



Barclays Africa Group Limited

International Fixed Income Investor Presentation – April 2018

Agenda

- 1 Introduction
- 2 Domestic Operating and Competitive Environment
- 3 Strategy and Barclays PLC Separation
- 4 Group Financial Performance
- 5 Capital and Liquidity Management
- 6 Risk Management
- 7 Holding Company versus Operating Company
- 8 Tier 2: Terms and Conditions
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Introduction

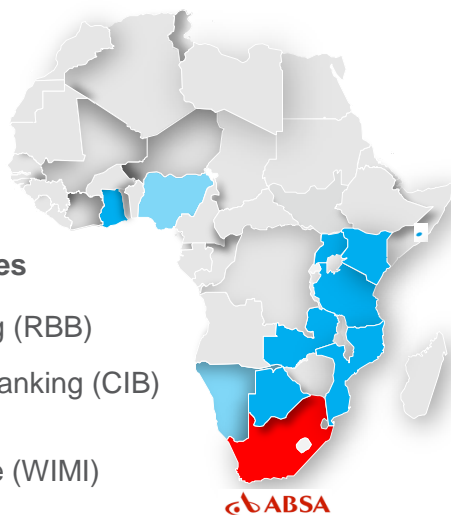
Barclays Africa Group Limited “BAGL” at a glance

We are a regional African banking Group headquartered in South Africa offering diversified financial services through an integrated set of products and services across personal and business banking, corporate and investment banking, wealth, investment management and insurance




We serve **customers** in

12 African countries




- 10 Countries of Operation
- 2 Representative Offices



Providing diverse **financial services**

-  Retail and Business Banking (RBB)
-  Corporate and Investment Banking (CIB)
-  Wealth, Investment Management, and Insurance (WIMI)

By leveraging an extensive **network**

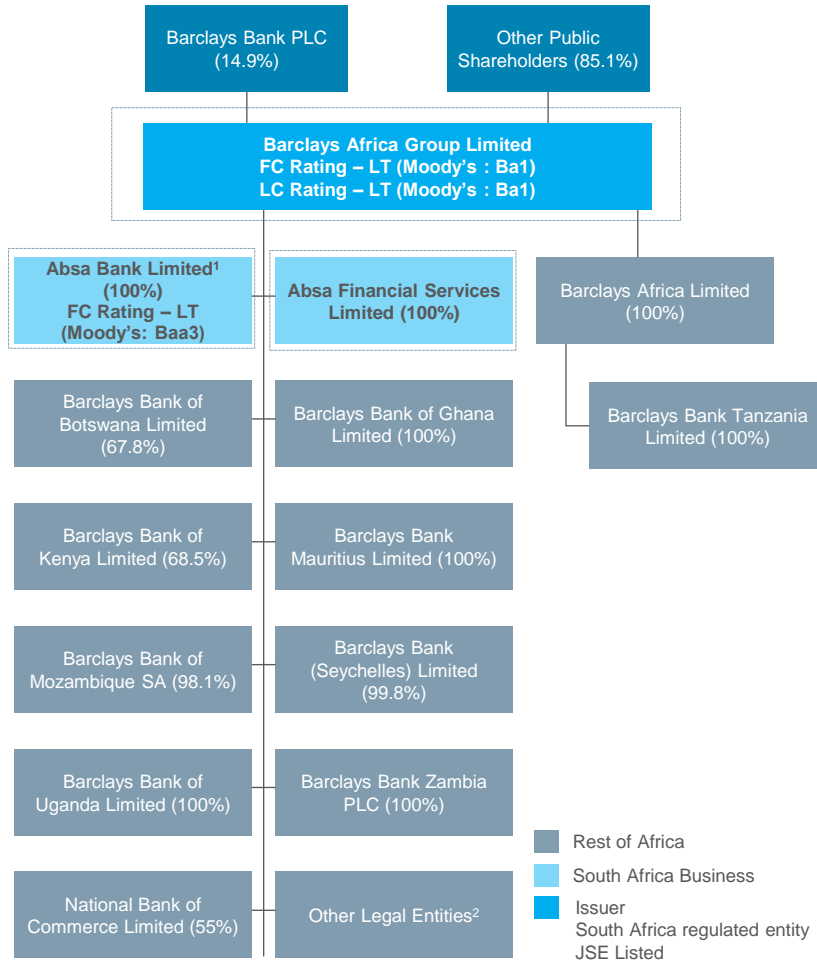
-  **10,053** ATMs
-  **1,145** branches
-  **41,703** employees²

Listed on the **Johannesburg Stock Exchange** and regulated by the **South African Reserve Bank**

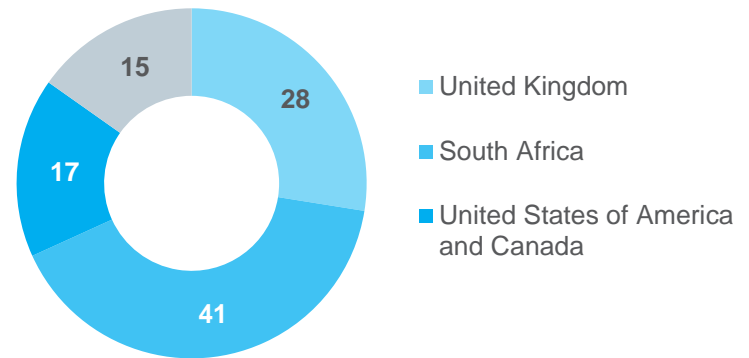
	BAGL	Absa	Outlook
Moody's	Ba1	Baa3	Stable
Fitch	BB+	BB+	Stable
R1.2 trillion Balance Sheet		R154 billion Market Capitalisation	
16.4%¹ Return on Equity (RoE)		56.8%¹ Cost to income Ratio	
R15.6 billion¹ Headline Earnings		107.5% LCR	
12.1%¹ CET 1 Ratio		14.9%¹ Total Capital Adequacy Ratio (CAR)	

Source: Financial results booklet for the reporting period ended 31 December 2017; 1. Normalised Ratios. Normalised results are a consequence of the Barclays PLC sell-down; 2. Includes permanent and temporary employees

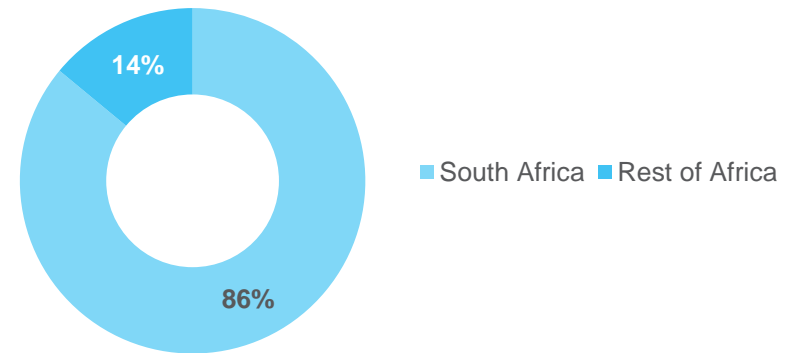
A pan-African group with diverse shareholders



Major Ordinary Shareholders by Geographic Split (%)



Total Group Assets Split (%)



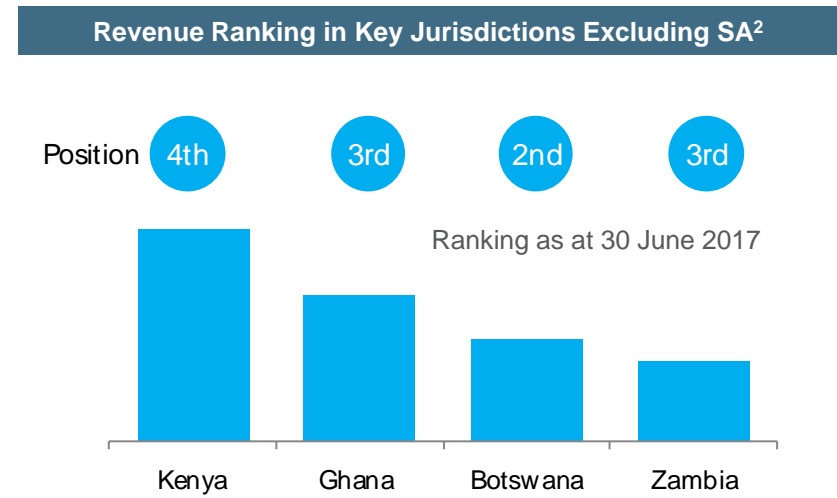
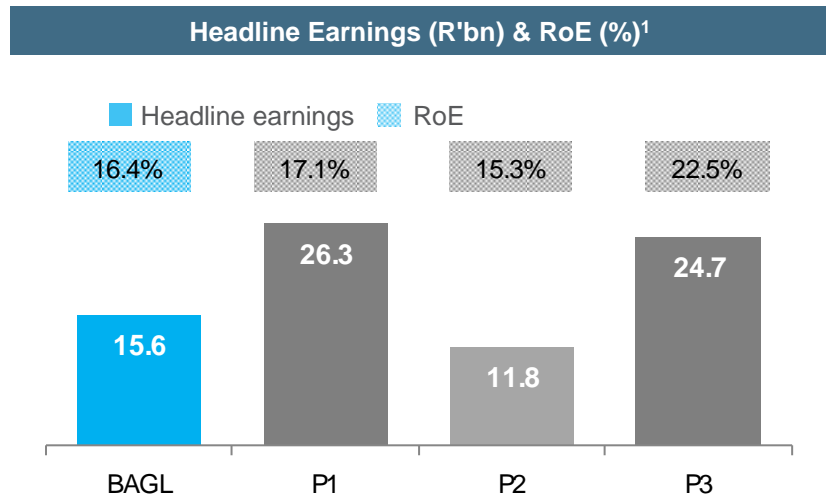
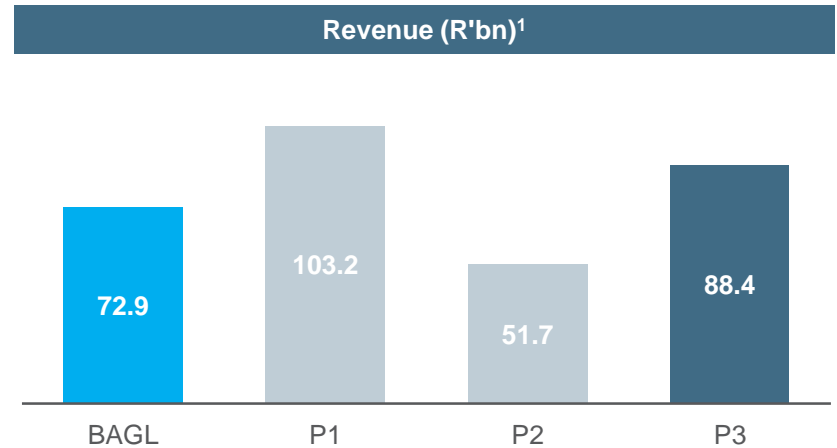
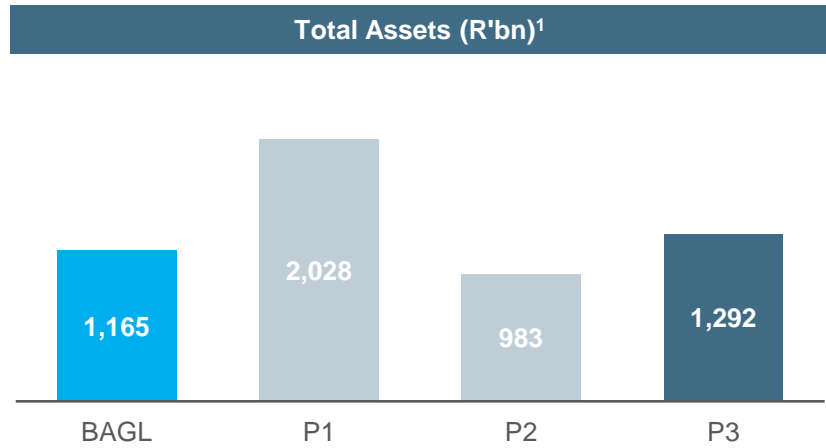
Source: As at 31 December 2017

