



ABSA BANK LIMITED

(Incorporated with limited liability on 26 November 1986 under registration number 1986/004794/06 in the Republic of South Africa)

as **Issuer**

RISK FACTORS AND OTHER DISCLOSURES SCHEDULE – DMTN PROGRAMME

This is the risk factors and other disclosures schedule relating to the Absa Bank Limited ZAR90,000,000,000 Domestic Medium Term Note Programme (the “**Programme**”) (the “**Risk Factors and Other Disclosures Schedule – DMTN Programme**”) applicable to all Notes issued under the Programme pursuant to the Programme Memorandum, as amended, updated and replaced from time to time (the “**Programme Memorandum**”).

The Risk Factors and Other Disclosures Schedule – DMTN Programme is dated as of 3 September 2021 and contains all information pertaining to:

- the description of the Issuer, including, but not limited to, its business, management, directors and corporate governance disclosure;
- the risk factors that the Issuer believes are material for the purposes of assessing the market risks associated with the Notes;
- the Issuer’s directors and debt officer prescribed by paragraph 4.10(b) of the JSE Debt Listings Requirements;
- conflicts of interests;
- Exchange Control;
- Settlement, Clearing and Transfer of Notes;
- South African Taxation; and
- Subscription and Sale.

Capitalised terms used in this Risk Factors and Other Disclosures Schedule – DMTN Programme are defined in the sections of the Programme Memorandum headed “*Terms and Conditions of the Unsubordinated Notes*” (the “**General Terms and Conditions**”), “*Terms and Conditions of the Tier 2 Notes*” (the “**Tier 2 Terms and Conditions**”) or “*Terms and Conditions of the Additional Tier 1 Notes*” (the “**Additional Tier 1 Terms and Conditions**”), and together with the General Terms and Conditions and the Tier 2 Terms and Conditions, the

“Relevant Terms and Conditions”) as applicable, unless separately defined or clearly inappropriate from the context.

DESCRIPTION OF THE ISSUER

Absa Bank Limited (“**Absa Bank**”) is one of South Africa’s largest banks, delivering an integrated set of retail, business, corporate, investment banking, insurance, financial services and wealth management products and services.

Absa Bank is a wholly-owned subsidiary of and significant contributor to Absa Group Limited (“**Absa Group**” or the “**Group**”), and has preference shares listed on the JSE Limited.

Absa Group, which has a primary listing on the JSE, is incorporated and domiciled in South Africa and provides retail, business, corporate, investment banking, insurance, financial services and wealth management products and services. As at the date of the Programme Memorandum the Group operates in 14 countries (12 African countries, the United Kingdom and the United States of America) and employs approximately 36,737 people.

The Group owns majority or 100% stakes in banks in Botswana, Ghana, Kenya, Mauritius, Mozambique, Seychelles, South Africa, Tanzania, Uganda and Zambia. There are also bank representative offices in Namibia, Nigeria and New York, securities entities in London and New York, as well as bancassurance operations in Botswana, Kenya, Mozambique, South Africa and Zambia.

The Group interacts with its customers and clients through a combination of physical and electronic channels, offering a comprehensive range of banking services (from basic products and services for the low-income personal market, to more sophisticated retail products and services, to customised solutions for the commercial and corporate markets), financial services and wealth management products and services.

HISTORY

Absa Group was formed as a result of a merger in April 1991 between three financial service related holding companies: UBS Holdings Limited, Allied Group Limited and Volkskas Group Limited, under UBS Holdings Limited.

- UBS Holdings Limited represented the holding company of, inter alia, United Building Society Limited and United Bank Limited;
- Allied Group Limited represented the holding company of, inter alia, Allied Building Society Limited and Allied Bank Limited; and
- Volkskas Group Limited represented the holding company of, inter alia, Volkskas Bank Limited, MLS Bank Limited and Volkskas Motorbank Limited (which later changed its name to Absa Motorbank Limited).

UBS Holdings Limited changed its name to Amalgamated Banks of South Africa Limited, but traded under the names Allied Bank, United Bank and Volkskas Bank.

In April 1992, all the assets and liabilities of Bankorp Holdings Limited, the holding company of, inter alia, TrustBank, Senbank and Bankfin, were acquired.

Amalgamated Banks of South Africa Limited then changed its name to Absa Group Limited in 1997 and from November 1998, the Group's retail, business, and corporate and investment banking operations in South Africa have traded as Absa Bank.

In 2005, Barclays Bank PLC acquired a controlling 56.4% stake in Absa Group, making Absa Group, and hence Absa Bank, a subsidiary of the UK banking group.

In July 2013, Absa Group's operations expanded by acquiring selected African operations from Barclays Bank PLC. Included in the African operations acquired by the Group were Barclays Bank of Kenya Limited and Barclays Bank of Botswana Limited, which continued to be listed on their respective stock exchanges. Barclays Bank Egypt and Barclays Bank Zimbabwe were not acquired in this transaction and remained subsidiaries of Barclays Bank PLC. As a result of this acquisition Barclays Bank PLC's shareholding in the newly formed Barclays Africa Group was increased to 62.3%. This resulted in Absa Group undergoing a name change to Barclays Africa Group Limited (listed on the JSE).

However, on 1 March 2016 Barclays Bank PLC announced its intention to reduce its 62.3% interest in the Group to a level that would achieve regulatory and accounting deconsolidation. A comprehensive separation programme for implementing the separation (the "**Separation Programme**") was initiated by Barclays Bank PLC and Absa Group in 2016. Over 2016 and 2017, Barclays Bank PLC reduced its shareholding in Absa Group to 14.9% and in July 2018, Barclays Africa Group Limited was officially renamed Absa Group Limited.

The Separation Programme was completed within agreed timelines. All 273 projects achieved Separation and 198 service schedules were terminated. The final Separation Forum was held on 15 December 2020, where all formal closures were approved. The South African Reserve Bank ("**SARB**"), Absa Regional Operations ("**ARO**") as well as the United Kingdom regulators have since been informed that Barclays Bank PLC and Absa Group have concluded and closed the Separation Programme.

LEGAL STATUS

The Issuer was incorporated on 26 November 1986 under the laws of South Africa and is regulated under the Companies Act and the Banks Act. The Company is a public company.

Absa Group and the Issuer's financial year end is currently 31 December of each year.

The annual audited financial statements of the Issuer is drawn up in accordance with International Financial Reporting Standards ("**IFRS**") and the Companies Act.

Company Secretary	Nadine R Drutman
Company Secretary Address	7th Floor, Absa Towers West 15 Troye Street, Johannesburg, 2001, PO Box 7735, Johannesburg, 2000
Registration number	1986/004794/06
JSE Share code	ABSP
ISIN code	ZAE000079810
Bond Issuer code	BIABS
Registered place of business	7th Floor, Absa Towers West 15 Troye Street, Johannesburg, 2001, PO Box 7735, Johannesburg, 2000

The Issuer is, as at the Programme Date, in compliance with the provisions of the Companies Act and is acting in conformity with its memorandum of incorporation.

NATURE OF BUSINESS

The Issuer's major businesses and/or divisions are described in more detail below and are segmented based on an operating model that is mainly driven by customer as the primary dimension.

Retail and Business Banking South Africa

Retail and Business Banking (RBB) South Africa offers a comprehensive suite of banking and insurance products and services to individual, enterprise and commercial customers. It caters for the full spectrum of customers, from those needing basic banking services to those requiring sophisticated financial solutions. The focus is on providing a consistently superior experience across each of the channels, matched closely to the needs and expectations of each customer segment. Customers are served through an extensive branch and self-service terminal network, digital channels, financial advisors, relationship bankers as well as dealerships, originators, alliances and joint ventures.

Key business areas:

Home Loans – offers residential property-related finance solutions direct to customers through personalised services, a range of electronic channels, and intermediaries such as estate agents and mortgage originators.

Vehicle and Asset Finance (“VAF”) – offers funding solutions for passenger and light commercial vehicles to individual customers through approved dealerships, and preferred suppliers. VAF’s Joint Venture with Ford Financial Services is an extension of the business and reinforces the strategic intent of establishing and harnessing relationships with dealers and customers.

Everyday Banking – offers the day-to-day banking services for the retail customer and includes:

- **Card** – offers credit cards via a mix of Absa-branded and co-branded offerings. Included in this portfolio is a strategic partnership with Woolworths Financial Services, which offers in-store cards, credit cards, personal loans and short-term insurance products. The Edcon store card portfolio, which Absa Bank previously owned, was sold effective 1 February 2020.
- **Personal Loans** – offers unsecured instalment loans through face-to-face engagements and digital channels.
- **Transactional and Deposits** – offers a full range of transactional banking, savings and investment products, rewards programme and services through a variety of channels. These include the branch and self-service terminal network, digital channels as well as through a third-party retailer.

Relationship Banking – consists of the business units and associated products where a named relationship exists and was formed to provide customers with a single ‘warm-body’ relationship manager rather than multiple touchpoints with the Group. The businesses consolidated into Relationship Banking include Card Acquiring, Commercial Asset Finance (CAF), Business Banking (including associated lending, transactional and deposit products), Private Banking, Wealth and Financial Advisory. Relationship Banking also includes an Equity portfolio, which is being reduced in an orderly manner.

Insurance Cluster:

- **Life Insurance** – offers life insurance, covering death, disability and retrenchment, as well as funeral and life wrapped investment products.
- **Short-term Insurance** – provides short-term insurance solutions to the retail and commercial market segments. A direct-to-client short-term solution, Absa idirect, is also available to the retail market.

Retail and Business Banking Other – includes investment spend, cost associated with the restructure, holding companies and related consolidation entries and allocated shareholder overhead expenses.

- **Customer Value Management (not reported separately)** – supports the businesses to provide a singular view of the customer across RBB SA while ensuring alignment of the customer value propositions and a consistent voice in the market.

Corporate and Investment Banking

Corporate and Investment Banking (“CIB”) provides innovative solutions to meet clients’ needs by delivering specialist investment banking, corporate and transactional banking, financing, risk management, advisory products and services. A variety of clients across various industry sectors such as corporates, financial institutions and public sector bodies are serviced by combining CIB’s in-depth product knowledge with regional expertise and an extensive, well-established local presence. CIB’s goal is to build a sustainable, trustworthy business that helps clients achieve their ambitions and by executing on this, the Group aims to create shared growth for clients, employees and communities.

Key business areas:

Client Engagement integrates client coverage across Africa to provide holistic solutions to clients through end-to-end relationship management and origination activities, leveraging the deep segment and sector specialisation within CIB across the business areas below. This includes the Growth Capital solutions team, which focuses on offering B-BBEE financing to clients with the aim of creating sustainable local and regional economies.

Corporate – provides corporate banking solutions spanning financing and transactional banking requirements, including trade and working capital solutions, as well as a full suite of cash management, payments and liquidity products and solutions. These services are provided across the Group’s African institutional, corporate and public sector client base. Absa Investor Services provides a full suite of custody and trustee services, further building out the Group’s services and client value proposition.

Investment Bank comprising:

- **Markets** – engages in sales, trading, and research activities across all major asset classes and products in our presence markets, delivering pricing, hedging and risk management capabilities to both corporate and institutional clients;
- **Banking** – structures innovative solutions to meet clients’ strategic financing and risk management requirements across industry sectors;
- **Commercial Property Finance (CPF)** – specialises in financing commercial, industrial, retail and residential development property across our African footprint as well as cross border financing in other jurisdictions; and
- **Private Equity and Infrastructure Investments (PEII)** – Infrastructure Investments acted as a principal by investing in equity to entities focused on infrastructure development in sub-Saharan Africa. Private Equity traditionally acted as a principal by investing in unlisted equity exposures. This portfolio continues to be reduced in line with the Group’s strategy to exit non-core businesses.

OTHER ACTIVITIES

Absa Financial Services – working closely with Absa Financial Services, a wholly-owned subsidiary of Absa Group, Absa Bank is able to provide wealth, investment management, insurance, fiduciary and non-banking-related investment products and services to retail, commercial and corporate customers.

Central operations – in addition to the banking services described above, Absa Bank has various support functions. These divisions focus on assisting business units in achieving their goals and objectives while ensuring continued alignment with Absa Bank’s corporate and financial strategies.

OWNERSHIP AND CONTROL

Absa Bank is a wholly-owned subsidiary of Absa Group.

CORPORATE GOVERNANCE

The Issuer’s board of directors (the “**Board**”) is responsible for creating and delivering sustainable shareholder value, ensuring an appropriate balance between promoting long-term sustainable growth and delivering short-term performance. The Board sets and steers the strategic direction of the Issuer, approves the Issuer’s policies and planning, provides oversight, monitors the Issuer’s business and ensures accountability of management and the executive. Board members engage with regulators, provide leadership to management, contribute actively to the content of financial statements, results, announcements and the integrated report, and are available for matters that arise on an ad hoc basis. In order for the Board to form a quorum, a majority of members must be in attendance. Directors are appointed through a formal and transparent process which is facilitated by the Directors’ Affairs Committee (“**DAC**”) on behalf of the Board. The Board as a whole approves all appointments on recommendation by the DAC. The DAC comprises only independent non-executive directors, and is chaired by the Chairman. All independent non-executive directors are annually assessed in accordance with the JSE Listings Requirements and King IV recommendations. Directors who have served for more than nine years are subject to annual re-election and are categorised as non-independent after the Board has assessed their performance and confirmed that they remain suitably qualified to serve on the Board.

