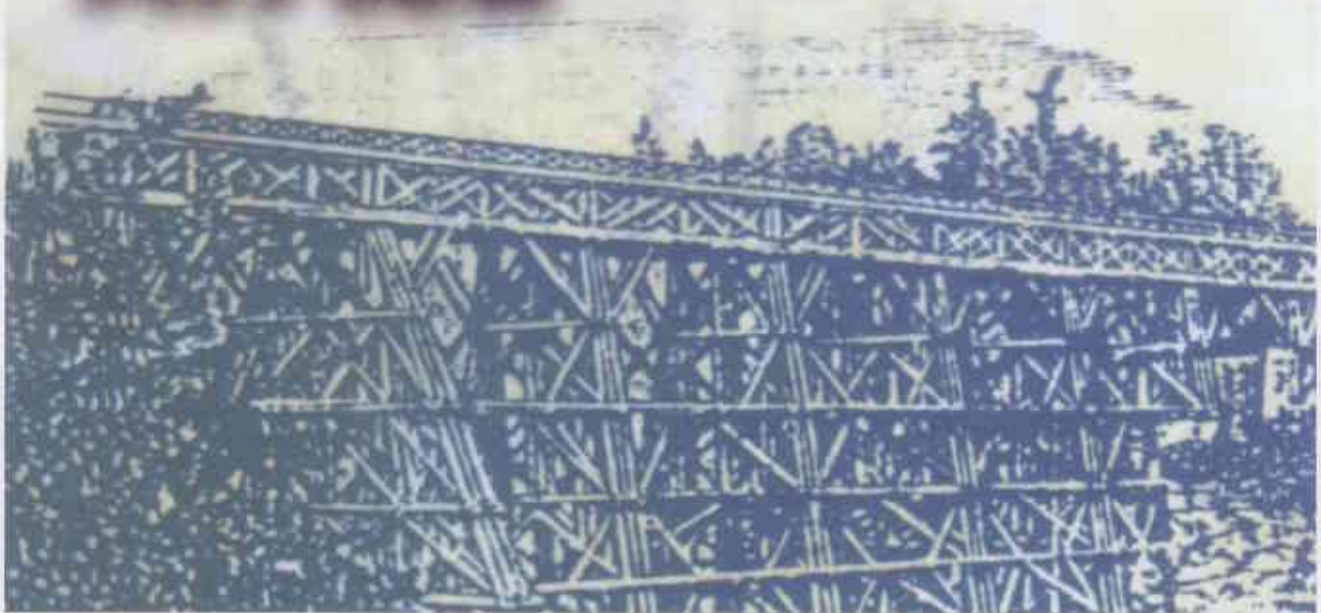


Supporting investment opportunities in sub-Saharan Africa



Barclays Securities Administration currently offers custody in 12 African markets, either on a direct basis or via third-party agents, including Nigeria which it opened last year. A key strategy during 2007 is to continue to extend its network of supported countries in which its customers can invest. Barclays has recently signed contracts with Absa to cover the South African market, it has concluded due diligence on an agent bank for Namibia, and it has received central bank approval to open a Barclays custody operation in Tanzania. In addition, Barclays has a number of frontier markets on its watch list



Chris Wooldridge,
Regional Head of Barclays
Securities Administration,
Barclays Africa & Indian Ocean

Having established its business in Africa in 1994, predominantly through servicing cross-border customers, Barclays has witnessed a sharp upturn in the business extended to domestic clients as markets have become more sophisticated and regulators have introduced reforms requiring that funds appoint an independent custodian to safe-keep their assets. "As this trend developed, we saw our domestic business in the late 1990s overtake our cross-border client business to occupy an 80 per cent share of our overall total," says Chris Wooldridge, Regional Head of Barclays Securities Administration, Barclays Africa & Indian Ocean. "However, we are now again seeing strong pick-up in our foreign investor business as a percentage of our overall total."