1. Entity has debt outstanding; 2. See our latest consolidated and separate financial statements for further information on subsidiaries and consolidated structured entities

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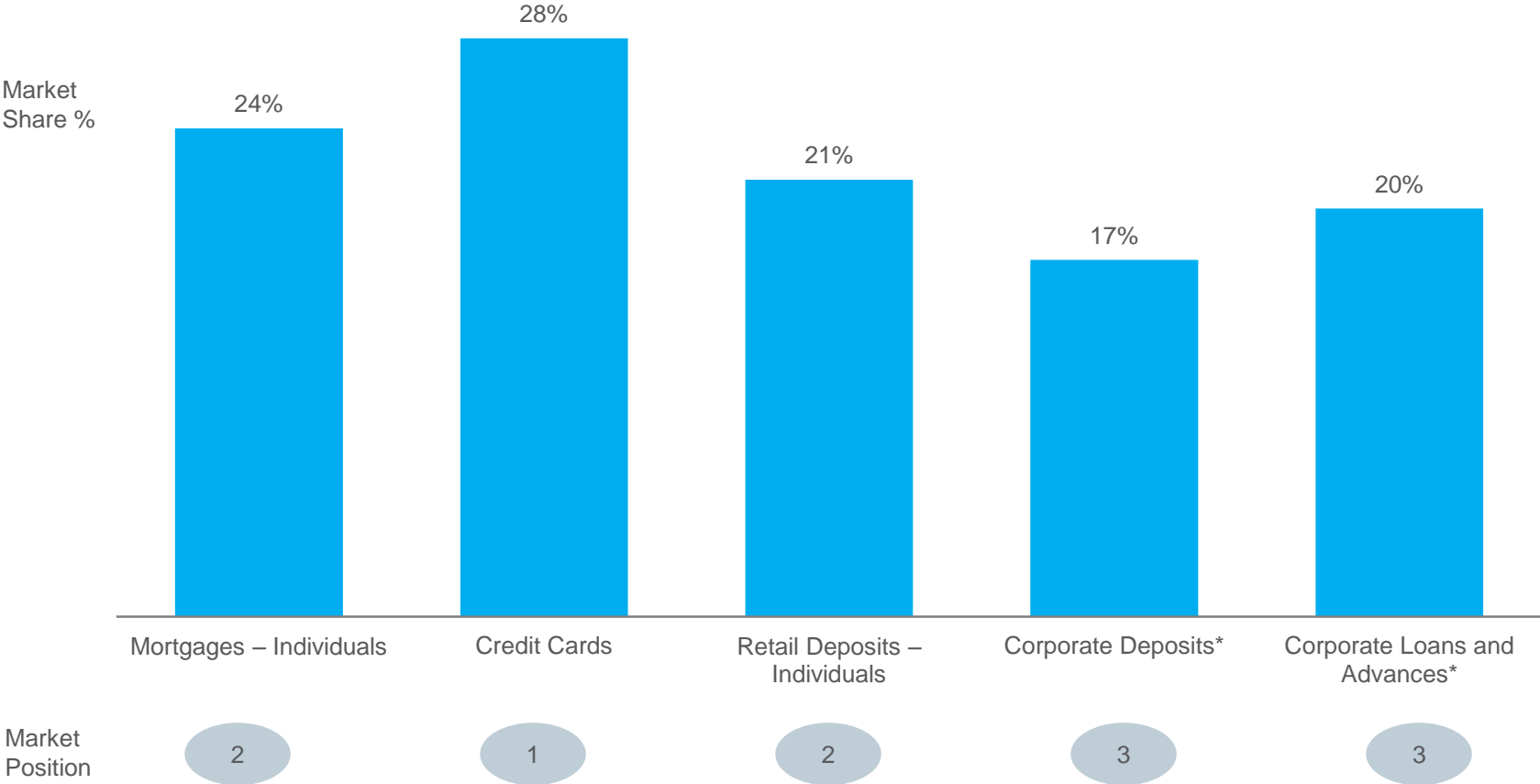
Domestic Operating and Competitive Environment

One of the largest regional banks in Sub-Saharan Africa



Source: 1. Company financial statements; 2. BAGL Prospectus
¹P1, P2 and P3 refer to market players

Strong market position in South Africa and across the key product segments



BAGL South African Market Share based on SARB BA 900 submissions – December 2017

*Includes State Owned Enterprises but excludes Local and Provincial Government

South Africa banking and financial sector – well regulated and aligned to international standards

South Africa Regulation is Aligned to International Standards

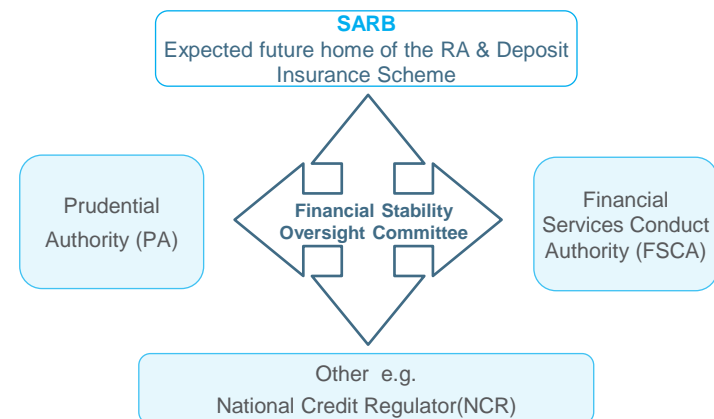
- Basel III was implemented on 1 January 2013
- Resolution framework will align to FSB Key Attributes of Effective Resolution Regimes for Financial Institutions Framework
- IADI Core Principles for Effective Deposit Insurance Systems
- IOSCO Code of Conduct for Credit Rating Agencies

Existing Twin Peaks Regime

- South Africa follows a “Twin Peaks” model
- Objectives are to promote
 - Financial Stability
 - Safety and soundness
 - Market conduct
 - Efficiency and integrity
 - Financial Inclusion
 - Prevention of Financial Crimes
 - Transformation
 - Confidence

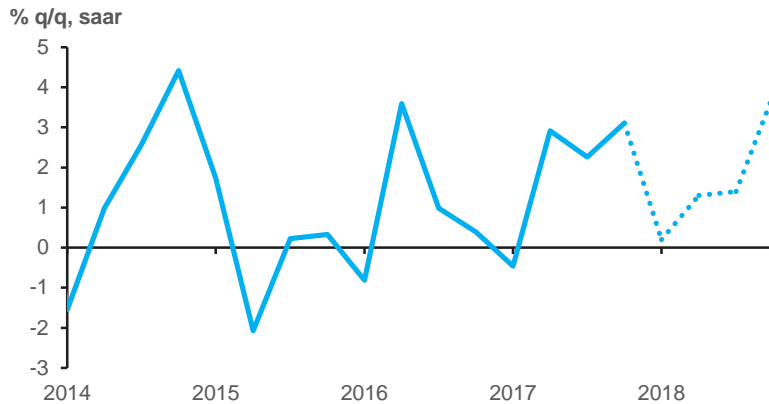
Resolution Regime is Under Construction

- SARB will establish a resolution authority (RA), whose attributes are expected to include:
 - Hierarchy of claims maintained
 - No Creditor Worst-off (NCWO) than liquidation
 - Point of Resolution (POR) determined by the RA
- Loss valuation set by RA

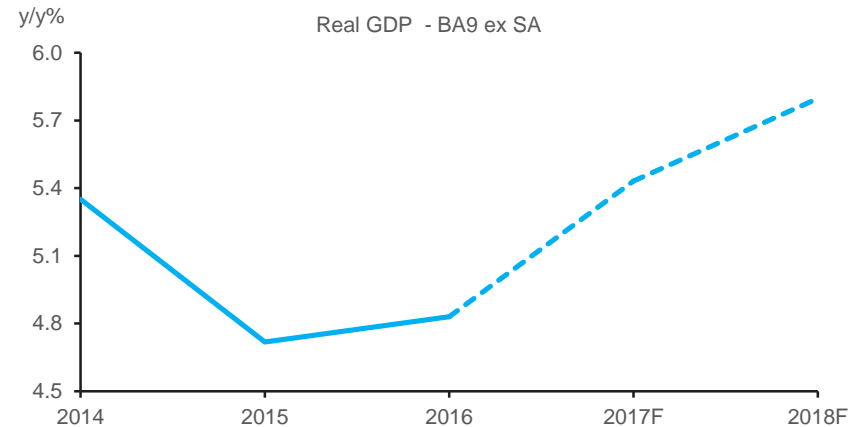


South Africa – Macroeconomic environment

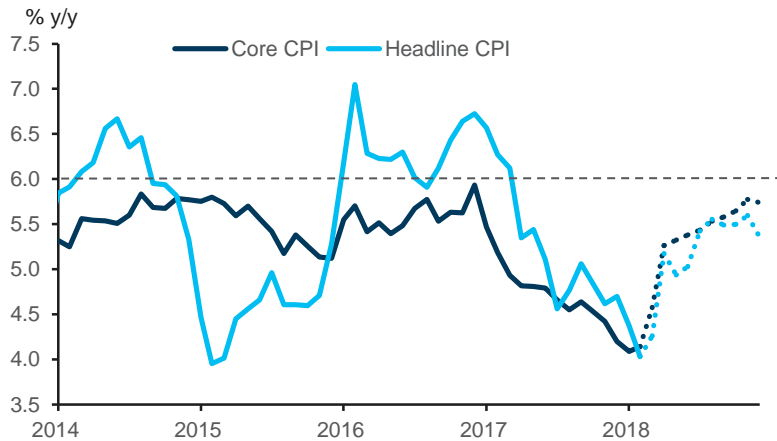
South African GDP growth has been solid in recent quarters²



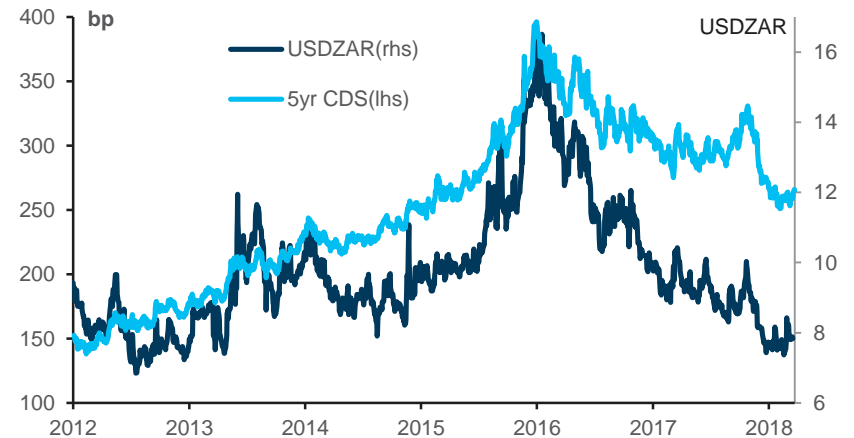
SSA ex SA GDP set to improve steadily^{1, 2}