The Board is assisted by Nadine Drutman (BCom, LLB, LLM), the Issuer’s Company Secretary. She maintains an arm’s length relationship with the Board, providing guidance to Board members on fiduciary duties, corporate governance requirements and practices as well as the execution of their duties. All Board members have unhindered access to her services in all aspects of the Board’s mandate and the operations of the Issuer.

The Board is assisted by the various Absa Group board committees described below under “*Group Board Committees*”, and comprise the DAC, Board Finance Committee (“**BFC**”); Information Technology Committee (“**ITC**”); Group Audit and Compliance Committee (“**GACC**”); Group Credit Risk Committee (“**GCRC**”); Group Risk and Capital Management Committee (“**GRCMC**”); Remuneration Committee (“**RemCo**”); Social and Ethics Committee (“**SEC**”); and Models Committee (“**MC**”).

The Board has seven members, five of whom are independent and two are executive directors. The following table sets out the members of the Board as at the date of the Programme Memorandum, the year of their election or appointment to the Board, the expiration of their current term and their position(s).

ABSA BANK BOARD OF DIRECTORS

Name	Year Elected/ Appointed	Year term expires		Born	Position
		Current term expiry ¹	9 year rule expiry ²		
Wendy Lucas-Bull	2013	March 2022 ³	March 2022 ³	1953	Chairman, Independent Non-executive Director
Sipho M Pityana	2020	2022	2028 ⁴	1959	Lead Independent Non-executive Director
Francis Okomo-Okello	2020	June 2021	2023 ⁵	1949	Independent Non-executive Director
Mark Merson	2019	June 2021	2023 ⁶	1968	Independent Non-executive Director
Tasneem Abdool-Samad	2020	2022	2027 ⁷	1974	Independent Non-executive Director

Jason Quinn	2016	June 2021	n/a	1974	Executive Director, Interim Group Chief Executive Officer
Punki Modise	2021	2022	n/a	1969	Executive Director, Interim Group Financial Director

¹ The provisions of the Issuer's MoI on director rotation requires that a minimum of one-third of the directors retire at each Annual General Meeting (AGM), and being eligible and available, and having offered themselves for re-election, are re-elected in terms of section 68 (2)(a) of the Companies Act by way of a series of votes. Directors retire in order of longest serving (since last election). The dates for 2021 are confirmed but the dates from 2022 are indicative and subject to the total number of Board members.

² Directors who have served for more than nine years are subject to annual re-election and are categorized as non-independent after the Board has assessed their performance and confirmed that they remain suitably qualified to serve on the Board. The general rule however is that directors will retire after having served nine years on the Board having regard to the provisions of the Banks Act Directive 4 / 2018.

³ Ms Lucas-Bull will retire on 31 March 2022 in terms of the nine year rule.

⁴ Mr Pityana was appointed to the Absa Group Board in 2019 and his nine year term in terms of Absa Group and accordingly Absa Bank ends in 2028.

⁵ Mr Okomo-Okello was appointed to the Absa Group Board in 2014 and his nine year term in terms of Absa Group and accordingly Absa Bank ends in 2023.

⁶ Mr Merson was appointed to the Absa Group Board in 2014 and his nine year term in terms of Absa Group and accordingly Absa Bank ends in 2023.

⁷ Ms Abdool-Samad was appointed to the Absa Group Board in 2018 and her nine year term in terms of Absa Group and accordingly Absa Bank ends in 2027.

All members of Issuer's Board are members of the Group's board of directors.

Abridged curricula vitae of the Board

Wendy Lucas-Bull

Wendy joined the Absa Group and Absa Bank boards as an independent non-executive director and chairman in 2013. Wendy is the chairman of the DAC, and she is also a member of the BFC, GRMC, RemCo, GCRC, SEC and ITC. She is a permanent invitee of the GACC.

Wendy is one of the founders of the Peotona Group. She was previously Chief Executive Officer of FirstRand Limited's retail businesses and prior to that an executive director of Rand Merchant Bank Holdings. Former non-executive directorships include those at Barclays PLC, Anglo American Platinum Limited, the Development Bank of Southern Africa, Alexander Forbes, Eskom, Nedbank, Telkom, Aveng (deputy chairman), Lafarge Industries (chairman), the South African Financial Markets Advisory Board, Discovery Holdings, Dimension Data PLC and the Momentum Group. She was also a member of the President's Advisory Council on Black Economic Empowerment. She is deputy chairman of the Incorporation Board of the Gender-Based Violence Fundraising (GBVF) Response Fund.

Wendy was appointed as independent chairman of Shoprite Holdings Limited on 16 November 2020.

Qualifications: BSc.

Sipho M Pityana

Sipho joined the Absa Group board as an independent non-executive director with effect from 1 May 2019, and was appointed as the lead independent director of both Absa Group and Absa Bank boards with effect from 4 June 2020.

He is a member of the GCRC, DAC, GRCCM and is the chairman of the RemCo. He is a former executive director of Nedcor Investment Bank Holdings from 2002 to 2004, responsible for strategic business development.

Sipho is the founder and chairman of Izingwe Capital, a black-owned investment company founded in 2004 and which invests in a number of South Africa's blue chip corporates. Sipho was the chairman of AngloGold Ashanti for 6 years from 2014 until December 2020, having served on that board since his appointment in 2007. He is also the chairman of JSE listed company Redefine Properties Limited.

He is the president of Business Unity South Africa, and the co-chairman of the World Economic Forum (WEF) new Africa Regional Stewardship Board (RSB).

Qualifications: BA (Hons), MSc.

Francis Okomo-Okello

Francis joined the Absa Group board as an independent director in 2014, and was appointed as the chairman of the SEC with effect from 4 June 2020 and is a member of the DAC. Francis also joined the Absa Bank board as independent non-executive director from 4 June 2020.

Francis is an Albert Parvin fellow of Woodrow Wilson School of Public and International Affairs, Princeton University, and a fellow of The Kenya Institute of Bankers. He is also an Advocate of the High Court of Kenya. He serves as chairman of TPS Eastern Africa Limited (Serena Group of Hotels and Lodges), and as a non-executive director of the Nation Media Group. As at the date of the Programme Memorandum, Francis is the executive director in charge of legal and corporate affairs at Industrial Promotion Services Group of Companies, an affiliate of the Aga Khan Fund for Economic Development.

He also serves as a member of the advisory board of the Strathmore Business School (Strathmore University, Nairobi) and a member of the advisory committee of the Aga Khan University, Faculty of Arts and Sciences – East Africa.

Qualifications: LLB (Hons).

Mark Merson

Mark joined the Absa Group board in January 2014 as a non-executive director and became an independent non-executive director with effect from October 2017. Mark is the chairman of the GRCCM, GCRC and is a member of the BFC and DAC. Mark was appointed as an independent non-executive director of Absa Bank on 15 May 2019.

Mark is a graduate of Oxford University, a chartered accountant and was previously a partner in the financial services consulting practice of Arthur Andersen and Deloitte. From 2003 through 2016, he served Barclays PLC in a variety of roles including group financial controller, head of investor relations, chief financial officer for the Corporate and Investment Bank and latterly deputy group finance director. Mark is also a director of Veritum Partners Limited, which offers advice on market interaction to European banks.

Mark is also Chairman of Absa Securities United Kingdom Limited.

Qualifications: ACA; MA (Hons).

Tasneem Abdool-Samad

Tasneem has been on the Absa Bank board as an independent non-executive director since 2016, and joined the Absa Group board as an independent non-executive director on 1 February 2018. She joined the GACC on 1 April 2018 and assumed the position of GACC chairman from 4 June 2020. She re-joined the board of Absa Bank as independent non-executive director with effect from 4 June 2020.

Tasneem is also a member of the GRCCM, BFC and DAC. She is also chairman of Absa Financial Services Limited with effect from June 2021.

Tasneem started her career at Deloitte in KwaZulu-Natal. She then moved to the University of the Witwatersrand, where she was a lecturer in auditing from 2003 to 2006. In 2006, she re-joined Deloitte and is a former member of the Deloitte South Africa board.

Tasneem is a non-executive director of Absa Financial Services Limited, Reunert Limited, Long4Life Limited and Bid Corporation Limited.

Qualifications: BCom; CA (SA).

Jason Quinn

Jason was appointed as Interim Group Chief Executive Officer with effect from 20 April 2021. Jason joined the Absa Group board and Executive Committee in September 2016. He is the Chairman of the MC and a member of the GRCCM, GCRC, SEC and ITC. He is an executive director of the Absa Bank board of directors.

Before joining the Absa Group, he was a partner at Ernst & Young Inc. Jason joined the Group in 2008 as the Financial Controller and was appointed as the Head of Finance in 2014 after holding several senior finance positions. He was appointed as Group Financial Director in September 2016.

Jason is a Director of Absa Financial Services Limited, Woolworths Financial Services (Pty) Limited and is an employer appointed Trustee of the Absa Pension Fund.

Qualifications: BAcc (Hons.); CA (SA).

Punki Modise

Punki was appointed Interim Group Financial Director with effect from 23 April 2021, and is an executive director on the boards of Absa Group and Absa Bank. She is a member of the GRCCM, GCRC and ITC.

Punki joined Absa Group in 2008 and has held various senior management positions, including that of Chief Financial Officer: Retail and Business Banking since June 2016. Previous roles include: Head: Transactional Banking, Chief of Staff: Retail Banking and Chief Financial Officer: Distribution Channels.

Prior to joining the Absa Group, she held positions at Standard Bank and Fedsure, having completed her articles at PricewaterhouseCoopers Inc.

Qualifications: BCom; CA (SA); Masters Financial Management.

Directors' declarations

None of the directors mentioned above have:

- (i) ever been convicted of an offence resulting from dishonesty, fraud, theft, forgery, perjury, misrepresentation or embezzlement;
- (ii) ever been adjudged bankrupt, insolvent or sequestered in any jurisdiction;

- (iii) at any time been a party to a scheme or arrangement or made any other form of compromise with their creditors;
- (iv) ever been involved, as a director with an executive function, in any business rescue plans and/or by any entity to commence business rescue proceedings, application having been made for any entity to begin business rescue proceedings, notices having been delivered in terms of section 129(7) of the Companies Act, receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any composition or arrangement with its creditors generally or any class of its creditors of any company at the time of, or within the 12 months preceding, any such event(s);
- (v) ever been found guilty in disciplinary proceedings by an employer or regulatory body due to dishonest activities;
- (vi) ever been involved in any receiverships, compulsory liquidations, administrations or partnership voluntary arrangements of any partnership where they were partners at the time of, or within 12 months preceding, any such event(s);
- (vii) ever received public criticisms from statutory or regulatory authorities, including professional bodies, and none has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company;
- (viii) ever been barred from entry into a profession or occupation;
- (ix) ever been convicted in any jurisdiction of any criminal offence or an offence under legislation relating to the Companies Act, and no company of which he or she was a director, alternate director or officer at the time of the offence has been convicted in any jurisdiction of any criminal offence, or an offence under legislation relating to the Companies Act;
- (x) ever been removed from an office of trust on the grounds of misconduct and involving dishonesty; or
- (xi) ever been declared delinquent or placed under probation in terms of section 162 of the Companies Act or disqualified from taking part in the management of a corporation in terms of section 47 of the Close Corporations Act, or disqualified to act as a director in terms of section 219 of the 1973 Companies Act or section 69 of the Companies Act.

Nomination of Directors policy

The Board endorses the recommendation of King IV that a board of directors should comprise the appropriate balance of knowledge, skills, experience, diversity, and independence. The Johannesburg Stock Exchange requires listed entities to establish a policy on the promotion of broader diversity at board level, specifically focusing on the promotion of the diversity attributes of gender, race, culture, age, field of knowledge, skills, and experience. We set and regularly review targets for race and gender. Other aspects will continue to be managed and, where appropriate, disclosed.

The process of nominating and selecting the highest governance body is provided in the Environment, Social and Governance Report which is published annually on Absa Group's website at <https://www.absa.africa/absaafrica/investor-relations/>.

The Director Nomination Policy is available on Absa Group's website at <https://www.absa.africa/absaafrica/about-us/corporate-governance/>.

Performance policy

The Group conducts biennial reviews of all governance structures through alternating between a self-assessment and an independent facilitated process. The Institute of Directors of Southern Africa facilitated the 2020 evaluation and assessed the effectiveness of the Board and the Group's committees (including the Social and Ethics Committee and its coverage of environment, social and governance topics, individual directors and

the Group and Board Chairman. The Chairman provides individual peer review feedback to each board member while the lead independent director provides peer feedback to the Chairman.

The disclosure on the evaluation process in respect of the highest governance body’s performance is provided in the Environment, Social and Governance Report which is published annually on Absa Group’s website at <https://www.absa.africa/absaafrica/investor-relations/>.

ABSA GROUP EXECUTIVE COMMITTEE

The Absa Group’s Executive Committee is responsible for the execution of Group strategy and day-to-day management of the business, including Absa Bank, and is guided by relevant frameworks, policies and standards, such as the enterprise risk management framework and our code of conduct.

The Absa Group’s Executive Committee, and its various committees, report to the Absa Bank Board and Absa Group Board committees in accordance with their respective mandates to ensure the appropriate flow of information from the mandated executive forums to the relevant oversight forums.

The various committees comprise: Executive Risk Committee, Treasury Committee, Group Investment Committee, Group Credit Committee, Group Change Committee, Tax Committee, Efficiency Executive Committee, Remuneration Review Panel, Executive Appointments and Remuneration Committee, Market Conduct Regulatory Steering Committee and Exit and On-boarding Committee.

