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Barclays Africa Group

Structural interest rate risk hedging programme

June 2014

Agenda

1. Why, what and how we hedge
2. Governance
3. Hedge performance
4. Current market conditions
5. Conclusions

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Why we hedge

Hedging strategy based on a clear rationale

Margins

- Reduced margin volatility throughout an interest rate cycle and increased margin certainty to business units

Risk profile

- Accurately reflects balance sheet risks

Effectiveness

- Better hedge than natural credit loss offset

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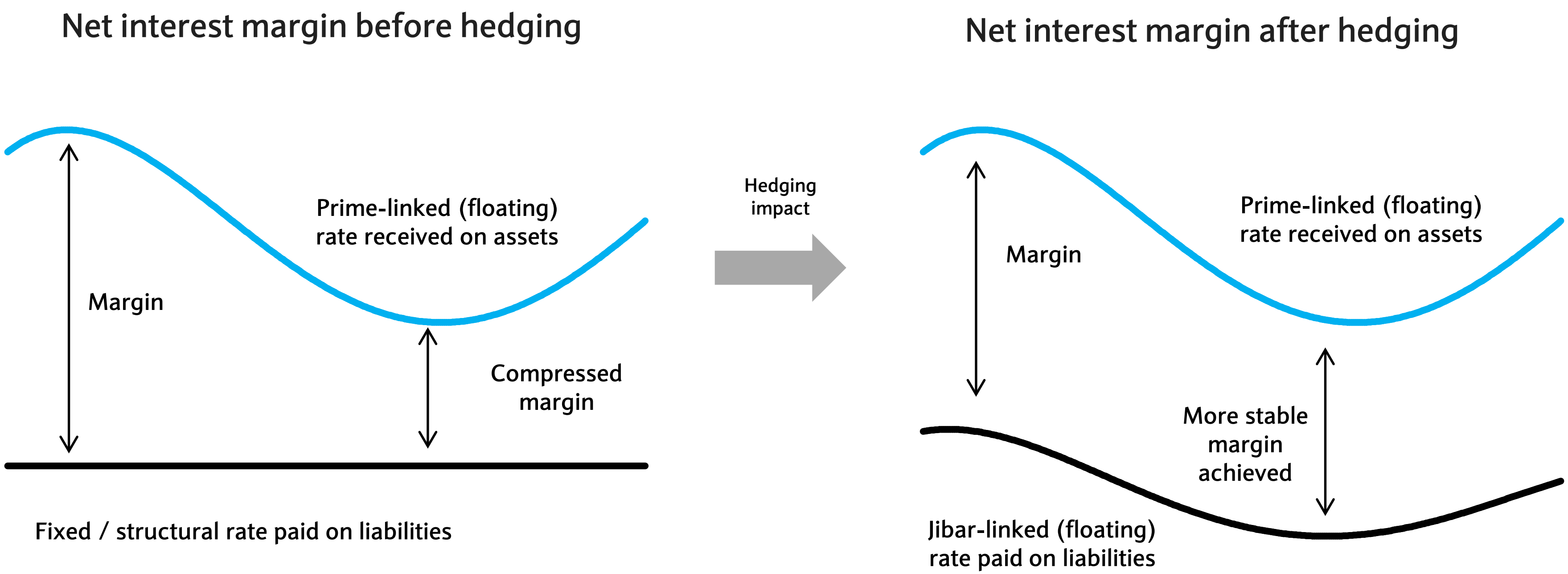
Why we hedge

Hedging reduces margin compression when rates fall



Hedging reduces margin compression risk by converting fixed (or near fixed) liability exposures into floating rate exposures. Prime-Jibar basis risk remains.

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What we hedge

Structural exposures are converted into a floating rate

Assets	Rate exposure
Liquid assets	• Fixed (bonds) • Floating (treasury bills)
Fixed rate loans	• Fixed
Floating rate loans	• Floating (mainly Prime-linked)

Liabilities	Rate exposure
Equity	• Structural
Capital markets instruments	• Fixed or floating
Money market instruments	• Fixed or floating (mainly Jibar-linked)
Floating rate deposits	• Floating (Prime or Jibar-linked)
Fixed rate deposits	• Fixed
Structural deposits	• Structural

Structural exposures are identified using a well defined process.