Headline CPI will likely rise during 2018 but not breach target²



USD/ZAR Exchange Rate and 5yr South African USD CDS

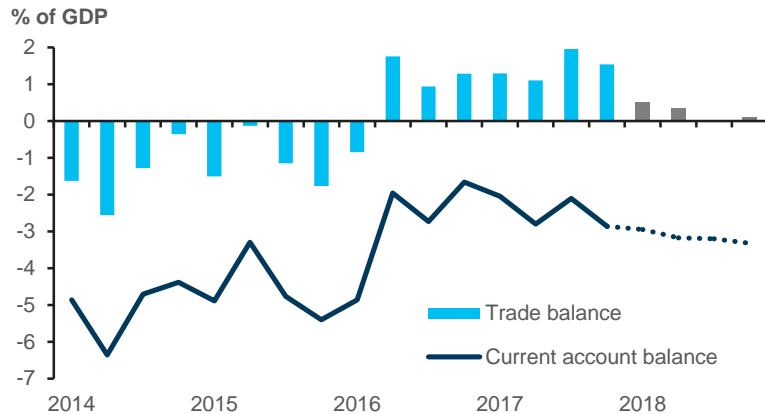


Source for all charts: StatsSA, SARB, National Treasury, Bloomberg

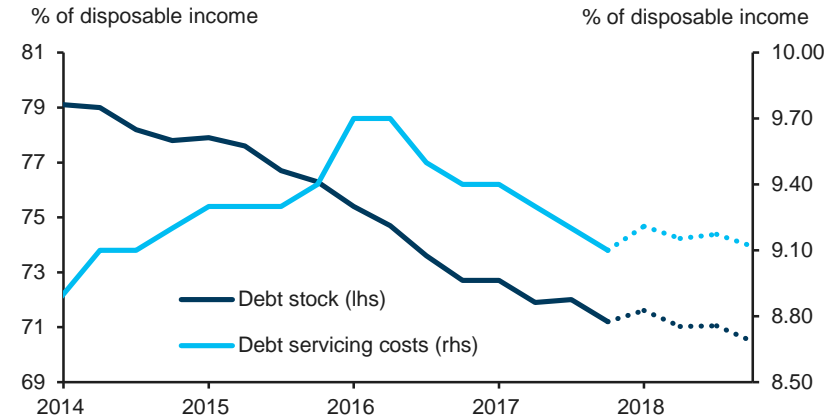
1. The Rest of Africa graph captures the weighted average GDP growth in the African countries where we have the presence, outside of South Africa; 2. Forecasts are represented by dotted lines and reflect the published forecasts of Absa Research as of 29 March 2018

Macroeconomic environment

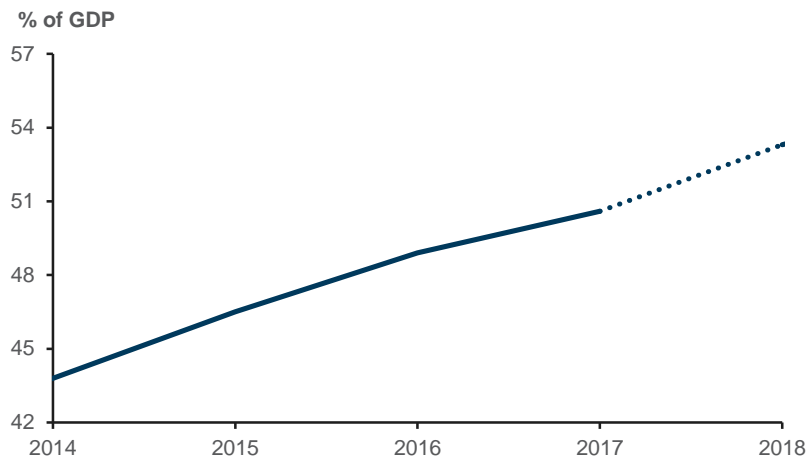
Sharply improved trade and current account imbalances¹



Households continue to deleverage¹



Government debt continues to rise¹



Bank lending to the private sector remains subdued¹



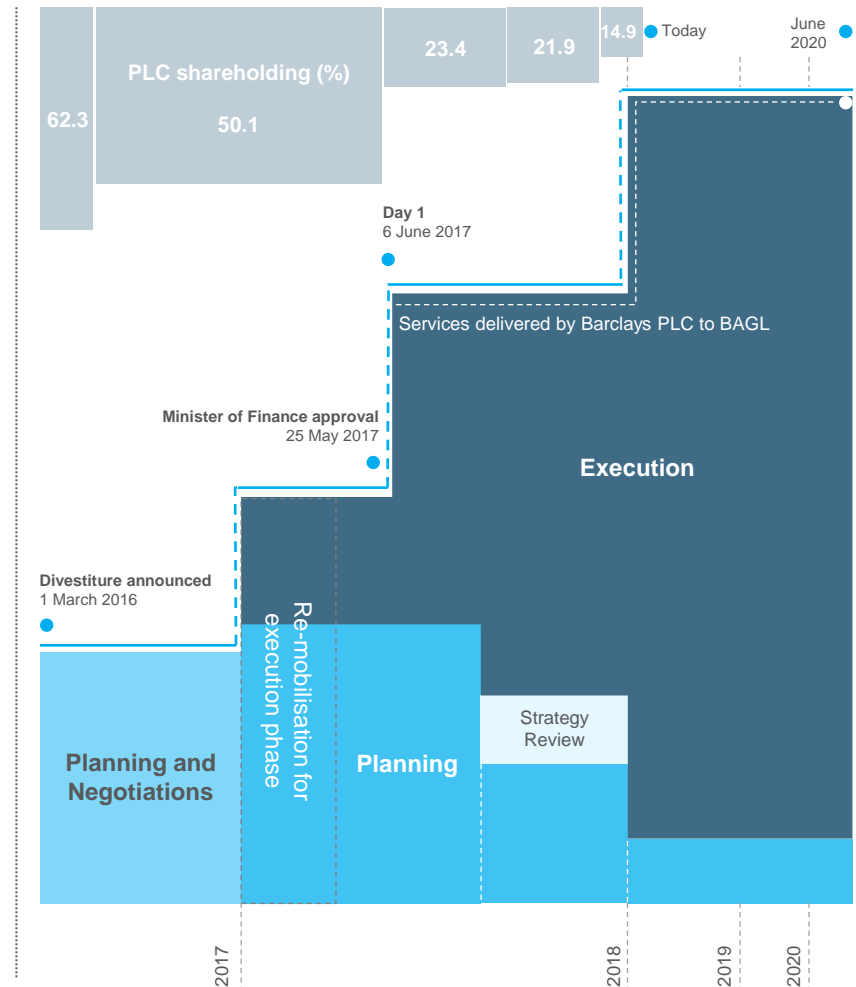
Source for all charts: StatsSA, SARB, National Treasury, Bloomberg;

1. Forecasts are represented by dotted lines and reflect the published forecasts of Absa Research as of 29 March 2018

3 Strategy and Barclays PLC Separation

Separation journey from Barclays PLC is on track post divestiture announcement on 1 March 2016

- Barclays PLC shareholding reduced to 14.9%
- Separation governed by agreements
 - £765m Barclays PLC contribution (IFRS vs. normalised numbers)
 - Separation programme expected to be capital and cash flow neutral
 - Transitional services agreement governs services delivered by Barclays PLC to BAGL
 - Brand – retain the right to use Barclays brand until 2020 in the rest of Africa
- No reliance on Barclays PLC for funding or capital
- Robust governance in place
- Maintaining dialogue with regulators
- Project programme well structured with sufficient financial and people resources



A new group strategy to focus on growth and returns

Three Priorities

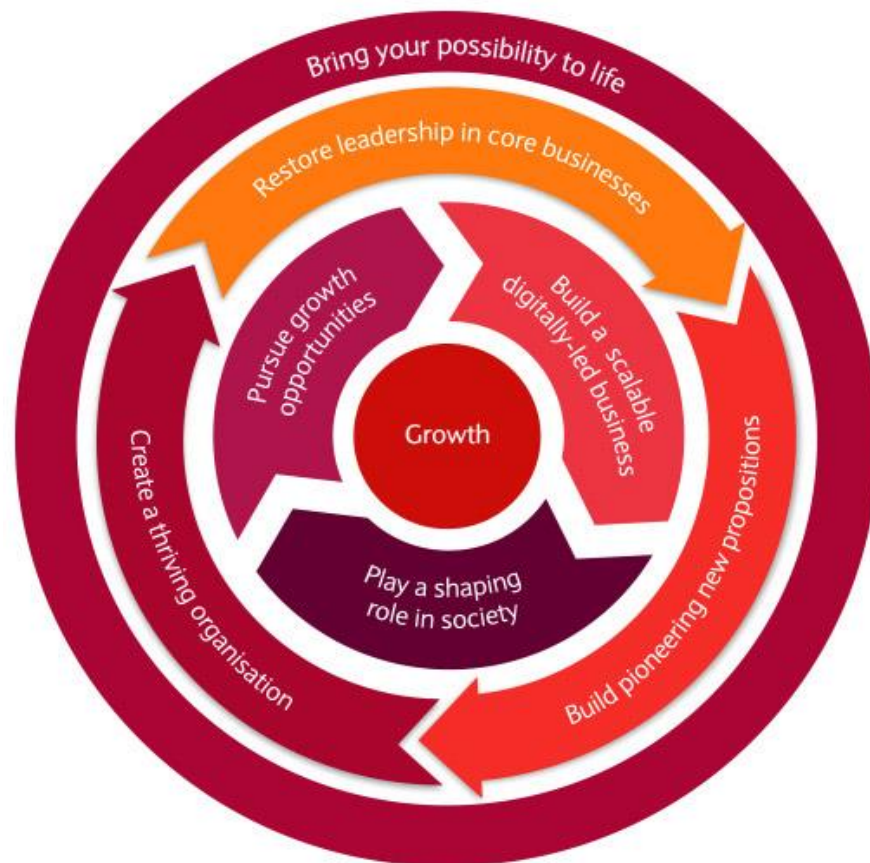
- To restore leadership in our core businesses
- To build pioneering new propositions
- To create a thriving organisation to enable our new organisation to operate competitively and sustainably

Three Enabling Capabilities

- Targeted acquisitions, disposals and building strategic partnerships
- To build a scalable digitally-led business
- To play a shaping role in society