The table below sets out the name, year of birth, current position and year of first employment of members of Absa Group’s Executive Committee (the “**Group Executive Committee**”).

Name	Born	Year of First Executive Committee Employment	Position
Jason Quinn	1974	2016	Interim Group Chief Executive Officer
Punki Modise	1969	2021	Interim Group Financial Director
Arrie Rautenbach	1965	2015	Chief Executive: RBB South Africa
Charles Russon	1966	2014	Chief Executive: Corporate and Investment Banking
Akash Singh	1973	2019	Group Chief Compliance Officer
Bongiwe Gangeni	1978	2018	Deputy Chief Executive: RBB South Africa
Charles Wheeler	1964	2013	General Counsel
Deon Raju	1977	2021	Chief Risk Officer

Jason Quinn

Refer to Board.

Punki Modise

Refer to Board.

Arrie Rautenbach

Arrie Rautenbach is the Chief Executive: Retail and Business Banking South Africa.

With more than 25 years banking experience, Arrie previously served as the Group's Chief Risk Officer simultaneously providing executive leadership for the Group Separation Program and Group Strategy Office. His earlier roles within the Group included a number of leadership positions such as the Head of Retail Banking in South Africa, Managing Executive of Absa Card and Head of Absa Bank's distribution portfolio.

He was named Retail International Banker magazine's "Retail Banker of the Year" in 2012. Under his stewardship, Absa was also the recipient of awards in the categories of 'Best Retail Bank in Africa', 'Best Retail Bank in South Africa' and 'Best Credit Card Management' (2012) by The Asian Banker.

An accomplished retailer, Arrie contributes to the industry through his board executive membership of the Banking Association of South Africa (BASA) and board memberships of Ford Financial Services and Woolworths Financial Services.

Qualifications: BBA; MBA; AMP.

Charles Russon

Charles is the Chief Executive: Corporate and Investment Bank.

Charles joined the Group in 2006 and the Executive Committee in 2014. He was previously the Chief Executive: Engineering Services.

He completed his articles with KPMG and then joined Merrill Lynch in London as financial controller for credit products. Charles worked for Deutsche Bank in London and Frankfurt from 1998 to 2006 as the rates head of product control, before he joined Absa Capital in September 2006 as chief financial officer. He became the chief operating officer of Corporate and Investment Banking in October 2007 and regional head of Finance for the Issuer in September 2012. Charles was appointed as chief operating officer for the Group in May 2014.

Qualifications: CA (SA).

Akash Singh

Akash Singh was appointed as the Group Chief Compliance Officer with effect from November 2019.

Prior to this role, he was the Chief Compliance Officer of Retail and Business Bank SA. Akash was the Head of Operational Risk: Africa for Barclays Africa Group with oversight across 14 countries. He has also held various Internal Audit roles within the Group. Before joining Absa, Akash was with Nedcor Limited in the finance function.

He has extensive knowledge and experience in strategic and technical management of operational risk, as well as regulatory and compliance risk management.

Qualifications: BCom (Hons); CA SA.

Bongiwe Gangeni

Bongiwe Gangeni is the deputy chief executive for Retail and Business Bank with accountability for Private and Business Bank.

Since joining Absa in 2007, Bongiwe has held a number of senior positions in Absa Bank, with her most recent role being managing executive for distribution in Wealth, Investment Management and Insurance (**WIMI**).

Bongiwe's qualifications include a Bachelor of Pharmacy (BPharm) and postgraduate diploma in Management (PDM) from Wits Business School, an MBA from the Gordon Institute of Business Science (GIBS) and she has also attended the Advanced Management Program (AMP) at Harvard Business School.

Qualifications: BPharm; PDM; MBA; AMP.

Charles Wheeler

Charles is the Group General Counsel.

Charles joined the Group and the Executive Committee in 2013.

Previously he worked as director: Legal Services at Standard Bank until 2003; as group executive: Commercial Legal at MTN Group Limited until 2010 and then as a legal consultant for Webber Wentzel.

Qualifications: BA; LLB; HDip (Tax).

Deon Raju

Deon was appointed as Absa's Group Chief Risk Officer with effect from 1 June 2021 and as a member of the Executive Committee.

Deon has been with the Group for over 20 years of his 22 years in banking. Most recently, Deon was the Group Treasurer, primarily responsible for the liquidity risk, funding, capital, and non-traded market risks of the Group.

Deon has held a variety of roles within the organization, including within Enterprise Risk, Finance, Investment Banking, Credit Portfolio Management and Global Markets, and is a banking professional with significant institutional knowledge of the Group, as well extensive and diversified banking experience in business, finance and risk management.

Qualifications: BCom (Hons); CA (SA); CFA.

ABSA GROUP BOARD COMMITTEES

The Absa Group's board committees have oversight over Absa Bank and there is formal reporting from the Group's board committees to the Absa Bank Board. Absa Bank contributes the majority of the Group's earnings and forms the largest portion of the Group's employee and customer base, and as such is a key focus at all relevant boards and committees.

Directors' Affairs Committee

Assists the board in establishing and maintaining an appropriate system of corporate governance aligned to King IV, the corporate governance provisions of the Banks Act and other relevant regulations, for the Group and material subsidiaries. This includes the composition and continuity of the board and its committees; the induction of new board members; director effectiveness evaluations; director independence and director's conflicts and disclosures of interests; reviewing and proposing governance policies; monitoring the governance structures of subsidiary entities; and considering matters of regulatory and reputational risk.

Group Audit and Compliance Committee (including the Disclosure Committee)

Is accountable for the annual financial statements, accounting policies and reports; oversees the quality and integrity of the Group's integrated reporting; is the primary forum for engagement with internal and external audit; and monitors the Group's internal control and compliance environment. The Committee recommends the appointment of external auditors to the board and shareholders.

Group Risk and Capital Management Committee

Assists the board in overseeing the risk, capital, funding and liquidity management of the Group by reviewing and monitoring (i) the Group's risk profile against its set risk appetite; (ii) capital, funding and liquidity positions, including taking into account applicable regulations; and (iii) the implementation of the Enterprise Risk Management Framework and the 12 principal risks defined there. It receives assurance that processes are in place to comply with laws and regulations pertaining to risk, capital, funding and liquidity management in all relevant jurisdictions.

Group Remuneration Committee

Sets and oversees the implementation of the Group's Remuneration Policy to deliver fair and responsible pay aligned with current and emerging market practice and to meet regulatory and corporate governance requirements, and to align the behaviour of executives with the strategic direction of the Group. It approves the total remuneration spend, including fixed pay, short-term incentives and long-term incentives, and any other remuneration arrangements, and the particulars of a defined senior population. It also considers and approves the Group's remuneration disclosure policies and ensures that disclosures are accessible, understandable, accurate, complete and transparent and that the Group remunerates fairly and responsibly across the Group in the context of overall employee remuneration, with a particular focus on remuneration differentials.

Social and Ethics Committee

Monitors key organisational health indicators relating to social and economic development; good and responsible corporate citizenship; the environment, health and public safety; labour and employment; conduct and ethics; consumer relationships; stakeholder management and transformation; as well as the Group's activities relating to its role in Africa's growth and sustainability and the impact on the Group's employees, customers, and environment. It applies the recommended practices and regulation as outlined in King IV and the Companies Act in executing its mandate.

Information Technology Committee

Provides effective oversight and governance of the Group's information assets and the technology infrastructure used to generate, process and store that information. The focus is on resilience and stability; architecture; data management; security (cyber and other), and digitisation. The technology impact of the Separation was a key focus as it required the introduction of new systems and managing the related costs and the associated risk.

Board Finance Committee

Assists the board in reviewing and approving certain levels of investments, outsourcing, acquisitions and divestments within the Committee's mandate; considers and recommends to the board the short- and medium-term financial plan underpinning the Group strategy; considers and finalises the profit commentary as it relates to interim and year-end financial results; and approves the publication of the dividend declarations within the parameters determined by the board.

Group Credit Risk Committee

Considers and approves all large exposures that exceed 10% of qualifying capital and reserves, including single-name exposures and key country and sovereign risk limits, with reference to the credit risk appetite of the Group, as approved by the board from time to time. It has oversight of credit risk and monitors industry, sector, and single-name concentration risks, trends and exposures.

Models Committee

Assists the board in approving Absa's material risk models on inception and then annually, as per the Group model risk policy and the Prudential Authority guidelines. It also approves the model risk framework; approves and monitors model risk appetite; approves appropriate post model adjustments; sets thresholds and tolerances for models and related post model adjustments; and oversees the model governance process, the external audit findings and the combined assurance work for all models.

OTHER CORPORATE GOVERNANCE MATTERS

King IV

The Board believes that sound corporate governance practices are vital for (i) creating and sustaining shareholder value; and (ii) ensuring that behaviour is ethical, legal and transparent, thereby reducing the risk of value erosion and promoting positive outcomes for the benefit of all stakeholders. Accordingly, the Board remains committed to the highest standards of corporate governance and is committed to continuous improvement in the Group's corporate governance principles, policies and practices. The Group's Board of Directors' charter provides the Group's and the Issuer's Directors with guidance on promoting these standards of corporate governance and structuring governance to protect and enhance value. The charter sets out the practices for implementing the corporate governance provisions set out in the King Code, the Companies Act, the Banks Act, the JSE Listings Requirements and other governance practices.

The Group is compliant with all the principles outlined in King IV, and each year the Board focusses on maturing and improving the Group's existing governance practices, with specific emphasis on resilience, remuneration, governance, sustainability, combined assurance and stakeholder relationships. In line with the Group's pursuit of best-practice governance, the Board focusses on the four governance outcomes as envisioned by King IV:

- ethical leadership – the Board assumes ultimate responsibility for the Issuer's ethical performance and adherence to human rights principles. This responsibility is delegated to executive management while the Board oversees the various tools, processes and systems used to embed an ethical culture in the organisation;
- good performance – the Board is accountable to shareholders and other stakeholders for creating and delivering sustainable value through the execution of strategy and oversight of the management of the Issuer's businesses, while nevertheless maintaining its independence. It provides overall strategic direction within a framework of rewards, incentives and controls. A key role played by the Board is to ensure that management strikes an appropriate balance between promoting long-term sustainable growth and delivering short- and medium-term performance.
- effective control – the Board ensures that management maintains a system of internal controls to deliver accurate results and to comply with applicable laws and regulations. In carrying out these responsibilities, the Board must have regard to what is appropriate for the Issuer's business and reputation, the materiality of the financial and other risks inherent in the business, and the relative costs and benefits of implementing specific controls.
- trust and legitimacy – the Board accepts accountability for the Issuer's impact on the environment, for evolving as society changes and for ensuring that the Issuer complies with applicable/relevant laws and regulations and deliberates on a broad range of activities, including conduct and ethics; customer engagements; culture and employee relations; and broader sustainability, transformation and citizenship efforts.

The Group reports on its application of King IV in the annual report and the Environment, Social and Governance Report that it publishes on an annual basis. King IV advocates an outcomes-based approach and within that, an "apply and explain" application regime. The Group explained in its report that its approach to

governance and the disclosure thereof was and will continue to be linked to the four desired outcomes and will explain on an ongoing basis where the Group has not applied relevant practices.

Application of King IV – Key corporate governance practices

The following core governance practices are in place:

- Majority independent non-executives;
- Lead independent director with clearly delineated duties;
- Active, engaged, and diverse Board and the inclusion of a diversity policy and related targets for gender and race;
- Proactive stakeholder engagement programme;
- Annual election of the audit committee;
- Annual election of a minimum of one third of directors by majority vote;
- Succession planning and rotation;
- Biennial board and committee evaluations;
- Key constitutional documents in place;
- Fully manned and mandated committees;
- Key policies approved and monitored for embedment including published Conflicts of Interest and Nominations policies;
- Regulatory compliance prioritised;
- Minimum shareholding requirements for executives;
- Approved malus and clawback provisions;
- Detailed environmental, social and governance reporting;
- ‘Overboarding’ (director’s external commitments) policy and provisions;
- Risk management through an Enterprise Risk Management Framework;
- Risk appetite set and monitored;
- Solvency, liquidity and going concern status regularly tested;
- Capital allocation deliberated and executed;
- Liquidity and funding tested and stressed;
- Extensive disclosures on remuneration practices and annual shareholder vote on the remuneration policy and implementation report;
- Combined assurance approach;
- A detailed review of the Group’s stakeholder-inclusive practices and policies, with a view to creating a more comprehensive and effective stakeholder management regime; and
- Adoption of a Group-wide governance framework to improve the inclusivity of governance.

King IV also recommends that a board set targets for race and gender representation, and the JSE Listings Requirements require the Group, including the Issuer, to have policies on the promotion of race and gender diversity at board level. The Board is committed to ensuring that the Group, including the Issuer, meets its governance, social and regulatory obligations regarding diversity while considering the environment and pan-African geographies in which the Group and the Issuer operates. In accordance with the board diversity policy, the Group board has set targets for race and women representation at a minimum of 40% for African, Indian or Coloured (AIC) representation and 30% women representation.

The Board also considers matters of tenure, age, diversity, experience and skills.