Wooldridge reports strong growth across sub-Saharan Africa (SSA). "It is interesting to see the return of cross-border interest, with a third of assets under custody being in international investors' hands," he says. Inevitably, Nigeria is the largest market and receives a large part of the investment action in the region. However, Kenya,

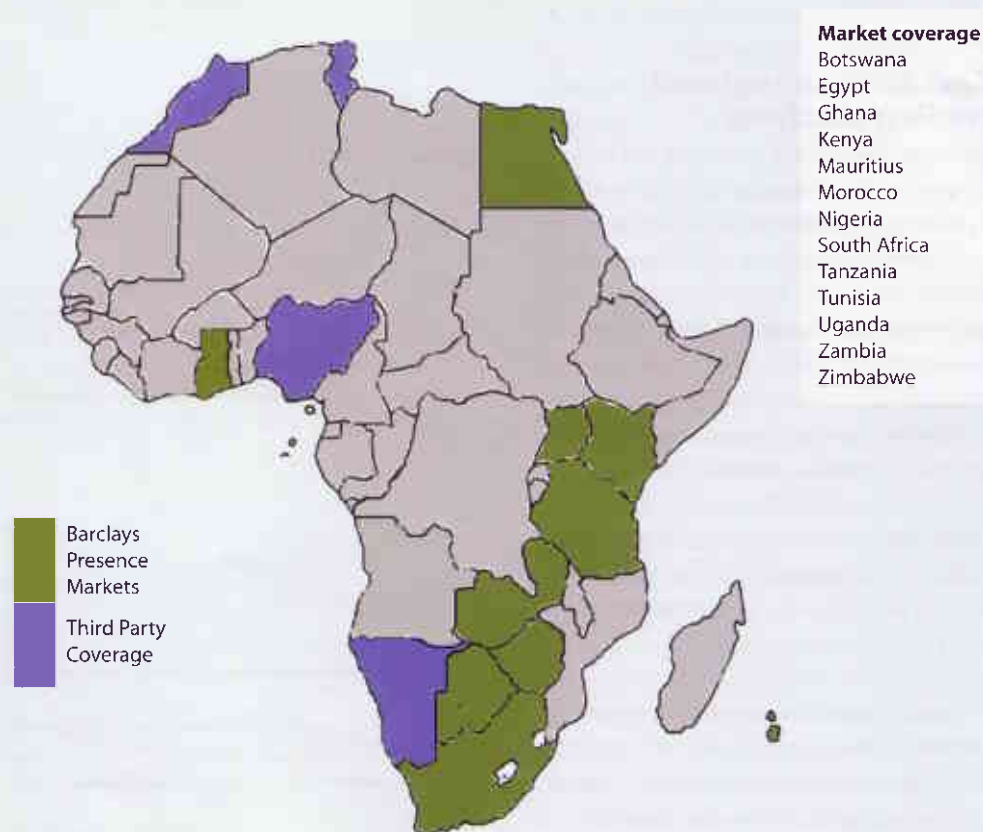
Uganda and Zambia can be singled out as markets that attracted a lot of attention during 2006. "It is typically the availability and number of quality stocks within the market that drives investor interest," he adds. "However, we are also seeing growing demand for our services in our emerging and frontier markets."

Following Kenya's lead

John Odhiambo, Head of Barclays Securities Services Kenya – who was himself a fund manager in Nairobi in the mid-1990s – explains that many fund managers were, at that time, investing principally in property and government debt and there was only a weakly-developed culture of investing in equities. Subsequently, this mind-set has changed and this has fuelled a steady rise in asset flows from Kenyan fund managers into the more liquid stocks listed on the Nairobi exchange, as well as a gradual outbound cross-border flow into foreign assets.

Kenya has been at the forefront of reforms designed to establish a more market-friendly

Barclays Market Coverage



environment. In 1997, the Pensions Regulator introduced reforms that required pension funds to appoint an independent pension fund manager and pension fund custodian. These changes were effected in 2000. A year later, the requirement was extended to collective investment schemes registered in the Kenyan market.