Rebranding

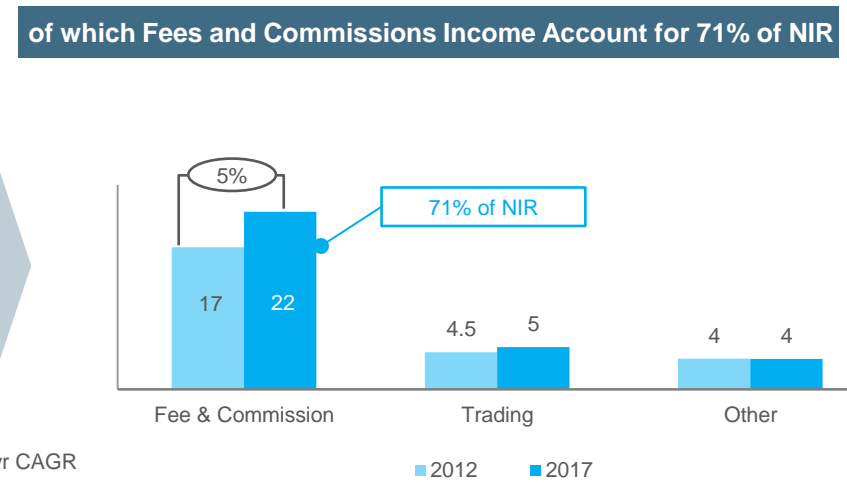
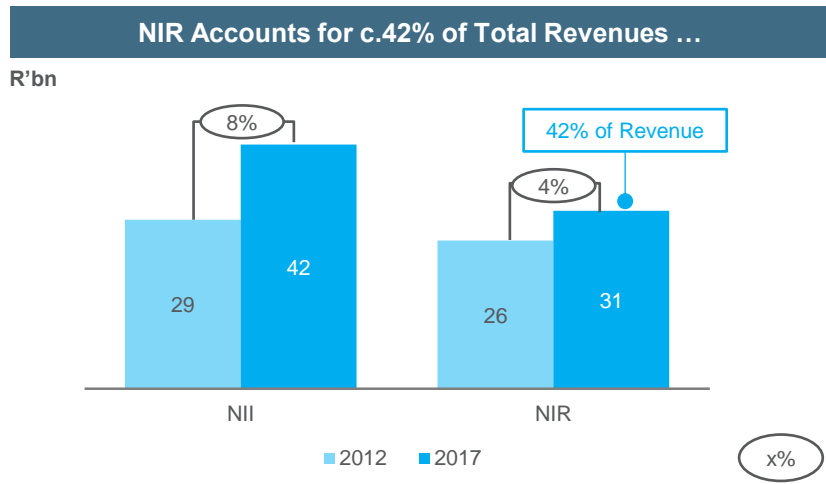
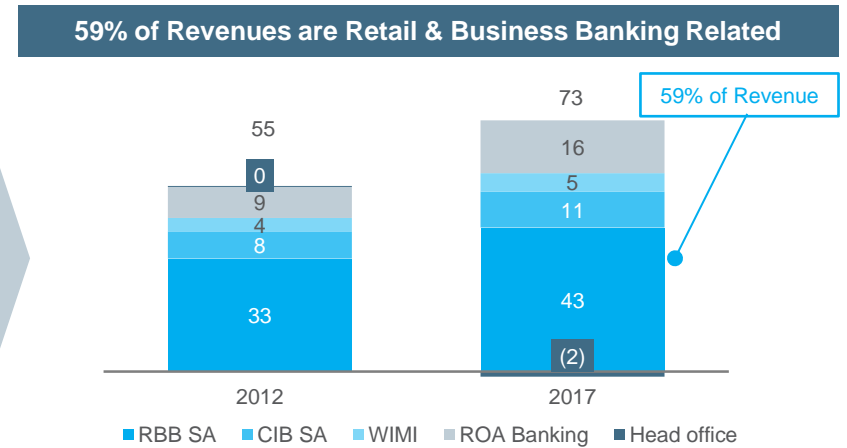
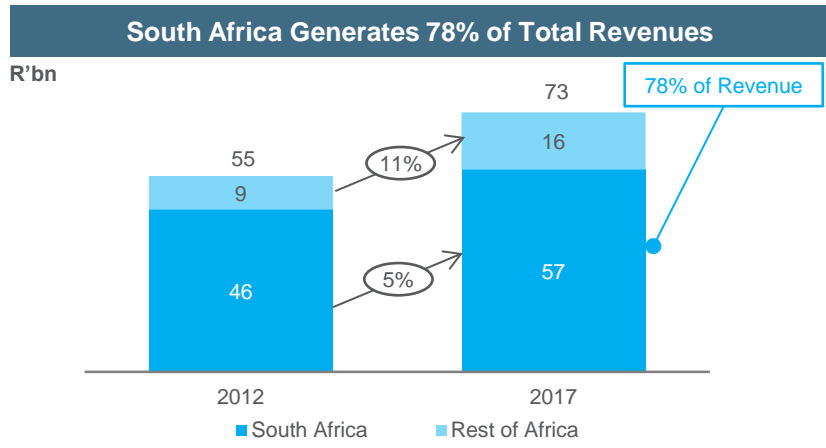
- Barclays Africa Group announced its intention to change the Group's name to "Absa Group Limited", subject to regulatory and shareholders' approval



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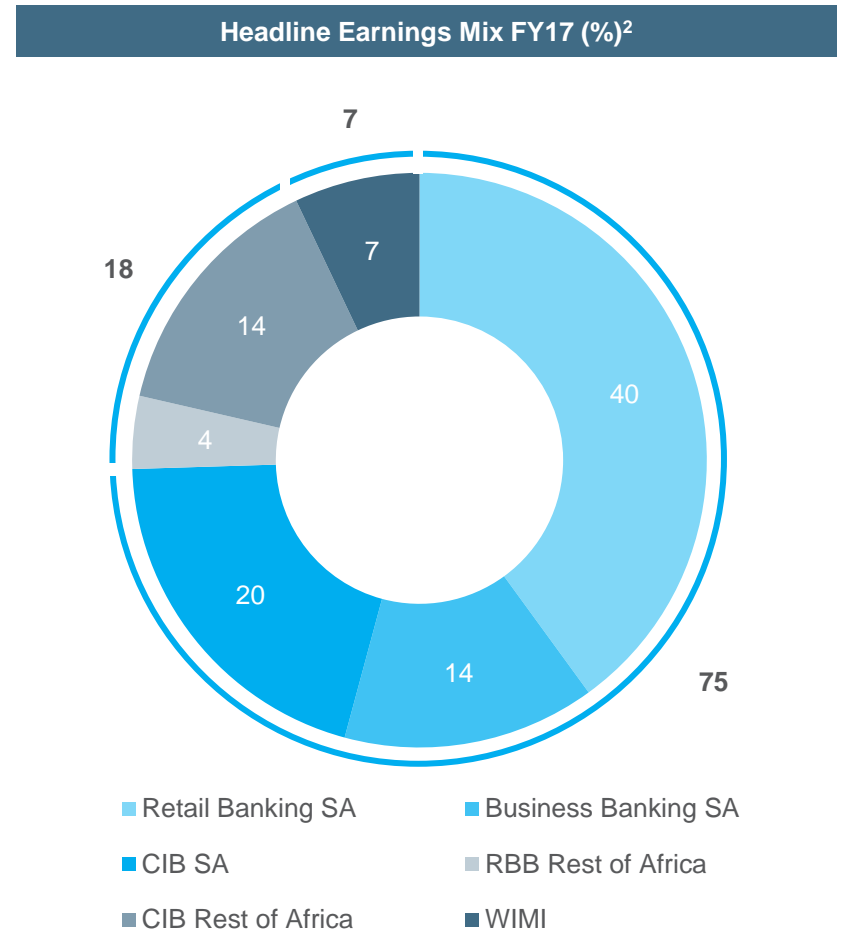
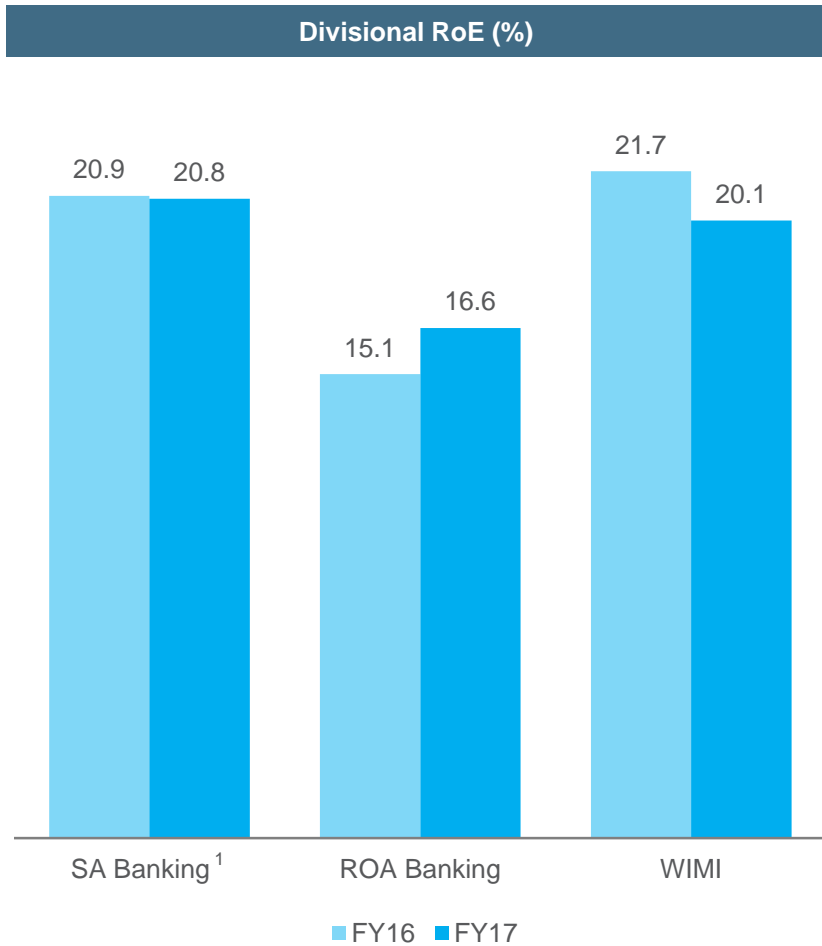
Group Financial Performance