Structural balances included in programme

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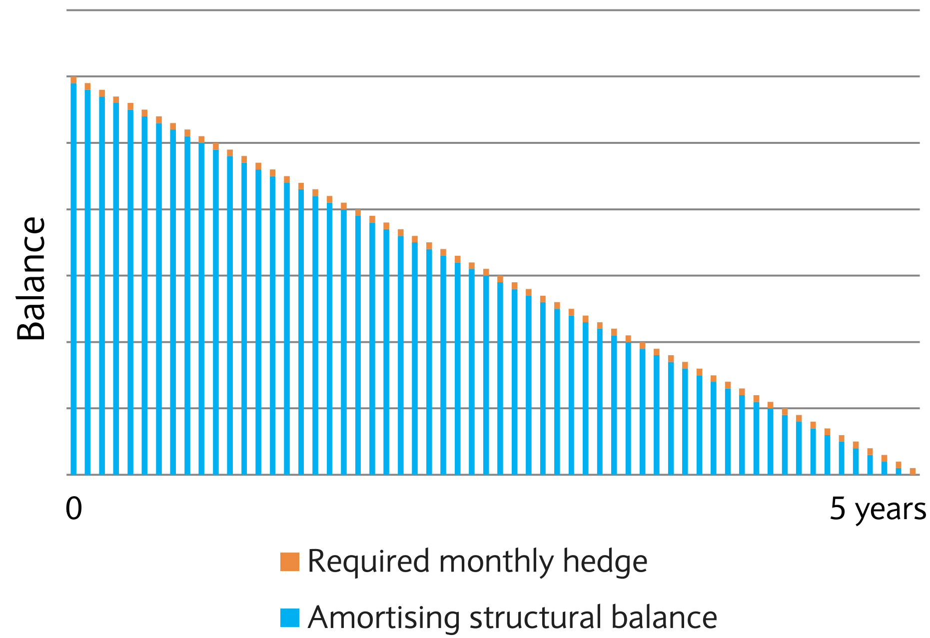
How we hedge

How structural hedging is conducted

1. South Africa only
2. Interest rate swaps used as hedging instrument
3. No cash instruments used
4. 6-year amortising profile used for equity and 5-year for products

Amortising nature of hedge programme



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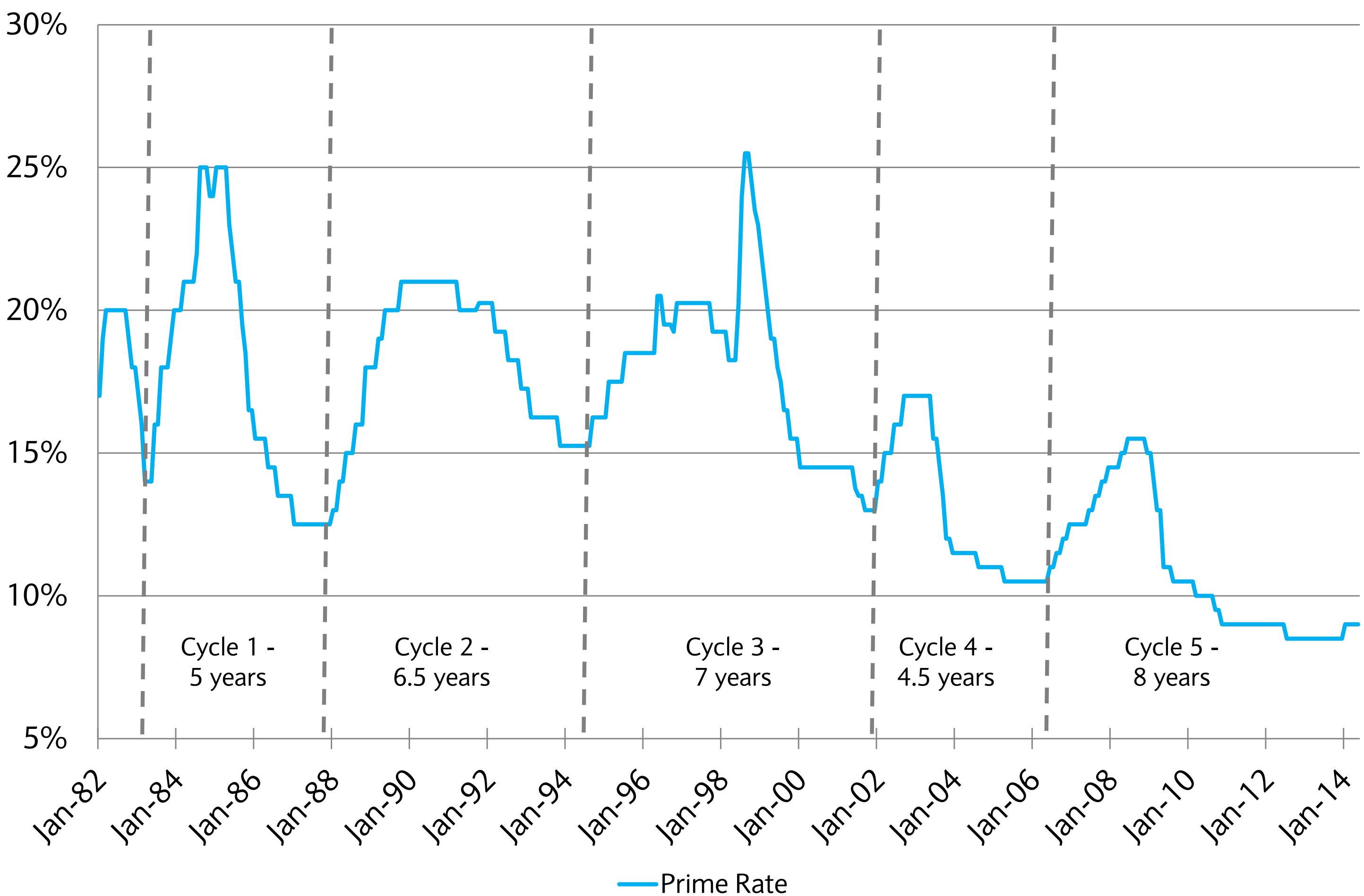
How we hedge