Since dematerialised settlement was introduced at the CSD in November 2004, and an electronic trading system was launched 18 months later, the Kenyan market has experienced no settlement failure. The introduction of automated trading and electronic settlement contributed to an increase in trading activity on the Stock Exchange of 74 per cent during 2006.

Augustine Kwakye-Agyekum, Deputy Regional Head, Barclays Securities Administration, Barclays Africa & Indian Ocean, reports that a number of the regulatory changes that have been established in Kenya have now been replicated across other countries in sub-Saharan Africa. For example, Ghana has recently passed its Securities Act, which has set in place the foundations to establish a CSD for listed equities. This depository will employ the same technology as that used for the existing CSD for government debt instruments. Other SSA countries that are currently running projects to implement CSDs include Botswana and Tanzania.

East African regional trading platform

In a bid to drive regional efficiencies and to enhance liquidity of stocks traded on East African stock exchanges, discussion is ongoing regarding the potential formation of a regional stock exchange for the East African financial community, embracing Kenya, Uganda, Tanzania, Rwanda and Burundi. Odhiambo explains that the introduction of an East African regional trading platform will significantly extend the range of stocks in which East African investors can invest. The Nairobi Stock Exchange, for example, currently supports 54 listed stocks, of which the top 15 are relatively liquid. With the formation of a regional exchange, investors will have access to approximately 150 stocks listed across the five markets.

Importantly, we are noting increasing appetite from both domestic and cross-border investors for African government and corporate debt. Several African governments, for example, Kenya and Uganda, are now looking first and foremost to

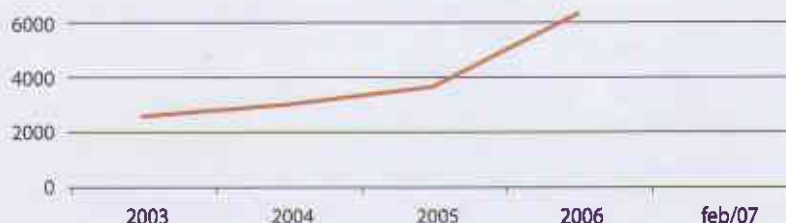
their local capital markets to raise finance, rather than seeking funding through the World Bank and other multilateral financial institutions, as was the case until recently. Five years ago, the longest-dated government bond issued by the Kenyan government had a three-year maturity. Now, the Kenyan government is issuing government debt with a range of different maturities and is working hard to establish a yield curve. When it issued its 12-year government bond recently, the issue was substantially oversubscribed.

Kwakye-Agyekum notes that in early March 2007, the Ghanaian Central Bank confirmed removal of the 10 per cent ceiling on stock listed on the Ghana Stock Exchange that may be owned by a non-resident investor. However, foreign investors must still secure authorisation from the Bank of Ghana to hold more than 10 per cent of

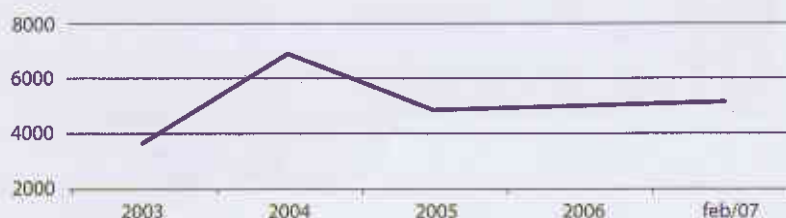


Augustine Kwakye-Agyekum,
Deputy Regional Head, Barclays
Securities Administration,
Barclays Africa & Indian Ocean