A diversified revenue stream both from a geographic and business mix perspective



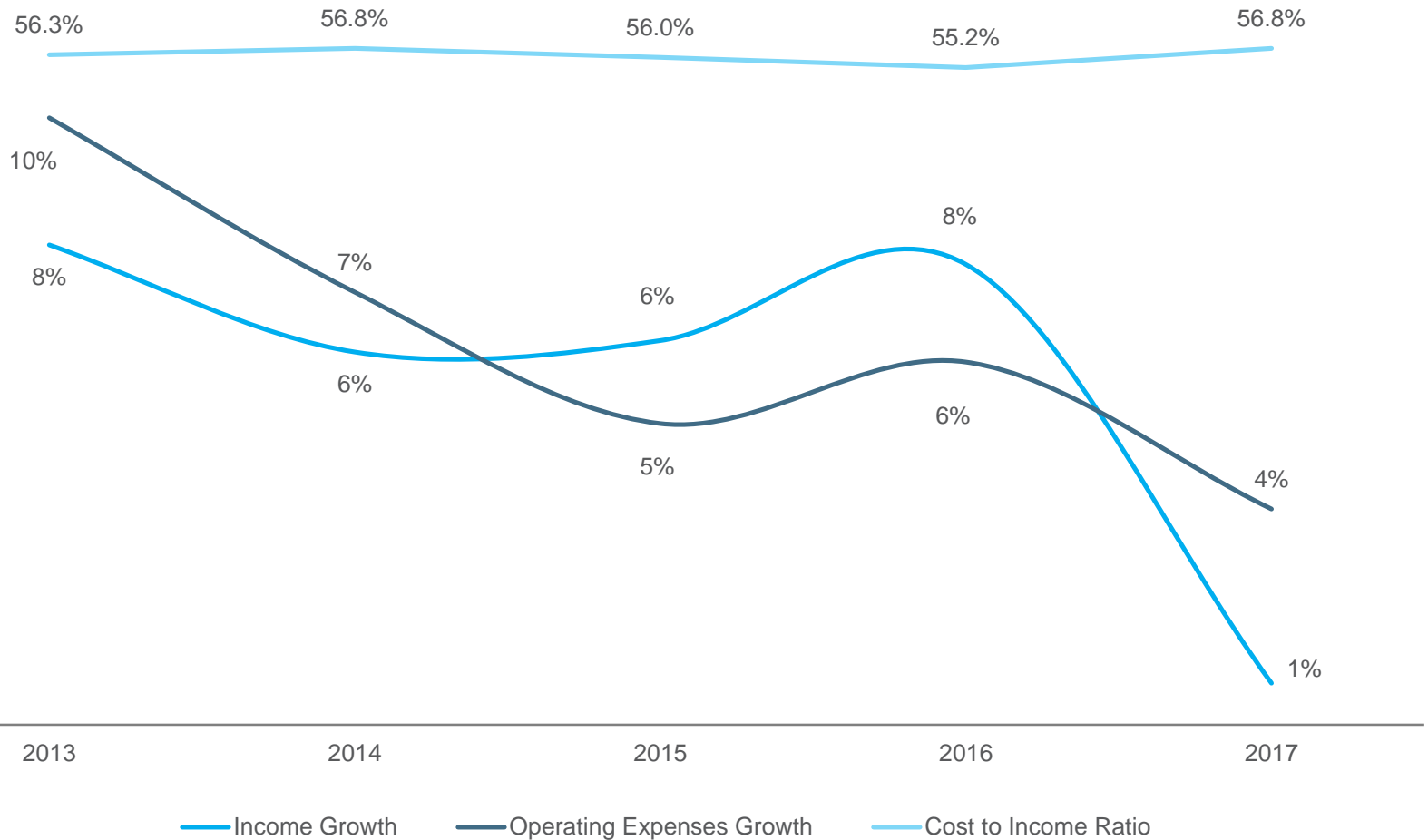
Key Terms: NII – Non-interest income; NIR – Non-interest revenue; WIMI – Wealth, Investment Management and Insurance; ROA – Rest of Africa; RBB – Retail and Business Banking; CIB – Corporate and Investment Banking

Strong returns across a well-diversified portfolio ...

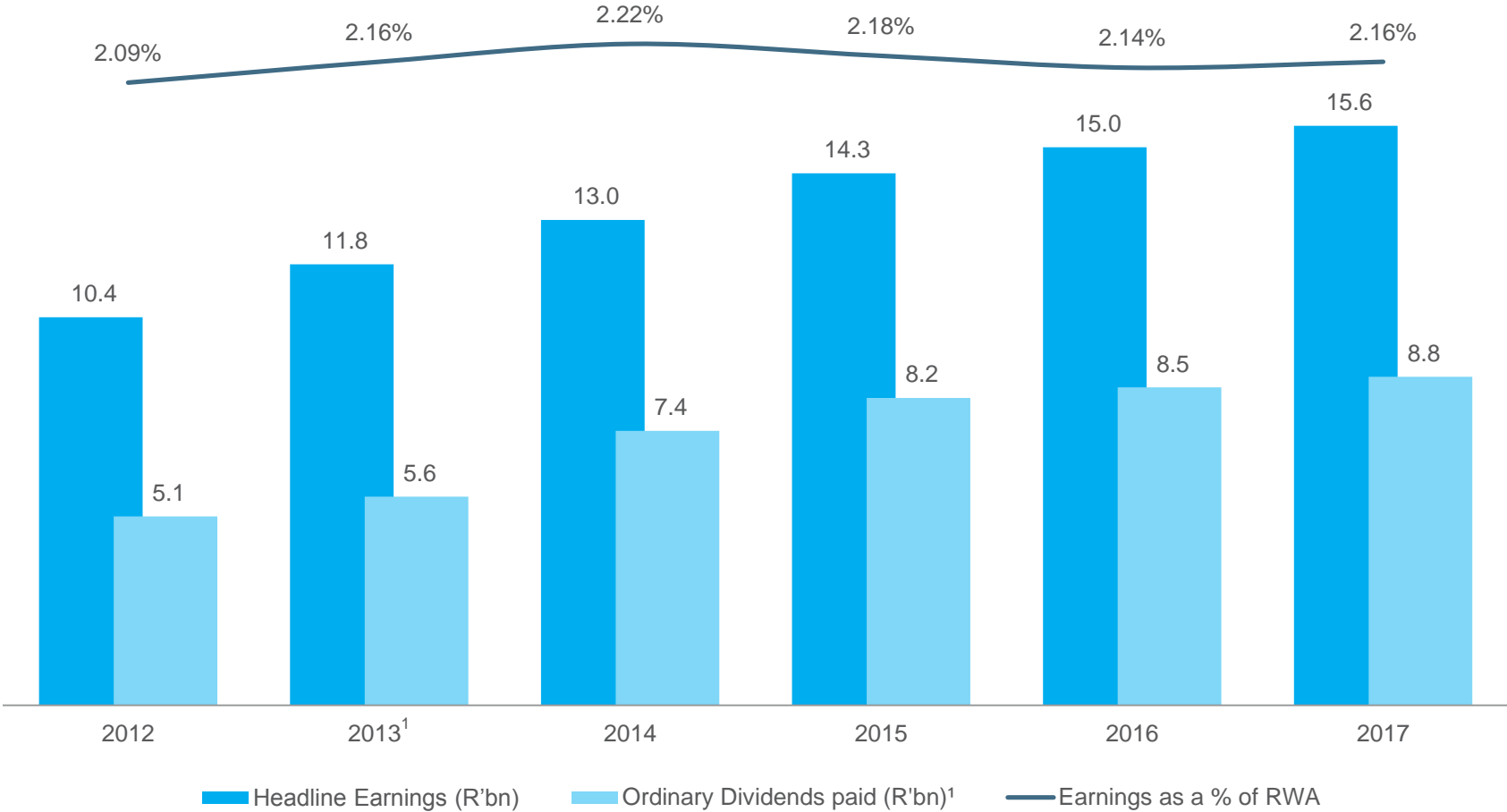


1. Return on regulatory capital; 2. May not sum to 100 due to rounding

In a tough economic backdrop, operational efficiencies & cost control supported a stable cost-to-income ratio



Consistent earnings progression; c.2% capital generated per year



1. Excludes special dividend of R6bn

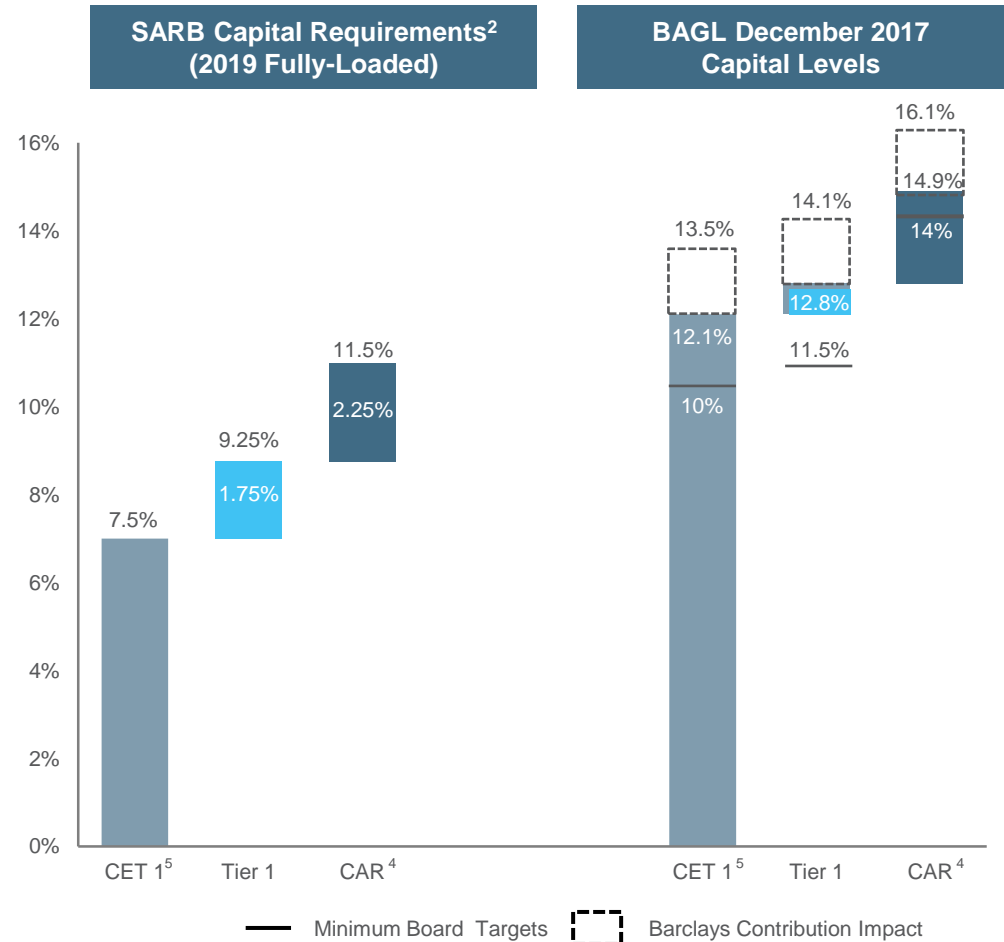
5 Capital and Liquidity Management

Strong capital position, well in excess of minimum regulatory requirements & minimum internal board targets

- Board target levels include
 - Regulatory minimum
 - Regulatory buffers
 - D-SIB
 - Countercyclical buffers
 - Pillar 2B (bank specific)
 - Internal management stress buffers

	Actual Normalised	Actual IFRS ³	Minimum Board Target	Regulatory Minimum (2019)
CET1	12.1%	13.5%	10%	7.5%
Tier 1	12.8%	14.1%	11.5%	9.25%
CAR	14.9%	16.1%	14%	11.5%