In terms of skills and expertise, Board members must have the highest levels of integrity, deep understanding of governance, appropriate technical, financial and non-financial knowledge and inter-personal skills. Skills and experience in banking, risk, and capital management, technology, commercial and industrial, accounting, legal and human resources, and sustainability are required of the Board as a collective. Since 2019, through training and deep dives, the Group began bolstering Board skills in the areas of environmental and social sustainability, and climate change and continues to strengthen skills and experience specifically in technology, human resources and sustainability.

The disclosure on King IV compliance is provided in the annual report and Environment, Social and Governance Report which is published annually on Absa Group's website at <https://www.absa.africa/absaafrica/about-us/corporate-governance/>.

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in the Programme Memorandum, as read with this Risk Factors and Other Disclosures Schedule – DMTN Programme, and reach their own views prior to making any investment decision.

Capitalised terms used herein and not otherwise defined shall bear the meanings ascribed to them in the Relevant Terms and Conditions.

Risks relating to the Issuer

The COVID-19 pandemic has had, and will likely continue to have, a significant effect upon the economy of South Africa, which consequently may adversely affect the Issuer's business, financial condition and results of operations

A severe acute respiratory illness caused by a new coronavirus (named “COVID-19”) was identified in Wuhan, Hubei Province, China at the end of 2019 and subsequently spread through China and globally. On 11 March 2020, the World Health Organization declared the outbreak of the coronavirus to be a pandemic and, as at the date of the Programme Memorandum, the number of identified cases and fatalities as a result of COVID-19 continues to rise. The COVID-19 pandemic has caused turbulence in the global economy and financial markets and, as at the date of the Programme Memorandum, continues to create uncertainty for the global economy. Whilst progress has been made with respect to vaccine development and many countries around the world have started large-scale initiatives to vaccinate their populations, uncertainty is likely to persist particularly until most parts of the world have received inoculation. Moreover, uncertainty about the efficacy of vaccines available as at the date of the Programme Memorandum against possible future mutations of the virus likely means that various forms of social distancing measures are likely to remain in place for an extended period.

As with many other countries around the world, South Africa has been severely affected by the spread of COVID-19. After recording its first confirmed case of the virus on 5 March 2020, the official cumulative number of confirmed cases had exceeded 1.5mn a year later according to data from the National Institute of Communicable Diseases. The Minister of Health, Dr Zweli Mkhize has cautioned that South Africa faces the risk of experiencing another wave of infections during the winter of 2021. The South African Government has announced a plan to vaccinate about 40 million people by the end of 2021, however the Minister of Health has cautioned that manufacturing bottlenecks could affect the timely delivery of vaccines to the South African population.

The South African Government has responded to the pandemic by mandating restrictions upon international travel, imposing temporary lockdowns, restricting certain business activities and instituting social distancing rules. Following the end of the second wave of infections, the government substantially relaxed many of the lockdown restrictions on economic activity and the movement of people. These measures have had and are likely to continue to have, an adverse effect on the level of economic activity in South Africa and have

negatively impacted, and could continue to negatively impact businesses, market participants and clients of the Issuer. Moreover, given the relatively slow rollout of vaccines, South Africa remains at risk of experiencing additional surges in virus infections, which may bring about an escalation in lockdown restrictions.

The COVID-19 pandemic, has had a material impact on the risks that the Issuer is exposed to and the output of financial models, most specifically those used to determine credit risk exposures. The high degree of uncertainty resulting from this has resulted in the Issuer reassessing assumptions, and existing methods of estimation and judgements used in the preparation of these financial results. The temporary payment relief provided to eligible customers as part of the Issuer's COVID-19 response created added complexity and there is a risk that actual loss experienced may differ from that suggested by the judgements and assumptions used. The full extent to which the COVID-19 pandemic impacts the Issuer's business, financial condition and results of operations, as well as its regulatory capital and liquidity ratios, will depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the COVID-19 pandemic and the impact of actions taken by regulators, governmental authorities and other third parties in response to the COVID-19 pandemic.

The investments, business, profitability and results of operations of the Issuer may be adversely affected as a result of the global economic conditions and political, social and economic risks in South Africa

The Issuer's operations are predominantly concentrated in South Africa, with the majority of its revenues deriving from operations in South Africa. The Issuer is therefore highly exposed to South African macroeconomic conditions and, as a result of their impact on the South African economy, global economic conditions. Any material deterioration in global or South African macroeconomic conditions could lead to a reduction in business activity, higher impairment charges, increased funding costs and reduced profitability and revenues.

Global economic conditions

The South African economy is exposed to the global economy through the current and capital accounts of the balance of payments. South Africa's exports are impacted by economic activity of some of the world's largest economies including China, the United States and Europe. Commodity prices and the Rand exchange rate also have a material impact on South African exports. The South African economy is also reliant on foreign capital flows into the country and has been a recipient of foreign capital through the domestic bond and equity markets over the last few years.

Economic observers such as the International Monetary Fund have estimated that the effects of the COVID-19 pandemic have resulted in a contraction in the global economy of 3.3%, substantially worse than the recession experienced in the 2009 global financial crisis. The economy of the Sub-Saharan Africa region is estimated to have contracted by 1.9% in 2020. The effects of a global recession during 2020 has impacted a significant number of the Issuer's customers, and lead to increased unemployment and a decrease in disposable income and consumer spending. Such conditions could have a material adverse effect on the Issuer's business, financial condition and results of operations.

Major global central banks have signalled that they will keep loose monetary policy settings for an extended period until economic recovery has taken a firm hold following the COVID-19 pandemic. However, the magnitude of fiscal policy stimulus in some economies such as the US has raised some concern about inflation. Should major central banks (such as the United States Federal Reserve, the European Central Bank and the Bank of Japan) increase interest rates, or shrink their balance sheets, faster than currently envisioned by global financial markets, it could jeopardise foreign capital inflows into South Africa's bond and equity markets. Large outflows of foreign portfolio investments from South Africa could result in currency weakness, inflationary pressure, higher interest rates, an increase in bond yields and consequently weaker economic growth.

The Issuer's financial performance is linked to the performance of the South African economy, which in turn is inherently linked to the performance of the global economy and the actions of major global central banks. A sudden shift by major central banks to tighten their monetary policy stances could weaken the domestic exchange rate, resulting in higher inflation and an increase in interest rates, which could weaken economic growth and the Issuer's financial performance.

South African economic conditions

The South African economy has had an extended period of low economic growth. In the five years before 2020, annual growth in South Africa's gross domestic product ("GDP") averaged just 0.9%, significantly lower than annual growth in the size of the population. Prior to 2020, the South African economy had entered into recession with two consecutive quarters of contracting GDP, partly due to electricity supply constraints. Since 2020, the combination of weaker global economic activity, stringent lockdown restrictions and loss of confidence due to the pandemic has had a large negative impact on the South African economy. According to data from Statistics South Africa, total GDP for 2020 showed a decline of 7.0% when compared with 2019, highlighting the severity of the COVID-19 pandemic on the economy.

Whilst there have been improvements in the economic outlook in South Africa in the early part of 2021, the South African macroeconomic environment is characterised by low private sector investment growth, weak employment growth and pressure on domestic demand. These are the main underlying factors of low economic growth in the pre-pandemic period and could persist over the coming years, resulting in weak underlying economic growth.

The Rand has also depreciated significantly since 2018 on account of the increasing strength of the U.S. dollar, investor concerns regarding South African economic prospects and global risk aversion on account of the COVID-19 pandemic. The Rand will be vulnerable if the fiscal trajectory is not sustainable when the global economy rebounds.

Further, the downgrade of South Africa's sovereign credit rating by each of Moody's Investor Services Cyprus Ltd., Fitch Ratings Limited and S&P Global Ratings to sub-investment grade in March and April 2020 saw South Africa excluded from the World Government Bond Index, triggering investors who were mandated to invest in investment grade countries to sell South African assets. Amid a global environment already characterised by COVID-19-related uncertainty, South Africa's 10-year sovereign bond yield reached 11.82 per cent. in March 2020 (an increase from 9 per cent. in January 2020), as a result of forced selling and heightened investor concerns about South Africa's fiscal outlook.

As a result of weak economic growth which has adversely affected tax receipts, and strong growth in expenditure, particularly on the government wage bill, South Africa's public finances have deteriorated significantly over the past decade. The 2021 Budget tabled by Finance Minister Mboweni presented a plan to lower budget deficits significantly over the coming years by implementing wage freezes for public sector employees. The National Treasury of South Africa (the "**National Treasury**") expects that this should narrow the main budget deficit to 6.5% of GDP in fiscal year 2023/24 and stabilise the debt-to-GDP ratio at 88.9% in fiscal year 2025/26. However, implementation risks are high. An inability to stabilise public finances could have negative implications for economic growth.

The Issuer's financial performance has been and is likely to remain linked to the performance of the South African economy. No assurance can be given that the Issuer would be able to sustain its current performance levels if the current South African macroeconomic conditions were to persist or materially worsen from levels at the date of the Programme Memorandum.

Eskom's operational and financial performance remains an ongoing concern for the Issuer

South Africa has experienced ongoing problems with the reliability of its electricity supply due to structural problems at the state-owned power utility Eskom. Despite the recorded sharp decline in GDP during 2020 and low demand for electricity, Eskom implemented the highest level of rotational power cuts since 2015,

indicating a severe worsening in the state of the utility's generation system. Eskom's energy availability factor has been around 60% in 2021 with unplanned outages forcing the utility to implement rotational power cuts several times. Eskom's structural problems are not only operational, they are also financial. Eskom had total debt amounting to R464 billion as of September 2020. The utility has previously indicated that it cannot sustain this level of debt. However, the government has not made much progress to address the utility's debt.

The operational and financial sustainability of Eskom as well as energy security more broadly are critical to the performance of the South African economy, to which the financial performance of the Issuer is inextricably linked. The persistence or worsening of energy shortages could result in low private sector investment and negatively affect the pace of the economy, which could in turn adversely affect the financial performance of the Issuer.

South African political conditions

Historically, the South African political environment has been characterised by a high level of uncertainty and concerns about the strength and independence of the country's institutions and the risk of political and social instability has increased as a result of accusations that members of a prominent South African family and their associates have used the government to further their interests and the interests of their associates in a form of political corruption known as state capture. These accusations have resulted in the appointment of a commission of enquiry into potential state capture in January 2018 which is still on-going. If these accusations, as well as the perception of significant private corruption, significantly undermine business confidence, or if they result in formal proceedings, they could have a further adverse impact on the political and social environment in South Africa.

Furthermore, although President Ramaphosa has strengthened his support base within the African National Congress ("ANC") since 2018, there remain substantial divisions within the ANC which threaten to compromise his economic and structural reform plans. Several internal ANC elections are scheduled to be held in 2021, the outcomes of which could either strengthen President Ramaphosa's position or offer an opportunity to his political opponents within the ANC to regroup. The performance of various Anti-Corruption Task Team institutions, in particular the National Prosecuting Authority, will continue to be of importance, particularly in light of the Government's commitment to hold accountable those responsible for corruption and 'state capture' during the tenure of former President Zuma.

The Issuer also anticipates that there will be very strong political debates during the course of 2021 in respect of various sensitive issues relating to the transformation of the South African economy in order to address the challenges of poverty, inequality and unemployment (including the issue of land expropriation without compensation which, depending on the outcome of the deliberations on this issue, may impact on the Issuer's real estate lending activities in South Africa).

Political instability, including the inability of the Government to implement necessary structural reforms, may have an adverse impact on the South African economy and could consequently have an adverse effect on the Issuer, its business, financial condition and results of operations. Ongoing political developments may impact private sector investment and the Issuer will continue to monitor the political and policy landscape carefully.

South African socio-economic conditions

Some socio-economic challenges in South Africa are more acute than in many similarly rated emerging markets. Serious public health system deficiencies and a poor public education system are reflected in South Africa's low United Nations Human Development ranking at 114 out of 188 countries. South Africa's Gini coefficient index representing income inequality is one of the most extreme globally. Unemployment has been rising in recent years and reached 32.5% at the end of 2020, its highest rate since the first quarter of 2004. These persistent socio-economic challenges adversely impact South Africa's creditworthiness and give rise to long term expenditure needs, heightened social pressures and constrained growth which in turn could adversely impact the implementation of the Issuer's strategy and the financial position of the Issuer.

South African conditions specific to the banking sector

The South African banking sector remains well capitalised, funded, regulated and managed. The South African financial sector is widely regarded as one of the country's key pillars of economic strength. The banking sector is, however, highly exposed to South Africa's deteriorating macroeconomic conditions and have been and will continue to be impacted by the COVID-19 pandemic. Any contraction of GDP in 2021 would mean that domestic macroeconomic conditions are likely to be less supportive of the domestic banking sector. Household disposable incomes are decreasing as a result of existing subdued economic growth and elevated levels of unemployment. Interest rate cuts as part of monetary policy easing may also affect banks' profitability.

Although household and corporate affordability conditions are currently benefiting from historically lower inflation and low interest rates, the slowdown in foreign capital flows may reduce the value of the Rand further and lead to higher interest rates which, in turn, is likely to have a significant impact on household and corporate affordability conditions. A deterioration in the strength and organisation of the country's institutions, especially the independence of the SARB and policy conduct at the National Treasury, can also have a negative impact on the banking sector.

Any deterioration in economic or business conditions, in policy predictability, in political and/or security stability and in social conditions in South Africa or the other countries in which the Issuer operates, could materially adversely affect the Issuer's borrowers and contractual counterparties which, in turn, could have a material adverse impact on the Issuer's business, results, financial condition or prospects.