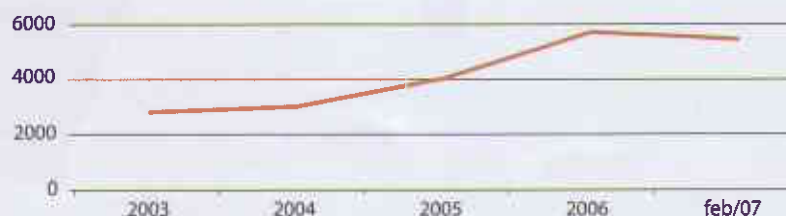
Botswana: Market Index



Ghana: Market Index



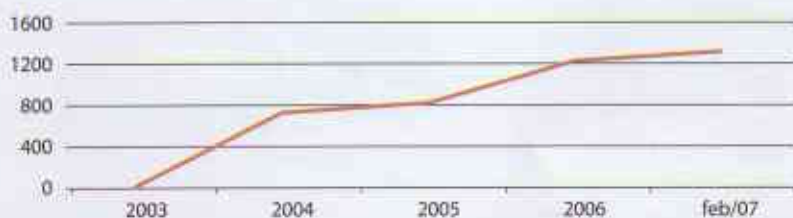
Kenya: Market Index



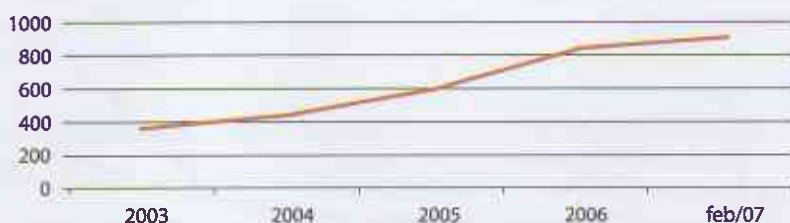
listed bank stock. At the same time, ownership restrictions have been liberalised on government bonds, allowing foreign investors to purchase government bonds with maturities of three years or more.

"At Barclays, we see the task of working with regulatory authorities and infrastructure providers in order to identify areas for improvements in operational efficiency as one of our core functions," says Wooldridge. "Previously, we have been instrumental in arranging for stock exchanges to become associate members of ANNA in order to facilitate the introduction of ISIN. Similarly, local brokers have all the SWIFT BIC codes through our petitioning. When the Kenyan CSD product was launched, Odhiambo served as Chair of the Custodian Sub-committee."

Mauritius: Market Index



Namibia: Market Index



Nigeria: Market Index



Having built these foundations, the next step is to push sub-Saharan Africa's leading markets further towards G30 standards, particularly to support T+3 settlement and to deliver true DvP. In Kenya, DvP is currently available for cross-border clients through their custodian, but domestic customers still rely on the broker to deliver their payment by cheque subsequent to a securities transaction. In Botswana, Barclays is currently lobbying with the Botswana Stock Exchange to reduce the settlement cycle for equities and corporate bonds to T+3 in order to improve compliance with G30 standards. Alongside this, Barclays continues to lobby for the introduction of securities lending services into a range of markets in sub-Saharan Africa.

Regional Custody

Demand for Barclays regional custody product has progressively advanced in response to the needs of pan-African unit trusts, investment funds and hedge funds. Global custodians have sought a way to reach African markets without setting up contractual arrangements with potentially 15 or more different banks. "Our Mauritius hub concept has evolved to meet customer demand in this area," explains Wooldridge. "In our early years of operation in Africa, our client base was predominantly global custodians and their preference was typically to have a direct relationship into each market that we supported. However, we have subsequently seen a growing number of global custodians opting to use our hub-based structure to support their activities into smaller frontier markets, enabling them to drive these through a single relationship and to extend their activities quickly into new markets."

With the extension of demand for this service from pan-African funds, hedge funds, and global custodians, these three customer groups have provided the momentum necessary to warrant the formation of the Mauritius hub. Customers still have full freedom to maintain direct relationships in the markets where Barclays operates or to employ the hub structure to provide a regional reach to all African markets.