Introduced programme in 2006 to reduce margin volatility

SA interest rate cycles



Current cycle longer than historical average of 5-6 years.

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How we hedge

Optimisation of hedging activity

Limits

- Hedging activity conducted within strict limits

Flexibility

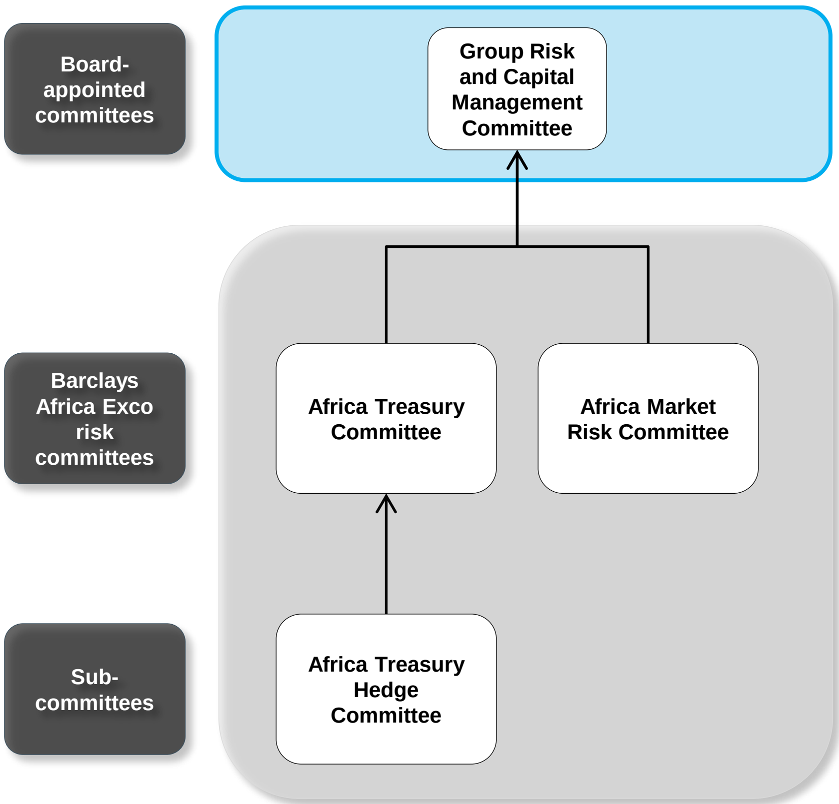
- Flexibility to go marginally over-hedged or under-hedged at different points in the interest rate cycle

