	R303	R4 644	R2 000	R1 725	R3 000	R845	R400	R600	R1 805	R2 007	R1 188
10	Accounting classification	Shareholders' equity	Shareholders' equity	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option	Liability – fair value option
11	Original date of issuance	1986	2006 and 2007	27 Mar 2006	07 Mar 2007	20 Mar 2009	10 Dec 2009	03 May 2010	03 May 2010	21 Nov 2012	21 Nov 2012	21 Nov 2012
12	Perpetual or dated	Perpetual	Perpetual	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	NA	NA	27 Mar 2020	07 Mar 2019	20 Sep 2019	07 Dec 2028	03 May 2022	03 May 2022	21 Nov 2022	21 Nov 2023	21 Nov 2023
14	Issuer call subject to prior supervisory approval	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 Mar 2014, tax contingent event call, redemption amount equal to Principal amount issued.	20 Sep 2014, tax and regulatory contingent events call, redemption amount equal to Principal amount issued plus CPI adjustment if the amount is not less than R 3.000.000.000 otherwise 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.
16	Subsequent call dates, if applicable	NA	NA	NA	NA	NA	NA	NA	NA	Quarterly after the first optional call date until maturity	Quarterly after the first optional call date until maturity	Semi-annually after the first optional call date until maturity
	Coupons / dividends											
17	Fixed or floating dividend/coupon	Floating	Fixed	Fixed to floating	Fixed to floating	Floating	Floating	Floating	Fixed to floating	Floating	Floating	Fixed
18	Coupon rate and any related index	NA	70% of the prime overdraft lending rate	8.1%	8.8%	6.0% indexed to ZAR non revised CPI	5.5 % indexed to ZAR revised CPI	3M JIBAR+210bps	10.28%	3M JIBAR+195bps	3M JIBAR+205bps	8.295%
19	Existence of a dividend stopper	No	No	No	No	No	No	No	No	No	No	No

Main features disclosure template

Absa Bank

31-Dec-13

	Disclosure template for main features of regulatory capital instruments	1	2	3	4	5	6	7	8	9	10	11
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	Yes	Yes	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	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	No	No
31	If write-down, write-down trigger(s)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
32	If write-down, full or partial	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
33	If write-down, permanent or temporary	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
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	Yes	Yes
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