The Sectech Custody 2000 platform that Barclays uses to support its African business provides considerable flexibility and works well in emerging markets. "In opening our Uganda operation, for example, we initially used our Kenyan systems with all the reporting coming out of Nairobi,"

says Odhiambo. "As the market has advanced over the subsequent five years, we have reached a critical size where it warranted installing our own dedicated systems in the market, which we did in October 2006." Across its African markets, Barclays Securities Services processed more than 130,000 transactions during the last 12 months, with the large majority of these trades conducted by domestic investors. The Barclays team has seen its total transaction volumes grow by more than 40 per cent over the last three years, with assets under custody growing by 145 per cent over the same time frame.

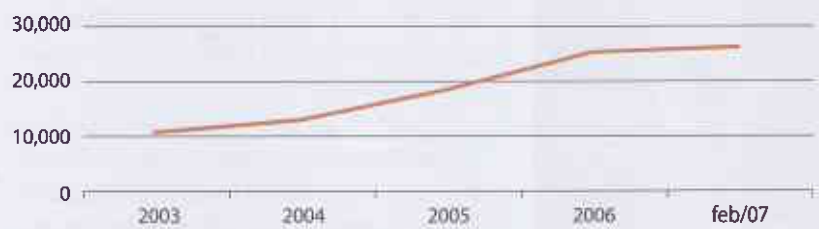
In developing its coverage into new markets, Barclays has recently been granted regulatory approval to open a Tanzanian operation and it is destined to launch this in the near future. Wooldridge indicates that his team is receiving a growing number of inquiries about Mozambique – and, with Absa having a subsidiary in this market, it will look to draw on Absa's expertise to develop its product coverage in this location. Barclays is currently expanding its banking activities in Egypt. With a significant injection of capital from the parent company, the bank will extend a range of new products from its Cairo office, including custody.

Concluding thoughts

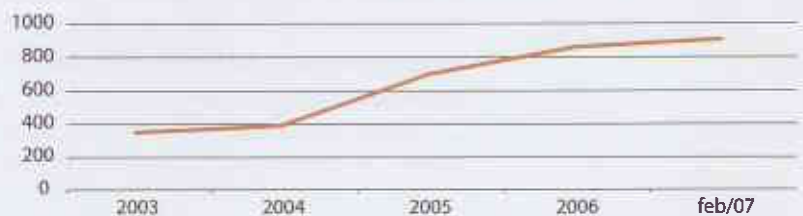
In conclusion, Barclays goal is to provide a service in Africa wherever there is demand from domestic and cross-border investors. "We have evolved from providing coverage in seven African markets to include the major African markets of South Africa, via our acquisition of a majority shareholding in Absa, as well as Nigeria and Egypt," says Wooldridge.

Absa has 100 staff dedicated to its investor services business in South Africa, with Barclays Securities Services maintaining a further 50+ staff to service its SSA markets excluding South Africa. "With Barclays purchase of a majority stake in Absa in South Africa, this has enhanced our ability to extend the range of new services on offer, as well as growing our footprint in sub-Saharan Africa," says Wooldridge. "Our goal is to serve as a one-stop provider for any domestic or cross-border customers that require this service. With all the markets under investigation, it is not beyond the realms of possibility that our African network will cover over 15 countries by the year end. It's certainly keeping us busy."

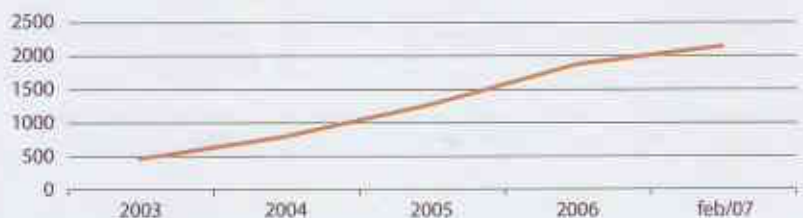
South Africa: Market Index



Uganda: Market Index



Zambia: Market Index



Zimbabwe: Market Index