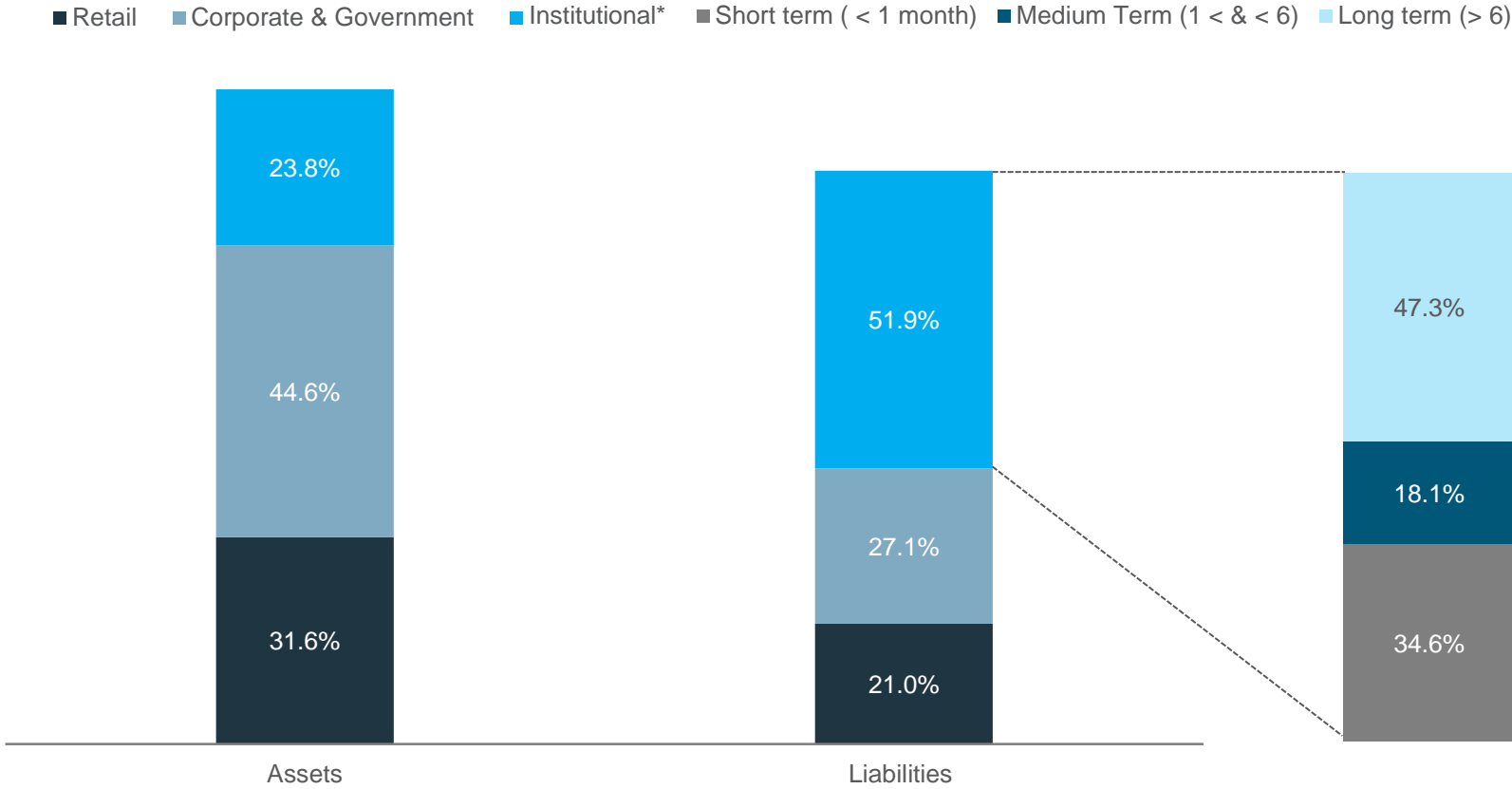
- Leverage ratio of 7.2%¹
 - Board Target of $\geq 4.5\%$
 - Minimum Regulatory = 4%
- IFRS9 increases impairment stock by c.30% and reduces capital ratio by c.35bps



1. Normalised; 2. Excludes Pillar 2B and D-SIB; 3. Barclays contribution impact; 4. Capital adequacy requirement; 5. Common equity Tier 1

Funding of the SA banking system is supported by well regulated financial institutions

Banking Industry Balance Sheet (R'bn)



*Banks, financial institutions and others

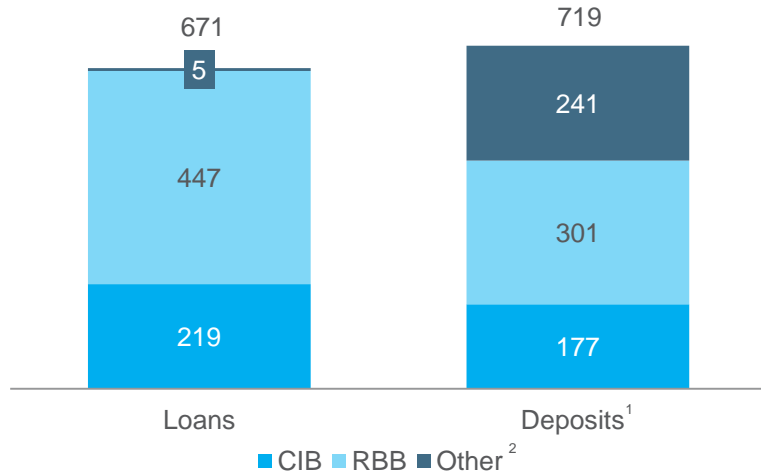
Funding sources are stable

South Africa Accounts for c.90% Credit Extended to Customers

ROA's Strong Deposit Franchise Reflected by Its Conservative Loans to Deposit Ratio

2017 Closing Balance Sheet Position for Customer Advances and Deposits

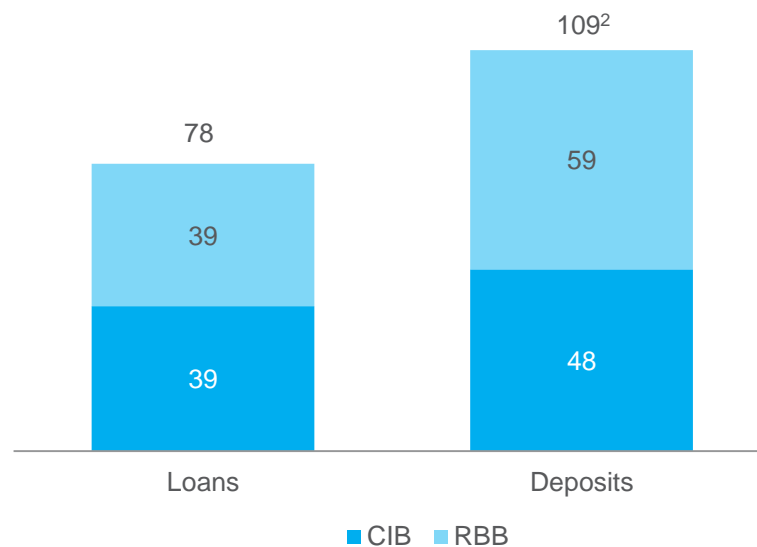
South Africa R'bn



Loans to Deposit Ratio¹

93%

Rest of Africa Banking R'bn



71%

1. Includes debt securities of R138bn. 2. Includes Head Office, Treasury and other operations

Liquidity position is healthy, within risk appetite and above minimum regulatory requirements

- 31% of deposits due to customers covered by the Group's available sources of liquidity
- NSFR > 100%
- LCR at 107.5%, above minimum regulatory requirements (80%)
- SA domestic wholesale funding market deep and liquid
- Less than 5% of balance sheet in hard foreign currency
- Debt securities \geq 1 month = weighted average life of 23 months
- Wholesale deposits \leq 6 months invested in liquid and trading assets
- Each banking entity is self sufficient from a liquidity perspective

Key Risk Metrics	2017	2016
Sources of Liquidity (R'bn)	213	192
Sources of Liquidity as a % of Total Deposits to customers	30.9	28.4
Net Stable Funding Ratio (NSFR) (%)	>100	>100
Liquidity Coverage Ratio (LCR) (%)	107.5	95.8
Loan-to-deposit Ratio (%)	90.6	88.4
South Africa	93.4	91.5
Rest of Africa	71.4	69.3
Foreign Currency Deposits Contribution of Total Deposits (%)	<5	<5

6

Risk Management

Credit risk is the largest risk type, with retail and corporate the largest asset class

Capital Demand as at 31 December 2017

	Total (R'bn)	% Contribution
Credit Risk Excluding CCR ¹	528	72%
Of Which SA ² Approach	145	
Of Which IRB ³ Approach	383	
Operational Risk	106	14%
Other	40	6%
CCR	38	5%
Market Risk	25	3%
	737	100%

Concentration by Basel Asset Class as at 31 December 2017

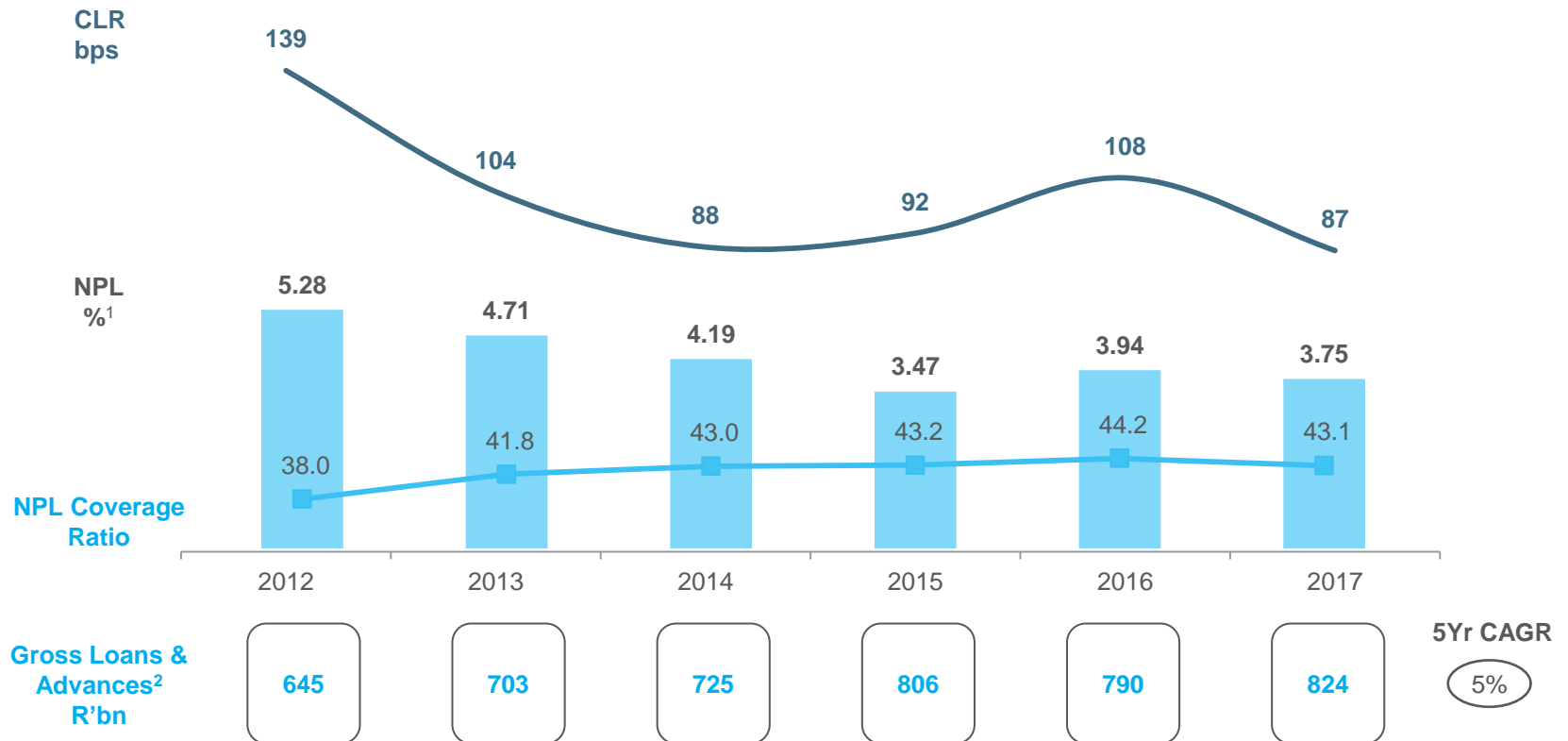
Description	Total (R'bn)	% Contribution
Corporate	351	28%
Retail Mortgages (Including Any Home Equity Line of Credit)	281	22%
SME (Retail and Corporate)	158	13%
Sovereign (Including Central Government and Central Bank)	137	11%
Retail – other	108	9%
Retail Revolving Credit	98	8%
Banks and Securities Firms	75	6%
Public Sector Entities	27	2%
Local Governments and Municipalities	8	1%
Total	1,243⁴	100%