Governance

- Strong governance structure around hedge programme

Governance

Hedging programme is well governed



Responsibilities

- Sets overall risk appetite and limits

- Drives overall hedging strategy (Africa Treasury Committee)
- Monitors compliance with risk limits (Africa Market Risk Committee)

- Makes tactical hedging decisions within tight risk limits
- Broad representation spanning research, markets, treasury and risk

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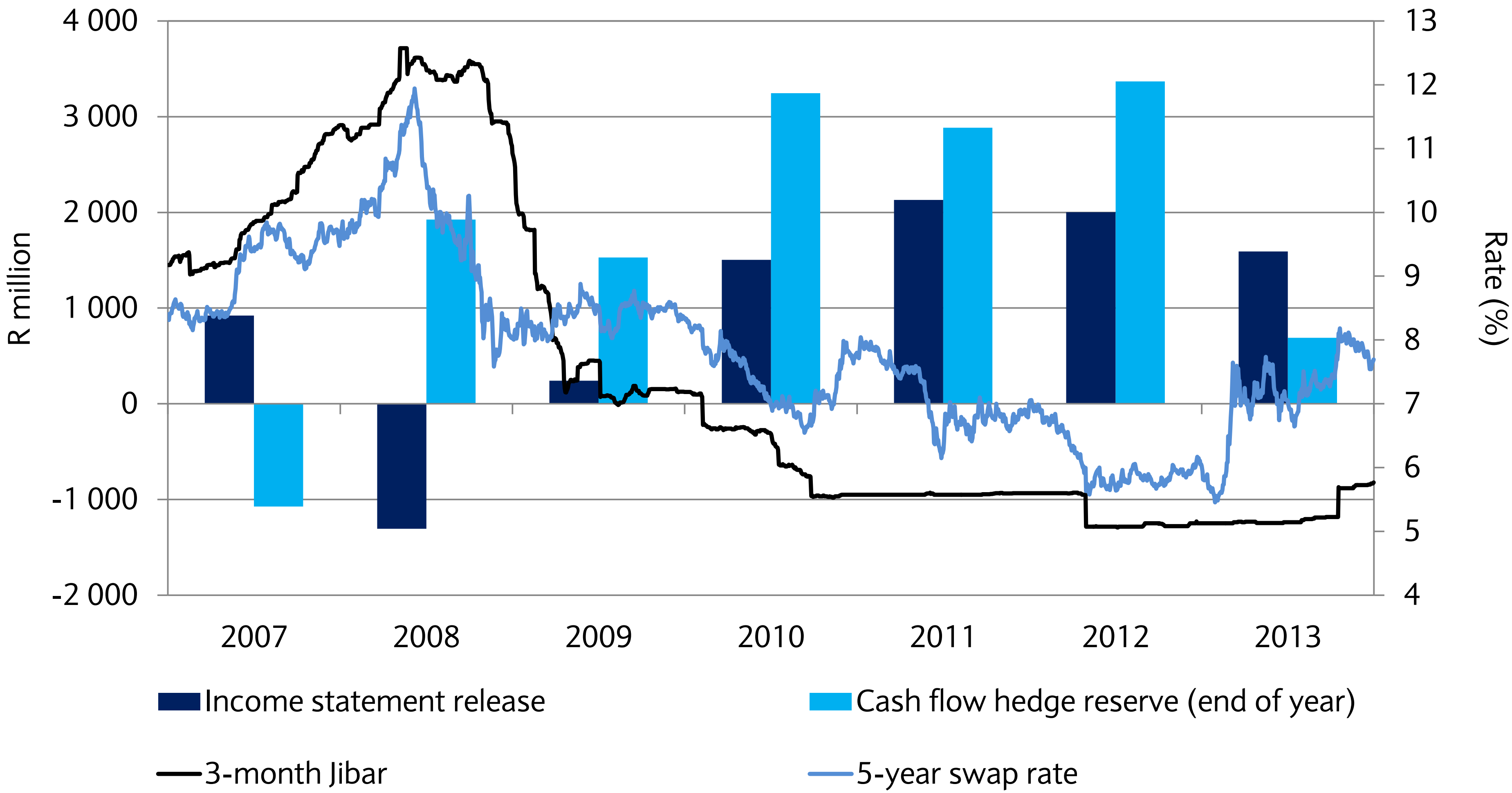
Hedge performance