There are a number of risks inherent in the banking industry which may impact the performance of the Issuer

The Issuer is exposed to a variety of risks arising in the ordinary course of its business, the most significant of which are credit risk, credit concentration risk, market risk, liquidity risk and operational risk, with credit risk constituting the largest risk. Investors should note that any failure by the Issuer to manage these risks adequately could have a material adverse effect on the financial condition and reputation of the Issuer.

Credit Risk

The Issuer's businesses are subject to inherent risks regarding borrower credit quality and the recoverability of loans and amounts due from counterparties. Changes in the credit quality of the Issuer's borrowers and counterparties or arising from systemic risk in the financial systems could reduce the value of the Issuer's assets, and require increased provisions for bad and doubtful debts. In addition, changes in economic conditions may result in deterioration in the value of security held against lending exposures and increase the risk of loss in the event of borrower default.

The COVID-19 pandemic has had a devastating impact on the global economy, including the South African economy, and has resulted in significant changes to government actions, economic and market drivers as well as consumer behaviour. This in turn has had a significant impact on the risks that the Issuer is exposed to and the output of financial models, most specifically those used to determine credit risk exposures. The high degree of uncertainty resulting from this has resulted in the Issuer reassessing assumptions, and existing methods of estimation and judgements used in the preparation of these financial results which may in turn have a material adverse impact on the Issuer's business, results, financial condition or prospects.

Credit Concentration Risk

Due to the Issuer's position and role in the South African economy, natural concentrations exist in areas where it is largely unavoidable. In particular:

- Due to the Issuer's position as a major retail bank in the South African market, should private household clients, and specifically the home loans asset class, experience economic stress, this may have an adverse impact on the Issuer's business, results, financial condition or prospects.

- Large sovereign exposure that is largely due to the Issuer's liquid asset portfolio holdings, which should a deterioration in the South African sovereign credit rating be experienced, may have an adverse impact on the Issuer's business, results, financial condition or prospects.
- The Issuer's financial performance is expected to remain linked to the performance of the South African economy due to the Issuer being headquartered in South Africa. Should the South African economy deteriorate, this may have an adverse impact on the Issuer's business, results, financial condition or prospects.
- The Issuer's funding and hedging activities may be negatively impacted in the event that other South African banks experience stress.

Market Risk

Market risk is the risk of a change in the market value, actual or effective earnings, or future cash flows of a portfolio of financial instruments, including commodities, which is caused by adverse movements in market variables such as equity, bond and commodity prices, currency exchange and interest rates, credit spreads, recovery rates, correlations and implied volatilities in all of these variables. The Issuer's key market risks are trading book market risk, interest rate risk in the banking book, equity risk in the banking book and foreign currency risk.

Trading book market risk is represented by financial instruments, including commodities, held in the Issuer's trading book arising out of normal global market trading activity. Banking book-related market risk exposure principally involves managing the potential adverse effect of interest rate movements on banking book earnings (net interest income and banking book mark-to-market profit or loss) and the economic value of equity.

Although the Issuer has implemented risk management methods, including stress testing, to seek to mitigate and control these and other market risks to which it is exposed and these exposures are constantly measured and monitored, there can be no assurance that these risk management methods will be effective, particularly in unusual or extreme market conditions which, in turn, could have a material adverse impact on the Issuer's business, results, financial condition or prospects.

Liquidity Risk

Liquidity risk is the risk that a bank will be unable to meet its obligations, including funding commitments, as they fall due. This risk is inherent in banking operations and can be heightened by a number of enterprise-specific factors, including over-reliance on a particular source of funding (including, for example, wholesale and overnight funding), credit rating downgrades or market-wide stress scenarios such as market dislocation and major disasters. During the height of the financial crisis in 2008, wholesale funding providers were unwilling to lend to banks and this had a material adverse effect on global banks' ability to raise funding in both the public and private markets. This resulted in severe liquidity problems for financial institutions which forced governments and central banks to provide unprecedented financial assistance to enable financial markets to continue to operate. Although financial markets have stabilised considerably since then, they remain subject to periods of volatility. In addition, although funding spreads have tightened substantially since 2012 reflecting additional liquidity provided to the market by central banks and more stable financial markets, accommodative monetary policies may not continue.

An inability on the Issuer's part to access funds or to access the markets from which the Issuer raises funds may lead to the Issuer being unable to meet its obligations as they fall due, which in turn could have a material adverse impact on the Issuer's reputation, liquidity positions, solvency position, business, results, or prospects. The underlying operations of the Issuer is to take deposits with maturities which are contractually shorter than loans made by the Issuer. This exposes the Issuer to the risk that depositors could withdraw their funds at a rate faster than the rate at which borrowers repay their loans, thus causing liquidity strains. Additionally, the

Issuer's ability to raise or access funds may be impaired by factors that are not specific to the Issuer, such as general market conditions, severe disruption of the financial markets or negative views about the prospects for the Issuer, or the industries or regions in which the Issuer operates. In addition, the Issuer's borrowing costs and access to funds may be adversely affected by any credit rating downgrade. The Issuer has developed and implemented risk management policies, procedures and processes designed to reduce this risk through proactive monitoring, management and reporting of the Issuer's liquidity risk position, however there is no assurance that such measures will adequately address all liquidity risks that the Issuer may face.

The Issuer is reliant on both retail deposits and wholesale funding. Although the Issuer believes that its level of access to domestic and international inter-bank and capital markets and its prudent liquidity risk management will continue to allow the Issuer to meet its short-term and long-term liquidity needs, any severe liquidity stress events could have a material adverse impact on the Issuer's liquidity and solvency position results or prospects. During a liquidity stress event the Issuer is likely to obtain additional sources of funds at an increased cost which could adversely affect the financial position of the Issuer.

Operational Risk

The Issuer is susceptible to direct or indirect loss resulting from human errors/failures, inadequate or failed internal processes, systems or external events. The Issuer is also subject, from time to time, to service interruptions of third party services such as telecommunications, which are beyond the Issuer's control. Such interruptions may result in interruption to services to the Issuer's branches and/or impact customer service. Given the Issuer's high volume of transactions, errors may be repeated or compounded before they are discovered and rectified. In addition, a number of banking transactions are not fully automated, which may further increase the risk that human error or employee tampering will result in losses that may be difficult for any bank to detect quickly or at all. While the Issuer maintains a system of controls designed to monitor and control operational risk, there can be no assurance that the Issuer will not suffer losses from such risks. Losses from the failure of the Issuer's system of internal controls to discover and rectify such matters could have a material adverse impact on the Issuer's business, results, financial condition or prospects.

Terrorist acts, and other acts of war or hostility and responses to those acts, may create economic and political uncertainties, which could have a negative impact on the Issuer's markets, and international economic conditions generally, and more specifically on the Issuer's business and results of operations in ways that cannot be predicted.

The Issuer's risk management policies and procedures may not have identified or anticipated all potential risk exposures

The Issuer has devoted significant resources to developing its risk management policies and procedures, particularly in connection with credit, market, liquidity, interest rate and operational risks, and expects to continue to do so in the future. Nonetheless, its risk management techniques may not be fully effective in mitigating its risk exposure in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Some of the Issuer's methods of managing risk are based upon its use of observed historical market behaviour. As a result, these methods may not predict future risk exposures, which could be greater than indicated by historical measures. Other risk management methods depend upon evaluation of information regarding the markets in which the Issuer operates, its clients or other matters that are publicly available or otherwise accessible by the Issuer. This information may not be accurate in all cases, complete, up-to-date or properly evaluated. Any failure arising out of the Issuer's risk management techniques may have an adverse effect on its results of operations and financial condition.

Legal Proceedings

The Issuer has been party to proceedings against it during the financial year ending 31 December 2020, including the following material cases:

- MyRoof: During 2015, Absa Bank terminated an agreement in terms of which MyRoof provided an online electronic system to Absa Bank that facilitated the advertising and sale of distressed Home Loans properties. A dispute subsequently arose, with MyRoof contending that Absa Bank owed to it certain commission-based fee revenue. This resulted in the institution of arbitration proceedings in which MyRoof claims a statement and debatement of account. Absa Bank is disputing both the substance and the quantum of the claim.
- Absa Bank has received a claim under a guarantee issued by it to secure the obligations of a subsidiary, for an amount of US\$64m. Absa Bank is defending the matter.

In addition, the Issuer is engaged in various legal, competition and regulatory matters both in South Africa and a number of other jurisdictions. It is involved in legal proceedings which arise in the ordinary course of business from time to time, including (but not limited to) disputes in relation to contracts, securities, debt collection, consumer credit, fraud, trusts, client assets, competition, data protection, money laundering, employment, environmental and other statutory and common law issues.

The Issuer is also subject to enquiries and examinations, requests for information, audits, investigations and legal and other proceedings by regulators, governmental and other public bodies in connection with (but not limited to) consumer protection measures, compliance with legislation and regulation, wholesale trading activity and other areas of banking and business activities in which the Issuer is or has been engaged.

At the present time, the Issuer does not expect the ultimate resolution of any of these other matters to have a material adverse effect on its financial position. However, in light of the uncertainties involved in such matters and the matters specifically described above, there can be no assurance that the outcome of a particular matter or matters will not be material to the Issuer's results of operations or cash flow for a particular period, depending on, amongst other things, the amount of the loss resulting from the matter(s) and the amount of income otherwise reported for the reporting period.

The Issuer does not disclose contingent liabilities associated with specific matters where they cannot reasonably be estimated or where such disclosure could be prejudicial to the outcome of the matter. The Issuer does, however, report its contingent liabilities on an aggregated basis. Provision is made for all liabilities which are expected to materialise.

The Issuer may suffer a failure or interruption in or breach of its information technology systems and its businesses are subject to its ability to quickly adapt to disruptions while maintaining continuous business operations

Information technology (“IT”) risk encompasses both IT and IT change risk. The Issuer's IT risk refers to the risk associated with the use, ownership, operation, involvement, influence and adoption of IT within the Issuer. IT change risk refers to the risk arising from changes, updates or alterations made to the IT infrastructure, systems or applications of the Issuer that could affect service reliability and availability.

The Issuer's main IT risks include the failure or interruption of critical systems, cybercrime and the unauthorised access to systems each of which may result in the inability of the Issuer to serve its customers' needs in a timely manner.

The Issuer has a high dependency on its own IT systems and operations infrastructure in addition to those of third party service providers to conduct its business. The Issuer regards these systems as critical to improving productivity and ensuring the Issuer remains competitive in the market.

Any failure, interruption or breach in security of these systems could result in failures or interruptions in the Issuer's risk management, general ledger, deposit servicing, loan servicing, debt recovery, payment custody and/or other important systems. If the Issuer's information systems fail, for systems with no disaster recovery failover, it could be unable to serve some or all customers' needs on a timely basis which could result in a loss of business.

The occurrence of any such failures or interruptions in the Issuer's IT systems, where IT resilience in the form of cyber security tools, systems disaster recovery, back-up and data restoration capabilities are not in place, operations infrastructure and those of third party service providers could cause a failure in the continuity of the Issuer's operations and services and consequently, could have a materially adverse effect on the Issuer's business, financial condition and/or results of operations.

A downgrade in the Issuer's credit ratings or the credit rating of South Africa could have an adverse effect on the Issuer's access to liquidity sources and funding costs

The Issuer's credit ratings affect the cost and other terms upon which the Issuer is able to obtain funding. Rating agencies regularly evaluate the Issuer and their ratings of its long-term debt are based on a number of factors, including capital adequacy levels, quality of earnings, credit exposure, the risk management framework and funding diversification. These parameters and their possible impact on the Issuer's credit rating are monitored closely and incorporated into its liquidity risk management and contingency planning considerations.

The Issuer's credit ratings and credit outlook are subject to change at any time and the Issuer's credit ratings could be downgraded or the credit outlook changed as a result of many factors, including the failure to successfully implement the Issuer's strategies, the general downgrading of the credit ratings of financial institutions in the South African banking sector or a downgrade in the South African sovereign rating, which could negatively impact the ratings of the Issuer due to the Issuer's sizeable exposure to government securities, effectively linking its creditworthiness to that of the national government. A downgrade or potential downgrade of the South African sovereign rating or a change in rating agency methodologies relating to systemic support provided by the South African sovereign could also negatively affect the credit rating of the Issuer. A downgrade of the Issuer's credit ratings, or being placed on a negative ratings watch, may increase its cost of borrowing, adversely affect its liquidity and competitive position, limit its ability to raise capital, result in reputational damage and could lead to a loss of clients which could have a material adverse impact on its business, results, financial condition or prospects.

There can also be no assurance that the rating agencies will maintain the Issuer's current ratings or outlooks or those of South Africa. Ratings are not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organisation. Each rating should be evaluated independently of any other rating.

In addition to any direct losses that the Issuer might incur, a default, or the perception of increased risk of default on obligations, and any further downgrade in South Africa's credit rating would likely have a significant negative impact on the South African banking sector generally and could have a material adverse impact on the Issuer's business, results, financial condition, prospects or rating.

Competitive landscape

The Issuer is subject to significant competition from other major banks operating in its markets, including competitors such as international banks that may have greater financial and other resources, particularly in the corporate and investment banking market. Many of these banks compete for substantially the same customers as the Issuer. The Issuer also faces competition from other non-bank entities that increasingly provide similar services to those offered by banks, including entities such as retailers, mobile telephone companies and other technology companies, including "fintech", and entities in the shadow banking industry. Increased competition from non-bank entities in the money markets and capital markets could impact the Issuer's ability to attract funding. Competition may have an adverse effect on the Issuer's financial condition and results of operations.