Source: Pillar-3 Risk Management Report 2017

1. Counterparty Credit Risk; 2. Standardised Approach; 3. Internal ratings-based; 4. Exposure includes on and off balance sheet

Balance sheet strength is supported by low bad debts – NPLs c.4% of gross loans and advances

Non-performing Loans Totals c.4% of Total Gross Loans & Advances with Coverage Non-performing Loan Coverage at c.43%



1. NPL as a % of gross loans and advances; 2. To customers and banks

Larger exposure to secured portfolios supports credit loss & NPL cover

- Credit concentration risk managed at a Group level with policies and frameworks consistently applied at all subsidiaries
- Key credit policies
 - NPL definition
 - Retail 90 days past due
 - Wholesale – unlikely to pay
 - Interest suspended after 6 months for retail portfolios

	Non-performing Loans (Rm)	Credit Loss Ratio (bps)	NPL Coverage Ratio (%)
SA Banking	25,887	80	41
RBB SA	23,868	110	41
Retail Banking	20,534	120	42
Cards	5,053	453	71
VAF	2,362	87	47
Mortgages ¹	10,353	30	20
Personal Loans	2,383	609	66
Business Banking	3,334	43	33
CIB SA	2,019	24	41
ROA Banking	4,742	134	56
WIMI	262	158	67
Group	30,891	87	43

1. Home Loans credit loss ratio

Market risk in the banking book will have a limited impact on the group's results

- All material interest rate risks hedged in SA
 - Endowment risk
 - Structural risk
 - Fixed rate risk
- The liquid asset portfolio is held at AFS with limited directional risk in SA
- Limited hedging in RoA – lack derivative market
- NAV and earnings from foreign subsidiaries un-hedged
- Non-traded foreign exchange risk materially hedged

Accounting Earnings at Risk for a 100bps Decrease in Market Interest Rates as at 31 December 2017

	100 bps Decrease
Domestic Bank Book (Rm)	(459)
Foreign Subsidiaries Banks Books ¹ (Rm)	(265)
Total (Rm)	(724)
Percentage of the Group's NII (%)	(1.7)
Percentage of the Group's Equity (%)	(0.7)

Group's High Quality Liquid Assets

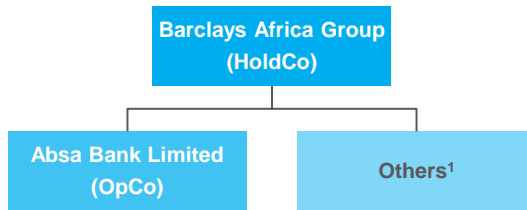
	R(bn) ³
High Quality Liquid Assets ²	160
Other Liquid Assets Outside SA	33

Source: Financial Results Booklet as at 31 December 2017; 1. African subsidiaries' interest rate sensitivities are shown on a 100% (rather than actual) shareholding basis; 2. Including the Committed Liquidity Facility. 3. Figures rounded

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Holding Company versus Operating Company

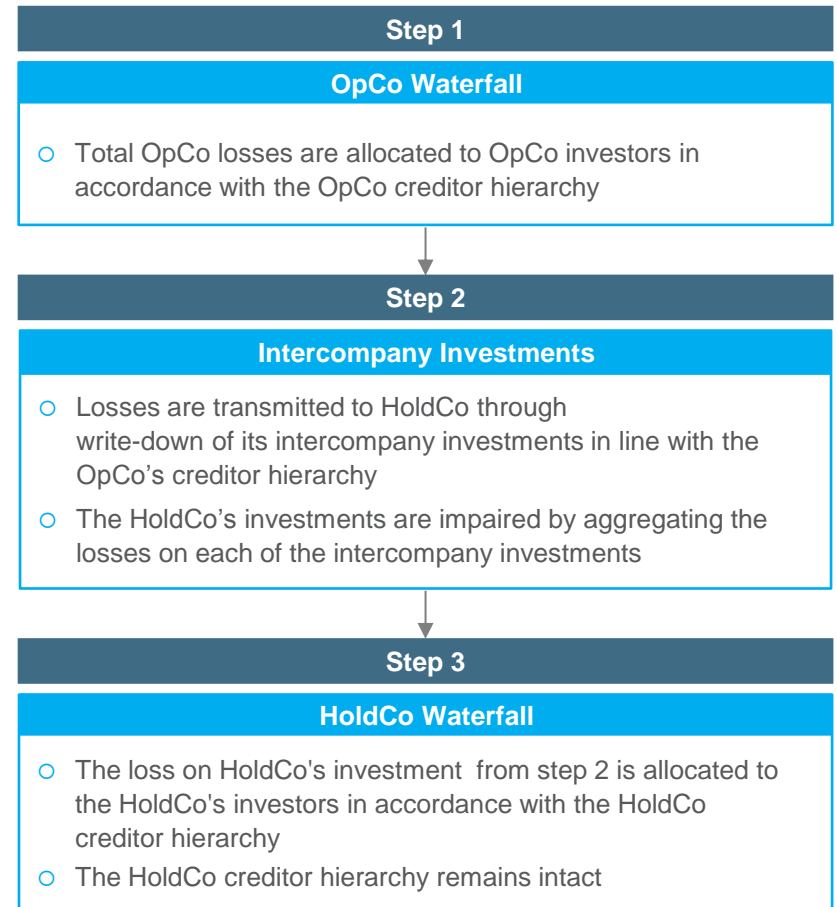
Main exposure is to ABSA while benefiting from the diversification of other entities



(%) Asset Contribution	85	15
(%) Income Contribution	68	32
(%) RWA Contribution	74	26
(%) NAV Contribution	70	30

- Due to minority interest rules under Basel III, it is expected for capital issuances to continue at a HoldCo level

Expected Resolution Loss Allocation Waterfall²



Source: As at 31 December 2017

1. Other comprises of all subsidiaries that consolidate to BAGL excluding Absa Bank and its subsidiaries. 2. Based on the white paper document "Strengthening South Africa's resolution framework for financial institutions", published by the National Treasury in 2015

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Tier 2 Notes: Terms and Conditions

Summary terms and conditions

Issuer	○ Barclays Africa Group Limited
Issuer Ratings (M/F)	○ Ba1 (Stable outlook) / BB+ (Stable outlook)
Expected Issue Ratings (M/F)	○ [Ba2] / [BB]
Currency/Size	○ USD []m
Description	○ Fixed Reset Rate Callable Subordinated Tier 2 Notes
Format	○ Reg S – Standalone documentation
Maturity/Call	○ [] 2028/One-off call option at the then current principal amount plus accrued interest on [] 2023
Status and Subordination	○ Subordinated obligations of BAGL ranking pari passu without any preference among themselves and pari passu with Other Tier 2 Securities, senior to Common Equity Tier 1 Capital Securities and the obligations of BAGL under any Junior Securities, and junior to the present and/or future claims of Senior Creditors
Interest	○ [●] % per annum payable semi-annually in arrear. Reset on [] 2023 to the prevailing CMT rate on the reset determination date + reset margin
Early Redemptions	○ At the then current principal amount plus accrued interest upon a Capital Disqualification Event (full or partial loss of Tier 2 eligibility, to the extent permitted by the capital regulations) or Tax Event (additional amounts or loss of tax deductibility), such redemption being subject to the satisfaction of certain conditions
Substitution or Variation	○ Upon a Capital Disqualification Event or a Tax Event, subject to conditions including new terms being not materially less favourable
Loss Absorption Following a Non-viability Event	○ If a Non-viability Event occurs, then BAGL shall, in accordance with the Capital Regulations, write-off the Tier 2 Notes provided that: (a) The write-off needs only to occur up until the point where BAGL is deemed by the Relevant Regulator to be viable again, and (b) The Tier 2 Notes shall be written-off in whole, or in part, on a pro rata basis with other Loss Absorbing Instruments (Tier 2 Securities which may have all or some of their principal amount written-off or converted) ○ A “Non-viability Event” shall occur when a “trigger event”, specified in a notice in writing by the Relevant Regulator to BAGL in accordance with the Capital Regulations, has occurred; provided that, as a minimum, the aforesaid “trigger event” shall be the earlier of: (a) A decision that a write-off, without which BAGL (on a consolidated basis or as required by the capital regulations) would become non-viable, is necessary as determined by the Relevant Regulator; or (b) A decision to make a public sector injection of capital, or equivalent support, without which BAGL (on a consolidated basis or as required by the capital regulations) would have become non-viable as determined by the Relevant Regulator
Disapplication of the Contractual Non-viability Event clause	○ At the option of the Issuer following implementation of a Statutory Loss Absorption Regime in South Africa
Listing	○ London Stock Exchange
Governing Law	○ English law, save that Conditions on Status, Subordination and Write-off of the Tier 2 Notes shall be construed in accordance with South African law
Denominations	○ US\$200,000 and in integral multiples of US\$1,000 in excess thereof
Use of Proceeds	○ The net proceeds of the issue of the Tier 2 Notes will be used by the Issuer for general corporate purposes of BAGL and to further strengthen BAGL's regulatory capital base, and will not be on-lent to the general public of the Republic of South Africa
Global Coordinators	○ Barclays and ABSA
Joint International Bookrunners	○ Barclays / Citi / HSBC
International Structuring Advisor	○ Barclays
Local Bookrunner	○ ABSA

Note: The above are summary terms only. Please refer to the Preliminary and Final Prospectus for a full description of the Terms and Conditions. Capitalized terms used in this summary and not otherwise defined in this presentation shall have the meaning ascribed to them in the Terms and Conditions as set out in the Preliminary and Final Prospectus

Note: MiFID II professionals/ECPs-only - Manufacturer target market (MiFID II product governance) is eligible counterparties and professional clients only (all distribution channels). No PRIIPs key information document (KID) has been prepared as not available to retail in EEA