Hedge programme has performed in line with or better than expectations due to market conditions



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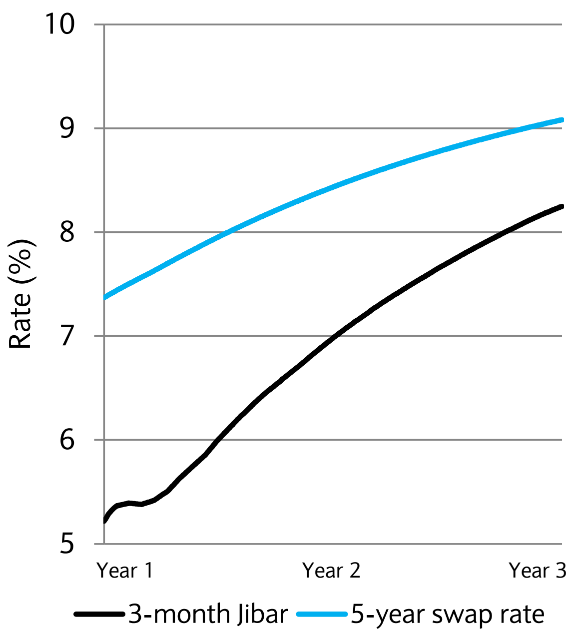
Current market conditions

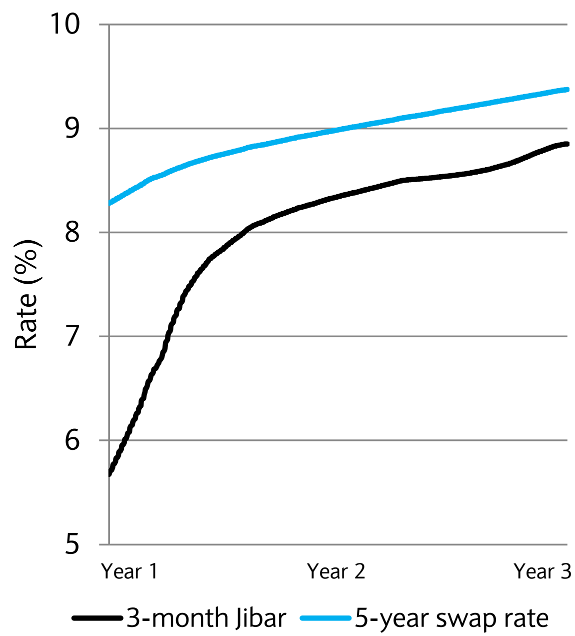
SA rate environment remains uncertain

Forward-forward rates as at:

31 December 2013



31 January 2014



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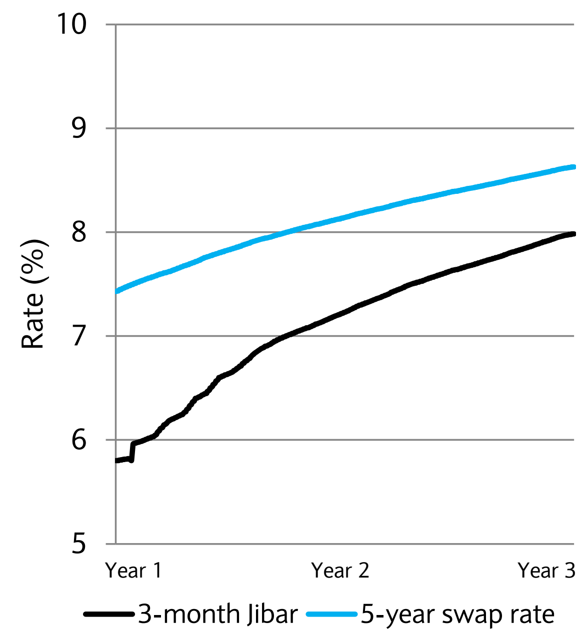

Absa Bank Limited earnings sensitivity:

A 100 basis point increase leads to a R758 million increase in earnings of Absa Bank Limited (as at 31 December 2013)

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Conclusions

- Clear rationale to hedge
- Follows a well structured and governed process
- Exceeded expectations due to prolonged low rates cycle
  - Proven effective through cycle
  - Successfully reduces margin volatility
- Absa Bank Limited remains positively exposed to increasing rates