The Issuer may not achieve its strategic goals

The Issuer's strategy, or the implementation of it, may not achieve some or all of the Issuer's objectives. If the strategy is not successful, the Issuer's financial prospects and results of operations may not develop in the way it expects. The Issuer may not be able to achieve all or some of its strategic objectives, including as a result of internal and external factors, such as management's ability to implement the strategic priorities, economic

conditions, competition, and changes in government policy, laws and regulations. Failure by the Issuer to achieve its strategic objectives could have an adverse impact on the Issuer's competitive position and its results.

The Issuer is subject to capital and liquidity requirements that could affect its operations

The Issuer is subject to capital adequacy requirements specified by the Prudential Authority, which provide for a minimum common equity tier 1 (“**CET 1**”) ratio, tier 1 ratio and total capital adequacy ratio (“**CAR**”).

The Third Basel Accord, introduced by the Basel Committee on Banking Supervision (“**BCBS**”), (“**Basel III**”) introduced capital buffers which continue to make it more challenging for banks to comply with minimum capital ratios. Failure by the Issuer to meet certain of these buffers, for example the capital conservation and counter-cyclical buffers, could result in restrictions being placed on distributions, including dividends and discretionary payments, and any failure by the Issuer to maintain its capital ratios may result in action taken in respect of the Issuer, which may in turn impact on its ability to fulfil its obligations under the Notes.

In addition, Basel III prescribes two minimum liquidity standards for funding liquidity. The first is the liquidity coverage ratio (“**LCR**”) which aims to ensure that banks maintain an adequate level of high-quality liquid assets to meet liquidity needs for a 30 calendar day period under a severe stress scenario. The second is the net stable funding ratio (“**NSFR**”), which aims to promote medium and long-term funding of banks' assets and activities.

Failure by the Issuer to meet the minimum liquidity requirements for funding liquidity (both LCR and NSFR), could limit the bank's ability to support planned lending activities which, in turn, could have a material adverse impact on the Issuer's business, results, financial condition or prospects.

The Issuer may not be able to detect money laundering and other illegal or improper activities fully or on a timely basis, which could expose the Issuer to additional liability and have a material adverse effect on the Issuer

The Issuer is required to comply with applicable anti-money laundering and anti-terrorism laws in South Africa. The Financial Intelligence Centre Act, 2001 (“**FICA**”) and the Money Laundering and Terrorist Financing Regulations require the Issuer, among other things, to adopt and enforce “know your customer” policies and procedures and to report suspicious and unusual transactions to the applicable regulatory authorities. While the Issuer has adopted policies and procedures aimed at detecting and preventing the use of its banking network for money laundering and terrorist financing activity, such policies and procedures may not completely eliminate instances in which the Issuer may be used by other parties to engage in money laundering or other illegal or improper activities.

To the extent that the Issuer fails to fully comply with applicable laws and regulations, various regulatory authorities to which it or they report have the authority to impose fines and other penalties. In addition, the Issuer could suffer reputational harm if clients are found to have used it for money laundering or illegal purposes. Each of the above could, in turn, have a material adverse impact on the Issuer's business, results, financial condition or prospects.

The Issuer may be unable to recruit, retain and motivate key personnel

An engaged workforce is a critical factor in the successful delivery of the Issuer's sustainability objectives. An inability to recruit, retain and motivate key personnel could negatively affect the ability of the Issuer to adequately and efficiently serve clients, support operations and deliver on its business strategy.

The Issuer's performance is dependent on the talents and efforts of key personnel, some of whom may have been employed for a substantial period of time and have developed with the business. Loss of key staff could have a financial and operational impact on the Issuer. The Issuer's continued ability to compete effectively and further develop its businesses also depends on its ability to attract new employees. In relation to the development and training of new staff, the Issuer is reliant on the continued development of the educational

sector within South Africa, including access to facilities and educational programmes by its future employees. However, there is no assurance that the educational sector within South Africa will continue to develop in the way the Issuer anticipates which may, in turn, result in a staffing shortages which could have a material adverse impact on the Issuer's operations and financial results.

Risk relating to emerging markets

The Issuer is headquartered in South Africa, which is considered by international investors to be an emerging market country. Investors in emerging markets such as South Africa should be aware that these markets may be subject to greater risk than more developed markets. These risks include economic instability as well as, in some cases, significant legal and political risks.

Due to its liquidity and use as a proxy for emerging market trades, the Rand is particularly exposed to changes in investor sentiment and resulting periods of volatility. In addition to this, economic instability in South Africa caused by many different factors, including the following:

- labour unrest;
- policy uncertainty;
- a wide current account deficit;
- currency volatility;
- falling commodity prices;
- changes in economic and tax policies;
- high levels of interest rates;
- high levels of inflation;
- perceived or actual security issues;
- capital outflows; and
- a general decline in domestic demand.

Any of these factors, as well as volatility in the markets for securities similar to the Notes, may adversely affect the value or liquidity of the Notes.

Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment in developing markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved, and prospective investors are urged to consult with their own legal and financial advisers before making an investment in the Notes.

Investors should also note that emerging markets, such as South Africa, are subject to rapid change and that the information set out in the Programme Memorandum may become outdated relatively quickly.

Risks Relating to the Notes

The Notes may be subordinated to some of the Issuer's liabilities

The Subordinated Notes constitute unsecured and subordinated obligations of the Issuer and the payment obligations of the Issuer under the Subordinated Notes will rank behind Unsubordinated Notes and in particular the payment obligations of the Issuer under (a) Additional Tier 1 Notes will rank behind Unsubordinated Notes

and Tier 2 Notes, and (b) Tier 2 Notes will rank behind Unsubordinated Notes. See Condition 5 (*Status of Additional Tier 1 Notes*) of the Additional Tier 1 Terms and Conditions and Condition 5 (*Status*) of the Tier 2 Terms and Conditions for a full description of subordination and the payment obligations of the Issuer under Additional Tier 1 Notes and Tier 2 Notes respectively.

With regard to any Subordinated Notes, in the event of the dissolution of the Issuer or if the Issuer is placed into liquidation, administration or is wound-up (in each case, other than pursuant to a Solvent Reconstruction), the Issuer will be required to pay or discharge the claims of Senior Creditors in full before it can make any payments in respect of such Subordinated Notes. If this occurs, and the assets of the Issuer are insufficient to enable the Issuer to repay the claims of Senior Creditors in full, the holders of the Notes will lose their entire investment in the Notes. If there are sufficient assets to enable the Issuer to pay the claims of Senior Creditors in full but insufficient assets to enable it to pay claims in respect of its obligations in respect of the Notes and all other claims that rank *pari passu* with the Notes, holders of the Notes will lose some (which may be substantially all) of their investment in the Notes.

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in the Programme Memorandum or any applicable supplement;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (d) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

The Notes may be redeemed prior to maturity

Unless in the case of any particular Tranche of Notes the final terms in the Applicable Pricing Supplement specify otherwise, the Issuer may redeem all outstanding Notes on the occurrence of certain tax events or regulatory changes in accordance with the Relevant Terms and Conditions.

In addition, if in the case of any particular Tranche of Notes the final terms in the Applicable Pricing Supplement specify that the Notes are redeemable at the Issuer's option in certain other circumstances, the Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low. In such

circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes. Any redemption of Tier 2 Notes prior to their Maturity Date and any redemption of Additional Tier 1 Notes requires the prior written approval of the Prudential Authority and is subject to a number of other restrictions as more particularly described in Condition 11.5 (*Conditions to redemption, substitution or variation of Tier 2 Notes*) of the Tier 2 Terms and Conditions and Condition 11.5 (*Conditions to redemption, substitution or variation of Additional Tier 1 Notes*) of the Additional Tier 1 Terms and Conditions respectively.

In respect of any Notes issued as Green Bonds, Social Bonds or Sustainable Bonds there can be no assurance that such use of proceeds will be suitable for the investment criteria of an investor

The Applicable Pricing Supplement relating to any specific Tranche of Notes may provide that it will be the Issuer's intention to apply the proceeds from an offer of those Notes specifically for projects and activities that promote climate-friendly and other environmental purposes ("**Green Projects**"); or specifically for projects and activities that are aimed at reducing economic and social inequality ("**Social Projects**"); or specifically for projects and activities that have both a positive environmental and social impact ("**Sustainable Projects**"). Prospective investors should determine for themselves the relevance of such information for the purpose of any investment in such Notes together with any other investigation such investor deems necessary. In particular no assurance is given by the Issuer that the use of such proceeds for any Green Projects, Social Projects or Sustainable Projects will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, social or sustainability impact of any projects or uses, the subject of or related to any Green Projects, Social Projects or Sustainable Projects as applicable. Furthermore, it should be noted that there is currently no clearly defined definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a "green", "social" or "sustainable" or an equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as "green", "social" or "sustainable" or such other equivalent label nor can any assurance be given that such a clear definition or consensus will develop over time. Accordingly, no assurance is or can be given to investors that any projects or uses the subject of, or related to any Green Projects, Social Projects or Sustainable Projects will meet any or all investor expectations regarding such "green", "social" or "sustainable" or other equivalently-labelled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Green Projects, Social Projects or Sustainable Projects.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by the Issuer) which may be made available in connection with the issue of any Notes and in particular with any Green Projects, Social Projects or Sustainable Projects to fulfil any environmental, social, sustainability and/or other criteria. For the avoidance of doubt, any such opinion or certification is not, nor shall be deemed to be, incorporated in and/or form part of the Programme Memorandum (as read together with the Risk Factors and Other Disclosures Schedule – DMTN Programme). Any such opinion or certification is not, nor should be deemed to be, a recommendation by the Issuer or any other person to buy, sell or hold any such Notes. Any such opinion or certification is only current as of the date that opinion was initially issued. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in such Notes. Currently, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight.

In the event that any such Notes are listed or admitted to trading on any dedicated "green", "environmental", "sustainable" or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Issuer or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other

governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, social or sustainability impact of any projects or uses, the subject of or related to, any Green Projects, Social Projects or Sustainable Projects. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Issuer or any other person that any such listing or admission to trading will be obtained in respect of any such Notes or, if obtained, that any such listing or admission to trading will be maintained during the life of the Notes.

While it is the intention of the Issuer to apply the proceeds of any Notes so specified for Green Projects, Social Projects or Sustainable Projects in, or substantially in, the manner described in the Applicable Pricing Supplement, there can be no assurance that the relevant project(s) or use(s) the subject of, or related to any Green Projects, Social Projects or Sustainable Projects will be capable of being implemented in or substantially in such manner and/or accordance with any timing schedule and that accordingly such proceeds will be totally or partially disbursed for such Green Projects, Social Projects or Sustainable Projects. Nor can there be any assurance that such Green Projects, Social Projects or Sustainable Projects will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Issuer. Any such event or failure by the Issuer will not constitute an Event of Default under the Notes.

Any such event or failure to apply the proceeds of any issue of Notes for any Green Projects, Social Projects or Sustainable Projects as aforesaid and/or withdrawal of any such opinion or certification or any such opinion or certification attesting that the Issuer is not complying in whole or in part with any matters for which such opinion or certification is opining or certifying on and/or any such Notes no longer being listed or admitted to trading on any stock exchange or securities market as aforesaid may have a material adverse effect on the value of such Notes and also potentially the value of any other Notes which are intended to finance Green Projects, Social Projects or Sustainable Projects and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

Notes subject to optional redemption by the Issuer

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Indexed Notes

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each a “**Relevant Factor**”). Potential investors should be aware that:

- (a) the market price of such Notes may be volatile;
- (b) they may receive no interest;

- (c) payment of principal or interest may occur at a different time than expected;
- (d) they may lose all or a substantial portion of their principal;
- (e) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (f) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (g) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any Indexed Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Indexed Notes and the suitability of such Notes in light of its particular circumstances.

Partly-paid Notes

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of its investment.

Variable rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as JIBAR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing

securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Modification, waivers and substitution

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

Change of law

The Notes are governed by, and will be construed in accordance with South African law in effect as at the Programme Date. No assurance can be given as to the impact of any possible judicial decision, change to South African law or administrative practice in South Africa after the Programme Date.

Trading in the clearing systems

In relation to Notes which have a minimum denomination and are tradeable in the clearing systems in amounts above such minimum denomination which are smaller than it, should definitive Notes be required to be issued, a holder who does not have an integral multiple of the minimum denomination in his account with the relevant clearing system at the relevant time may not receive all of his entitlement in the form of definitive Notes unless and until such time as his holding becomes an integral multiple of the minimum denomination.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination which is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

The Notes may be de-listed, which may materially affect an investor's ability to resell

Any Notes that are listed on the JSE or any other Financial Exchange(s) may be de-listed. Although no assurance is made as to the liquidity of the Notes as a result of listing on the JSE or any other Financial Exchange(s), delisting the Notes may have a material adverse effect on the ability of a holder of Notes to resell the Notes in the secondary market.

Risks Relating to Subordinated Notes

Substitution or Variation of Tier 2 Notes upon the occurrence of a Capital Disqualification Event or a Tax Event

Upon the occurrence and continuation of a Tax Event or a Capital Disqualification Event (each as defined in Condition 1 (*Interpretation*) of the Tier 2 Terms and Conditions), the Issuer may, subject as provided in Condition 11.6 (*Substitution or variation instead of redemption*) of the Tier 2 Terms and Conditions and without the need for any consent of the Noteholders, substitute all (but not some only) of any Series of Tier 2 Notes, or vary the terms of all (but not only some) such Tier 2 Notes so that they remain or, as appropriate, become Qualifying Tier 2 Capital Securities (as defined in Condition 1 (*Interpretation*) of the Tier 2 Terms and Conditions).