Additional details on the Tier 2 point of non-viability clause

Specificities of the Tier 2 Trigger Event & Loss Absorption	
Contractual Clause Required	<ul style="list-style-type: none">○ For the proposed Tier 2 Notes, write-off is at the discretion of the Registrar (as appointed by the SARB)○ Triggered at the earlier of (a) a decision that the write-off, without which the issuer would become non-viable, is necessary or (b) public sector injection of capital or equivalent support, without which the issuer would have become non-viable
Loss Absorption Only to the Extent Required ...	<ul style="list-style-type: none">○ The write-off needs only to occur up until the point where the Issuer is deemed by the Registrar to be viable again
... on a Pro Rata Basis ...	<ul style="list-style-type: none">○ The Tier 2 Notes shall be written-off in whole, or in part, on a pro rata basis with other Loss Absorbing Instruments (Tier 2 Securities which may have all or some of their principal amount written-off or converted), subject to the directions of the relevant regulator
... and Once Tier 1 Holders Have Absorbed Losses	<ul style="list-style-type: none">○ Junior Securities (including CET1 and AT1) are likely to be converted or written-off prior to any write-off of the Tier 2 Notes
Statutory Legislation	
A Resolution Regime is Expected, With Uncertain Timing	<ul style="list-style-type: none">○ Guidance Note 6/2017 makes mention of the drafting of a resolution regime○ The SARB, NT and Financial Services Board issued a position paper in 2015 aimed at soliciting public comments on a Resolution Framework including Total Loss Absorbing Capital to be factored in the drafting The framework will adhere to the key attributes of effective resolution regimes
GN 6 Mentions Ability to Disapply the Contractual Clause	<ul style="list-style-type: none">○ Issuers explicitly have the option to include in the T&Cs a disapplication of the contractual non-viability clause if and when the statutory legislation becomes enforceable (see the "Amendment Option" in the Tier 2 Notes)
Capital Disqualification Event Limited	<ul style="list-style-type: none">○ Any loss of Tier 2 capital treatment due to exercise or non-exercise of the Amendment Option would not constitute a Capital Disqualification Event and therefore shall not give rise to an early redemption or substitution/variation right

Source: Guidance Note 6/2017 and Regulations relating to Banks 38(14)







9 Appendix

PONV: Comparative analysis across selected jurisdictions

	 Basel III / FSB ¹	 EU ²	 Switzerland	 Brazil	 Russia	 Korea	
PONV	Statutory	<ul style="list-style-type: none"> Statutory, if appropriate legislation in place allowing the regulator to impose losses on capital holders 	<ul style="list-style-type: none"> Statutory power for writedown or conversion via the Bank Recovery and Resolution Directive (BRRD), as implemented in 2015 	<ul style="list-style-type: none"> Statutory power for writedown or conversion via the Swiss TBTF regime, as has been implemented in 2016 	<ul style="list-style-type: none"> Not applicable 	<ul style="list-style-type: none"> Not applicable 	<ul style="list-style-type: none"> Existing resolution framework³ in place that dictates when regulators can determine banks as non-viable
	Contractual	<ul style="list-style-type: none"> Not required if statutory legislation in place 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> Required 	<ul style="list-style-type: none"> Required 	<ul style="list-style-type: none"> Required 	<ul style="list-style-type: none"> Streamlined to one trigger Basel III regulations more transparent for investors
	Mechanism	<ul style="list-style-type: none"> Permanent write-down or conversion Full or partial, depending on the loss 	<ul style="list-style-type: none"> Permanent write-down or conversion Full or partial, depending on the loss 	<ul style="list-style-type: none"> Permanent write-down or conversion Must be in full 	<ul style="list-style-type: none"> Permanent write-down Legal challenges for conversion Full or partial, depending on the loss 	<ul style="list-style-type: none"> Permanent write-down Legal challenges for conversion Full or partial, depending on the loss 	<ul style="list-style-type: none"> Permanent write-down or conversion Full only
	Order of Loss Absorption	<ul style="list-style-type: none"> Equity absorbs losses first, followed by AT1, Tier 2 (and other subordinated debt) and then senior creditors 	<ul style="list-style-type: none"> Equity absorbs losses first, followed by AT1 and then Tier 2 and then senior creditors 	<ul style="list-style-type: none"> Equity absorbs losses first, followed by AT1 and then Tier 2 and then senior creditors 	<ul style="list-style-type: none"> Not specified that equity absorbs losses first but impossible to wipe-out equity contractually 	<ul style="list-style-type: none"> Equity exhausted first, followed by AT1 and then Tier 2 if trigger is breached as a result of losses 	<ul style="list-style-type: none"> No specific requirement for sequential loss absorption between equity, AT1 and Tier 2
	PONV Interest Payments	<ul style="list-style-type: none"> Not specified 	<ul style="list-style-type: none"> Accrued interest until PONV date will be paid 	<ul style="list-style-type: none"> Accrued but unpaid interest cancelled at PONV 	<ul style="list-style-type: none"> Accrued but unpaid interest cancelled at PONV 	<ul style="list-style-type: none"> Accrued but unpaid interest cancelled at PONV 	<ul style="list-style-type: none"> Accrued but unpaid interest cancelled at PONV
	PONV Trigger	<ul style="list-style-type: none"> A decision that a write-off, without which the bank would become non-viable, is necessary, as determined by the relevant authority, or A decision to make a public sector injection of capital, or equivalent support ,without which the bank would have become non-viable, as determined by the relevant authority 	<ul style="list-style-type: none"> Competent Authority determines that (i) The bank is failing or likely to fail, (ii) There is no alternative in the private sector or within supervisory action, and (iii) Action is in the public interest Failing or likely to fail defined as withdrawal of banking license, assets less than liabilities, unable to pay debts when due, or extraordinary public financial support required 	<ul style="list-style-type: none"> In order to prevent the bank from becoming insolvent, bankrupt, unable to pay a material part of its debts or unable to carry on its business, and after customary measures to improve capital adequacy prove inadequate or infeasible, FINMA has notified the bank that <ul style="list-style-type: none"> A writedown or conversion is required; or An irrevocable commitment of public sector extraordinary support is required 	<ul style="list-style-type: none"> CET1 is below 4.5% RWA (hard trigger); or Banco Central do Brasil (BCB) puts the bank under an administration regime or the bank requires BCB intervention/support; or BCB determines in its sole discretion that the instrument must be written down; or BCB determination that the non-viability would jeopardise the stability of the banking system 	<ul style="list-style-type: none"> CET1 is below 2% RWA (hard trigger); or The Deposit Insurance Agency implements bankruptcy prevention measures by <ul style="list-style-type: none"> (a) Acquiring a controlling stake in a bank directly or (b) Indirectly provides financial assistance to a third party to acquire a controlling stake in the bank 	<ul style="list-style-type: none"> The bank is designated as an "insolvent financial institution", based on (i) liabilities exceeding assets, (ii) suspension of payment of claims or repayment of borrowings, or (iii) inability to pay claims or repay borrowings without external support or further borrowings⁴ Pre-emptive capital support permitted under legal and regulatory framework

1. Based on the Basel Committee press release dated 13 January 2011 titled "Minimum requirements to ensure loss absorbency at the point of non-viability" and the FSB's publication dated 15 October 2014 titled "Key Attributes of Effective Resolution Regimes for Financial Institutions"; 2. Statutory Point of Non Viability based on European Recovery and Resolution Directive dated 12 June 2014 (Preconditions on Article 34 and Trigger on Article 32); 3. The Regulation on Supervision of Banking Business and the Act on the Structural Improvement of the Financial Industry; 4. Based on Article 2 of the Act on the Structural Improvement of the Financial Industry

PONV: Comparative analysis across selected jurisdictions (cont'd)

	 China	 Hong Kong	 Singapore	 India	 Turkish	 South Africa	
PONV	Statutory	○ Not applicable	○ Implemented in June 2016	○ Legislative proposal published in April 2016	○ Not applicable	○ Not applicable	○ Not applicable
	Contractual	○ Required	○ Required	○ Required	○ Required	○ Required	○ Required (until statutory legislation is implemented)
	Mechanism	<ul style="list-style-type: none"> ○ Permanent write-down or conversion ○ Must be in full 	<ul style="list-style-type: none"> ○ Permanent write-down or conversion ○ Full or partial, depending on the loss, as determined by the Hong Kong Monetary Authority (HKMA) 	<ul style="list-style-type: none"> ○ Permanent write-down or conversion ○ Full or partial, depending on the loss, as determined by the Monetary Authority of Singapore (MAS) 	<ul style="list-style-type: none"> ○ Write-down or conversion ○ Permanent and full, if public sector injection of capital required ○ Otherwise can be partial and temporary 	<ul style="list-style-type: none"> ○ Permanent write-down or conversion ○ Full or partial, depending on the loss 	<ul style="list-style-type: none"> ○ Permanent write-down or conversion ○ Full or partial, depending on the loss
	Order of Loss Absorption	<ul style="list-style-type: none"> ○ Not specified/relevant, full and permanent write-off or conversion of instrument as soon as trigger is breached 	<ul style="list-style-type: none"> ○ Not explicitly specified in documentation ○ 1) CET1 ○ 2) Additional Tier 1 ○ 3) Tier 2 and other sub debt ○ 4) Other eligible liabilities 	<ul style="list-style-type: none"> ○ Not explicitly specified in documentation ○ In April 2016, MAS proposed enhancements to its resolution regime including the right to (or not) exercise its powers with regard to respecting the creditor hierarchy 	<ul style="list-style-type: none"> ○ Not specified, although it is recommended that raising CET1 capital should be considered the most appropriate way to prevent non-viability 	<ul style="list-style-type: none"> ○ Banking Regulation and Supervision Agency (BRSA) has the power to impose losses on equity in conjunction with AT1 and Tier 2 loss absorption ○ AT1 to absorb losses before Tier 2 	<ul style="list-style-type: none"> ○ Expected to follow creditor hierarchy, with AT1 converted or written off prior to any conversion or write-off of Tier 2 instruments
	PONV Interest Payments	<ul style="list-style-type: none"> ○ Accrued but unpaid interest cancelled at PONV 	<ul style="list-style-type: none"> ○ Accrued but unpaid interest cancelled at PONV 	<ul style="list-style-type: none"> ○ Accrued but unpaid interest cancelled at PONV 	<ul style="list-style-type: none"> ○ Accrued but unpaid interest cancelled at PONV 	<ul style="list-style-type: none"> ○ Accrued interest until PONV date will be paid 	<ul style="list-style-type: none"> ○ Accrued but unpaid interest cancelled at PONV
	PONV Trigger	<ul style="list-style-type: none"> ○ A decision that a conversion or write-off is necessary, without which the bank would become non-viable, as determined by the China Banking Regulatory Commission (CBRC), or ○ A decision that a public sector injection of capital or equivalent support is necessary, without which the bank would become non-viable, as determined by relevant authorities 	<ul style="list-style-type: none"> ○ A decision that a conversion or write-off is necessary, without which the bank would become non-viable, as determined by the HKMA, or ○ A decision that a public sector injection of capital or equivalent support is necessary, without which the bank would become non-viable, as determined by a relevant regulatory body 	<ul style="list-style-type: none"> ○ A decision that a write-off is necessary, without which the bank would become non-viable, as determined by the MAS, or ○ A decision by the MAS to make a public sector injection of capital or equivalent support, without which the bank would become non-viable, as determined by the MAS 	<ul style="list-style-type: none"> ○ A decision that a conversion or writedown, without which the bank would become non-viable, is necessary, as determined by the Reserve Bank of India (RBI), or ○ A decision to make a public sector injection of capital, or equivalent support, without which the bank would have become non-viable, as determined by the RBI 	<ul style="list-style-type: none"> ○ BRSA determines Non-viability according to Art No.71 of the Turkish Banking Law No. 5411 ○ Prior to any determination of Non-viability there are a number of corrective, rehabilitative and restrictive measures available to the BRSA to remedy any bank that fails to rectify capital, liquidity and other supervisory breaches (Articles 67 to 70) ○ Revocation of license and liquidation or transfer to SDIF 	<ul style="list-style-type: none"> ○ Non-viability as determined by the South African Reserve Bank (SARB) and the need for public sector injection of capital ○ Statutory PONV trigger events to be specified in upcoming legislation

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