Substitution or Variation of Additional Tier 1 Notes upon the occurrence of a Capital Disqualification Event or a Tax Event

Upon the occurrence and continuation of a Tax Event or a Capital Disqualification Event (each as defined in Condition 1 (*Interpretation*) of the Additional Tier 1 Terms and Conditions), the Issuer may, subject as provided in Condition 11.6 (*Substitution or variation instead of redemption*) of the Additional Tier 1 Terms and Conditions and without the need for any consent of the Noteholders, substitute all (but not some only) of any Series of Additional Tier 1 Notes, or vary the terms of all (but not only some) such Additional Tier 1 Notes

so that they remain or, as appropriate, become Qualifying Additional Tier 1 Capital Securities (as defined in Condition 1 (*Interpretation*) of the Additional Tier 1 Terms and Conditions).

Early Redemption of Tier 2 Notes upon the occurrence of a Capital Disqualification Event or a Tax Event

Upon the occurrence and continuation of a Capital Disqualification Event or a Tax Event (each as defined in Condition 1 (*Interpretation*) of the Tier 2 Terms and Conditions), but (other than in a case of a Capital Disqualification Event) subject to Condition 11.5 (*Conditions to redemption, substitution or variation of Tier 2 Notes*) of the Tier 2 Terms and Conditions, the Issuer may, at its option, redeem all (but not some only) of the Tier 2 Notes in a Series of Tier 2 Notes at the Early Redemption Amount as specified in, or determined in the manner specified in, the Applicable Pricing Supplement. Noteholders will not receive a make-whole amount or any other compensation in the event of any early redemption of Subordinated Notes.

There can be no assurance that holders of Subordinated Notes will be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investments in the relevant Tier 2 Notes.

Early Redemption of Additional Tier 1 Notes upon the occurrence of a Capital Disqualification Event or a Tax Event

Upon the occurrence and continuation of a Capital Disqualification Event or a Tax Event (each as defined in Condition 1 (*Interpretation*) of the Additional Tier 1 Terms and Conditions), but (other than in a case of a Capital Disqualification Event) subject to Condition 11.5 (*Conditions to redemption, substitution or variation of Additional Tier 1 Notes*) of the Additional Tier 1 Terms and Conditions, the Issuer may, at its option, redeem all (but not some only) of the Additional Tier 1 Notes at the Redemption Amount as specified in, or determined in the manner specified in, the Applicable Pricing Supplement. Noteholders will not receive a make-whole amount or any other compensation in the event of any early redemption of Additional Tier 1 Notes.

There can be no assurance that holders of Additional Tier 1 Notes will be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investments in the Additional Tier 1 Notes.

The Issuer's obligations under Tier 2 Notes are subordinated

The Issuer's obligations under Tier 2 Notes will be unsecured and subordinated and will, in the event that the Issuer is placed into liquidation or is wound-up, be subordinated to the claims of Senior Creditors (as defined in Condition 1 (*Interpretation*) of the Tier 2 Terms and Conditions).

If the Issuer is wound-up or put into liquidation, voluntarily or involuntarily, Tier 2 Noteholders will not be entitled to any payments of principal or interest in respect of the Tier 2 Notes until the claims of Senior Creditors which are admissible in any such winding-up or liquidation have been paid or discharged in full. If the Issuer does not have sufficient assets at the time of winding-up or liquidation to satisfy the claims of Senior Creditors, then Tier 2 Noteholders will not receive any payment in respect of their Tier 2 Notes.

In addition, the rights of Tier 2 Noteholders are limited in certain respects. In particular, if the Issuer defaults on a payment of (i) principal due on a Tier 2 Note for a period of 7 (seven) days or more or (ii) interest due on a Tier 2 Note for a period of 14 (fourteen) days or more, such Tier 2 Noteholder may only institute proceedings for the winding-up of the Issuer (and/or prove a claim in any winding-up of the Issuer) but take no other action in respect of that default. Only if an order of court is made or an effective resolution is passed for the winding-up, liquidation or dissolution of the Issuer (other than pursuant to a Solvent Reconstruction (as defined in Condition 1 (*Interpretation*) of the Tier 2 Terms and Conditions) shall Tier 2 Noteholders be able to declare (upon written notice) such Tier 2 Note immediately due and payable.

Accordingly, although Tier 2 Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is a real risk that an investor in Tier 2 Notes will lose all or some of its investment should the Issuer become insolvent.

The Issuer's obligations under Additional Tier 1 Notes are subordinated

The Issuer's obligations under Additional Tier 1 Notes will be unsecured and subordinated and will, in the event that the Issuer is placed into liquidation or is wound-up, be subordinated to the claims of Senior Creditors and Tier 2 Noteholders (as defined in Condition 1 (*Interpretation*) of the Additional Tier 1 Terms and Conditions).

If the Issuer is wound-up or put into liquidation, voluntarily or involuntarily, Additional Tier 1 Noteholders will not be entitled to any payments of principal or interest in respect of the Additional Tier 1 Notes until the claims of Senior Creditors which are admissible in any such winding-up or liquidation have been paid or discharged in full. If the Issuer does not have sufficient assets at the time of winding-up or liquidation to satisfy the claims of Senior Creditors, then Additional Tier 1 Noteholders will not receive any payment in respect of their Additional Tier 1 Notes.

In addition, the rights of Additional Tier 1 Noteholders are limited in certain respects. In particular, if the Issuer defaults on any payment due on an Additional Tier 1 Note for a period of 14 (fourteen) days or more, such Additional Tier 1 Noteholder may only institute proceedings for the winding-up of the Issuer but take no other action in respect of that default (subject to the Solvency Condition (as defined in Condition 1 (*Interpretation*) of the Additional Tier 1 Terms and Conditions) being satisfied). Accordingly, although Additional Tier 1 Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is a real risk that an investor in Additional Tier 1 Notes will lose all or some of its investment should the Issuer become insolvent.

No restrictions on the issuance of securities or indebtedness which ranks senior to, or pari passu with, the Subordinated Notes

There is no restriction on the amount of securities or indebtedness which the Issuer may issue or incur which rank senior to, or *pari passu* with, the Subordinated Notes. The issue of any such securities or indebtedness may reduce the amount recoverable by Noteholders on a winding-up or liquidation of the Issuer or in the event of the occurrence of a Non-Viability Trigger Event (as defined in the Relevant Terms and Conditions).

Statutory Loss Absorption at the Point of Non-Viability of the Issuer

Basel III requires the implementation of certain non-viability requirements as set out in the section of the press release dated 13 January 2011 of the Basel Committee entitled "Minimum requirements to ensure loss absorbency at the point of non-viability" (the "**Basel III Non-Viability Requirements**"). The Basel III Non-Viability Requirements represent part of the broader package of guidance issued by the Basel Committee on 16 December 2010 and 13 January 2011 in relation to Basel III.

Under the Basel III Non-Viability Requirements, the terms and conditions of all Additional Tier 1 instruments and Tier 2 instruments (each as defined below) issued by an internationally active bank must have a provision that requires such instruments, at the option of the relevant authority, to either be written-off or converted into common equity upon the occurrence of a trigger event (described below) unless:

- (a) the governing jurisdiction of the bank has in place laws that (i) require such Additional Tier 1 and Tier 2 instruments to be written-off upon such event; or (ii) otherwise require such instruments to fully absorb losses before taxpayers are exposed to loss (a "**Statutory Loss Absorption Regime**" or "**SLAR**");
- (b) a peer group review confirms that the jurisdiction conforms with paragraph (a) above; and

- (c) it is disclosed by the relevant regulator and by the issuing bank, in issuance documents going forward, that such instruments are subject to loss under paragraph (a) above.

The trigger event is the earlier of: (i) a decision that a write-off, without which the issuing bank would become non-viable, is necessary, as determined by the relevant authority; and (ii) the decision to make a public sector injection of capital, or equivalent support, without which the issuing bank would have become non-viable, as determined by the relevant authority.

Regulation 38(11)(b) of the Regulations Relating to Banks refers to the need for the Basel III Non-Viability Requirements to be reflected in the terms and conditions of an Additional Tier 1 capital instrument (“**Additional Tier 1 instrument**”) unless a duly enforceable SLAR is in place. Regulation 38(12) of the Regulations Relating to Banks refers to the need for the Basel III Non-Viability Requirements to be reflected in the terms and conditions of a Tier 2 capital instrument (“**Tier 2 instrument**”) unless a duly enforceable SLAR is in place.

The SARB has provided some clarity on the loss absorbency requirements contemplated in the Regulations Relating to Banks in Guidance Note 2 of 2012 (*Matters related to the implementation of Basel III*), Guidance Note 6 of 2017 (*Loss absorbency requirements for Additional Tier 1 and Tier 2 capital*) (“**Guidance Note 6**”), Circular 6 of 2013 (*Matters related to conditions for the issue of instruments or shares, the proceeds of which rank as Tier 2 capital*) and Circular 6 of 2014 (*Interpretation of specified conditions for the issuing of instruments or shares which rank as additional tier 1 capital and tier 2 capital*), and has indicated that it, together with the National Treasury, is in the process of drafting legislation that will provide for a detailed SLAR. No official statement has however been made as to when the SLAR will be implemented in South Africa. The SARB has also provided detail in relation to its approach to bank recovery and outlined the phased-in approach to be followed in relation to the development of bank resolution plans in Guidance Note 4 of 2012 (*Further guidance on the development of recovery and resolution plans by South African banks*). The SARB has provided further guidance on the minimum requirements for the recovery plans of banks, branches of foreign banks and controlling companies in Directive 1 of 2015 (*Minimum requirements for the recovery plans of banks, controlling companies and branches of foreign institutions*). The guidance notes referred to above (“**Guidance Notes**”) are broadly drafted and require further refinement, and market participants continue to discuss the Regulations Relating to Banks and the Guidance Notes with the SARB. Paragraph 1.3 of Guidance Note 6 provides that the SARB will continue to monitor international developments around loss absorbency requirements, and if necessary, will issue further guidance. On 25 September 2018, National Treasury published the Financial Sector Laws Amendment Bill of 2018 (the “**Draft Bill**”) in order to give effect to the proposals contained in the discussion paper titled “Strengthening South Africa’s Resolution Framework for Financial Institutions” and the principles of the DIS. The Draft Bill proposes to amend a number of pieces of legislation including the Insolvency Act; the Banks Act; the Companies Act; and the FSR Act in order to assist with the implementation of the resolution framework for “designated institutions” and the creation of the DIS.

Tier 2 Notes

Guidance Note 6 requires banks to indicate, in the contractual terms and conditions of any Tier 2 instruments issued, whether such instruments would be either Written-off or Converted into the most subordinated form of equity of the bank and/or its controlling company at the occurrence of a trigger event determined in the Prudential Authority’s discretion, as envisaged in Regulation 38(12)(a)(i) of the Regulations Relating to Banks. To the extent that any Tier 2 instruments are issued prior to the commencement of the SLAR, such Tier 2 instruments will have to contractually provide for Write-off or Conversion (at the discretion of the Prudential Authority) at the occurrence of a Non-Viability Trigger Event, as write-off and Conversion are understood and applied in terms of the regulatory framework applicable at the time of the issuance of such Tier 2 instruments in order to qualify as Tier 2 Capital. The terms and conditions of Tier 2 Notes issued under the Programme accordingly provide for the Write-off or Conversion of such Tier 2 Notes at the discretion of the Prudential Authority upon the occurrence of a Non-Viability Trigger Event (see Condition 9.3 (*Write-off of Tier 2 Notes upon a Non-Viability Trigger Event*) of the Tier 2 Terms and Conditions).

Notwithstanding the requirement to provide for Write-off and/or Conversion in the contractual terms and conditions of a Tier 2 instrument, paragraph 6.3 of Guidance Note 6 provides that banks have the option to elect, on the commencement of the SLAR, to have the existing contractual Write-off/Conversion provisions of any Tier 2 instruments issued prior to the implementation of the SLAR replaced with the Write-off/Conversion provisions in the legislation and/or regulations which implement(s) the SLAR (see Condition 9.4 (*Disapplication of Non-Viability Loss Absorption Condition*) of the Tier 2 Terms and Conditions). Where the Issuer elects to have the Non-Viability Loss Absorption Condition continue to apply to Tier 2 Notes issued subject to such Non-Viability Loss Absorption Condition, rather than subjecting such Tier 2 Notes to the SLAR (on commencement of the legislation and/or regulations which implement(s) the SLAR), such Tier 2 Notes may no longer qualify as Tier 2 Capital.

Whether in terms of the contractual Write-off/Conversion provisions or the Write-off/Conversion provisions in the legislation and/or regulations which implement(s) the SLAR, the possibility of Write-off means that Tier 2 Noteholders may lose some or all of their investment. The exercise of any such power by the Prudential Authority or any suggestion of such exercise could materially adversely affect the price or value of a Tier 2 Noteholder's investment in Tier 2 Notes and/or the ability of the Issuer to satisfy its obligations under such Tier 2 Notes.

Despite the above, whether regulated by the contractual Write-off/Conversion provisions or the Write-off/Conversion provisions in the legislation and/or regulations which implement(s) the SLAR, clause 2.6 of Guidance Note 6 provides that Write-off or Conversion of Tier 2 instruments will only occur to the extent deemed by the Prudential Authority as necessary to ensure that the Issuer is viable, as specified in writing by the Prudential Authority. Accordingly, any Write-off or Conversion of the Tier 2 Notes will generally be effected to ensure compliance with these minimum requirements only.

Additional Tier 1 Notes

Guidance Note 6 requires banks to indicate, in the contractual terms and conditions of any Additional Tier 1 instruments issued, whether such instruments would be either Written-off or Converted into the most subordinated form of equity of the bank and/or its controlling company at the occurrence of a trigger event determined in the Prudential Authority's discretion, as envisaged in Regulation 38(11)(b)(i) of the Regulations Relating to Banks. To the extent that any Additional Tier 1 instruments are issued prior to the commencement of the SLAR, such Additional Tier 1 instruments will have to contractually provide for Write-off or Conversion (at the discretion of the Prudential Authority) at the occurrence of a Non-Viability Trigger Event, as Write-off and Conversion are understood and applied in terms of the regulatory framework applicable at the time of the issuance of such Additional Tier 1 instruments in order to qualify as Additional Tier 1 Capital. The terms and conditions of Additional Tier 1 Notes issued under the Programme accordingly provide for the Conversion (as defined in Condition 1 (*Interpretation*) of the Additional Tier 1 Terms and Conditions) or the Write-off (as defined in Condition 1 (*Interpretation*)) of the Additional Tier 1 Terms and Conditions of such Additional Tier 1 Notes, as specified in the Applicable Pricing Supplement, at the discretion of the Prudential Authority upon the occurrence of a Non-Viability Trigger Event (see Condition 9 (*Loss Absorption Following a Non-Viability Trigger Event*) of the Additional Tier 1 Terms and Conditions (subject to Condition 9.4 (*Disapplication of Non-Viability Loss Absorption Condition*) of the Additional Tier 1 Terms and Conditions).

Notwithstanding the requirement to provide for Write-off and/or Conversion in the contractual terms and conditions of an Additional Tier 1 instrument, paragraph 6.3 of Guidance Note 6 provides that banks have the option to elect, on the commencement of the SLAR, to have the existing contractual Write-off/Conversion provisions of any Additional Tier 1 instruments issued prior to the implementation of the SLAR replaced with the Write-off/Conversion provisions in the legislation and/or regulations which implement(s) the SLAR (see Condition 9.4 (*Disapplication of Non-Viability Loss Absorption Condition*) of the Additional Tier 1 Terms and Conditions). Where the Issuer elects to have the Non-Viability Loss Absorption Condition continue to apply to Additional Tier 1 Notes issued subject to such Non-Viability Loss Absorption Condition, rather than subjecting such Additional Tier 1 Notes to the SLAR (on commencement of the legislation and/or regulations which implement(s) the SLAR), such Additional Tier 1 Notes will be subject to such minimum requirements

of the Statutory Loss Absorption Regime required to ensure that the Additional Tier 1 Notes continue to qualify as Additional Tier 1 Capital.

Whether in terms of the contractual Write-off/Conversion provisions or the Write-off/Conversion provisions in the legislation and/or regulations which implement(s) the SLAR, the possibility of Write-off means that Additional Tier 1 Noteholders may lose some or all of their investment. The exercise of any such power by the Prudential Authority or any suggestion of such exercise could materially adversely affect the price or value of an Additional Tier 1 Noteholder's investment in Additional Tier 1 Notes and/or the ability of the Issuer to satisfy its obligations under such Additional Tier 1 Notes.

Despite the above, whether regulated by the contractual Write-off/Conversion provisions or the Write-off/Conversion provisions in the legislation and/or regulations which implement(s) the SLAR, paragraph 2.6 of Guidance Note 6 provides that Write-off or Conversion of Additional Tier 1 instruments will only occur to the extent deemed by the Prudential Authority as necessary to ensure that the Issuer is viable, as specified in writing by the Prudential Authority. Accordingly, any Write-off or Conversion of the Additional Tier 1 Notes will generally be effected to ensure compliance with these minimum requirements only.

Payment of any amounts of principal and interest in respect of Tier 2 Notes will be cancelled or written-off upon the occurrence of a Non-Viability Trigger Event

Upon the occurrence of a Non-Viability Trigger Event (as defined in Condition 1 (*Interpretation*) of the Tier 2 Terms and Conditions), Tier 2 Notes will be cancelled (in the case of a Conversion or a Write-off (as applicable) in whole) or converted or written-off in part on a pro rata basis (in the case of a Conversion or a Write-off (as applicable) in part) in accordance with the Capital Regulations (as defined in Condition 1 (*Interpretation*) of the Tier 2 Terms and Conditions). Further to such cancellation or Conversion or Write-off (as applicable), Tier 2 Noteholders will no longer have any rights against the Issuer with respect to any amounts cancelled or Converted or Written-off (as applicable) and the Issuer shall not be obliged to pay compensation in any form to Tier 2 Noteholders. Furthermore, any such cancellation or Conversion or Write-off (as applicable) will not constitute an Event of Default or any other breach of the Issuer's obligations under the Tier 2 Terms and Conditions.

A Non-Viability Event will occur when the Prudential Authority has notified the Issuer that it has determined that a “trigger event”, as specified in the Capital Regulations, has occurred. A trigger event in relation to Tier 2 instruments in the Capital Regulations is described as being, at a minimum, the earlier of:

- (a) a decision that a Write-off, without which the Issuer would become non-viable, is necessary, as determined and notified by the Prudential Authority; or
- (b) a decision to make a public sector injection of capital, or equivalent support, without which the Issuer would have become non-viable, as determined and notified by the Prudential Authority.

The occurrence of a Non-Viability Trigger Event is therefore inherently unpredictable and depends on a number of factors, many of which are outside of the Issuer's control.

Payment of any amounts of principal and interest in respect of Additional Tier 1 Notes will be cancelled or written-off upon the occurrence of a Non-Viability Trigger Event

Upon the occurrence of a Non-Viability Trigger Event (as defined in Condition 1 (*Interpretation*) of the Additional Tier 1 Terms and Conditions), Additional Tier 1 Notes will be cancelled (in the case of a Conversion or Write-off (as applicable) in whole) or converted or written-off in part on a pro rata basis (in the case of a Conversion or Write-off (as applicable) in part) in accordance with the Capital Regulations (as defined in Condition 1 (*Interpretation*) of the Additional Tier 1 Terms and Conditions). Further to such cancellation or Conversion or Write-off (as applicable), Additional Tier 1 Noteholders will no longer have any rights against the Issuer with respect to any amounts cancelled or Converted or Written-off (as applicable) and the Issuer shall not be obliged to pay compensation in any form to Additional Tier 1 Noteholders. Furthermore, any such

cancellation or Conversion or Write-off (as applicable) will not constitute an event of default or any other breach of the Issuer's obligations under the Additional Tier 1 Terms and Conditions nor will it constitute an Event of Default or any other breach of the Issuer's obligations under the General Terms and Conditions.

A Non-Viability Event will occur when the Prudential Authority has notified the Issuer that it has determined that a “trigger event”, as specified in the Capital Regulations, has occurred. A trigger event in relation to Additional Tier 1 instruments in the Capital Regulations is described as being:

- (a) at a minimum, the earlier of:
 - (i) a decision that a Write-off, without which the Issuer would become non-viable, is necessary, as determined and notified by the Prudential Authority; or
 - (ii) a decision to make a public sector injection of capital, or equivalent support, without which the Issuer would have become non-viable, as determined and notified by the Prudential Authority; or
- (b) when the Issuer’s Common Equity Tier 1 Capital Ratio is equal to or below 5.875 per cent. (or such other percentage determined by the Prudential Authority from time to time),

whichever is the earlier to occur; provided that paragraph (b) above will only apply if the Additional Tier 1 Notes are liability accounted by the Issuer.

The occurrence of a Non-Viability Trigger Event is therefore inherently unpredictable and depends on a number of factors, many of which are outside of the Issuer's control.

The investment in, and disposal or write-off of, Subordinated Notes may have tax consequences in the hands of Subordinated Noteholders, the Issuer or both

The investment in, and disposal or Write-off upon the occurrence a Non-Viability Trigger Event in respect of Subordinated Notes may have tax consequences in the hands of Subordinated Noteholders, the Issuer or both. As any such potential consequence depends on various factors, prospective investors in Subordinated Notes are strongly advised to consult their own professional advisers as to the tax consequence of investing in Subordinated Notes, and particularly as to whether a disposal or Write-off of Subordinated Notes will result in a tax liability.

There is no scheduled redemption or maturity of the Additional Tier 1 Notes

The Additional Tier 1 Notes are undated securities without any fixed redemption or maturity date. The Issuer is under no obligation to redeem any Series of Additional Tier 1 Notes at any time. Any optional redemption by the Issuer is subject to the prior approval of the Prudential Authority. There is no redemption at the option of the holders of a Series of Additional Tier 1 Notes.

Deferral of, or election not to pay, interest payments

The Issuer may elect not to pay, or to defer the payment of, any interest amounts due to holders of Additional Tier 1 Notes in accordance with Condition 6.1.1(a) of the Additional Tier 1 Terms and Conditions. The Issuer may also not be obliged to pay interest in relation to Additional Tier 1 Notes in the circumstances described in Conditions 6.1.1(b) and 6.1.1(c) of the Additional Tier 1 Terms and Conditions.

Any election not to pay or to defer interest payments in respect of Additional Tier 1 Notes may have an adverse effect on the market price of such Additional Tier 1 Notes. In addition, as a result of an election not to pay or to defer provision of such Additional Tier 1, the market price of such Additional Tier 1 Notes may be more volatile than the market prices of other debt securities of the Issuer on which original issue discount or interest

accrues that are not subject to such deferrals and may be more sensitive generally to adverse changes in the Issuer's financial condition.

If an election is made not to pay any Interest Amount on an Interest Payment Date in respect of Additional Tier 1 Notes, the Issuer and the Controlling Company will, from such Interest Payment Date, until the Issuer next pays in full the Interest Amounts due and payable on any succeeding Interest Payment Date on all outstanding Additional Tier 1 Notes, be restricted from declaring or paying distributions or dividends or paying any interest on, or from redeeming or purchasing, any Junior Securities or Parity Securities, except in limited circumstances, all as more fully described in Condition 6.2 (*Restrictions following non-payment of interest*) of the Additional Tier 1 Terms and Conditions.

In relation to Additional Tier 1 Notes, if the Issuer elects not to pay, or to defer payment of, interest amounts, such failure to pay interest amounts shall not constitute a default by the Issuer or any other breach of obligations under the Notes or for any other purpose and a Noteholder will have no claim in respect of any such non-payment. The Additional Tier 1 Notes will have no maturity date and will only be redeemable in certain circumstances, as further set out in Condition 11.5 (*Conditions to redemption, substitution or variation of Additional Tier 1 Notes*) of the Additional Tier 1 Terms and Conditions.

Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk.

The secondary market generally

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

In addition, Noteholders should be aware of the prevailing and widely reported global credit market conditions (which continue at the date of the Programme Memorandum), whereby there is a general lack of liquidity in the secondary market for instruments similar to the Notes. Such lack of liquidity may result in investors suffering losses on the Notes in secondary resales even if there is no decline in the performance of the assets of the Issuer. The Issuer cannot predict whether these circumstances will change and whether, if and when they do change, there will be a more liquid market for the Notes and instruments similar to the Notes at that time.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the Rating Agency at any time. Any adverse change in the applicable credit rating could adversely affect the trading price for the Notes issued under the Programme.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

CONFLICTS OF INTEREST

Capitalised terms used herein and not otherwise defined shall bear the meanings ascribed to them in the Relevant Terms and Conditions.

The Board Charter is the constitution that guides the board of directors of the Issuer and its committees in their activities and decisions; as well as in their dealings with each other, with management, with our stakeholders and with the Group as a whole. Directors have a responsibility to avoid situations that place, or are perceived to place, their personal interests in conflict with their duties to the Issuer. A director or prescribed officer and every employee is prohibited from using their position or access to confidential and price-sensitive information to benefit themselves or any related third party, whether financially or otherwise.

The disclosure on conflicts of interest is provided in the Integrated Report and Environment, Social and Governance Report published annually on Absa Group's website at <https://www.absa.africa/absafrica/about-us/corporate-governance/>.

The Conflicts of Interest Policy is available on Absa Group's website at <https://www.absa.africa/absafrica/about-us/corporate-governance/>.

The Conflicts of Interest Register for 2020 is available on Absa Group's website at <https://www.absa.africa/absafrica/about-us/corporate-governance/>.

EXCHANGE CONTROL

The comments below are intended as a general guide to the current position under the Exchange Control Regulations, 1961 as promulgated under the Currency and Exchanges Act, 1933, as amended, (the “Regulations”) and are not a comprehensive statement of the Regulations. The information below is not intended as advice and it does not purport to describe all of the considerations that may be relevant to a prospective subscriber for, or purchaser of any Notes. Prospective subscribers for, or purchasers of any Notes who are non-South African residents or who are emigrants from the Common Monetary Area are urged to seek further professional advice in regard to the subscription for, or purchase of any Notes.

Non-South African Resident Noteholders and Emigrants from the Common Monetary Area

Dealings in the Notes and the performance by the Issuer of its obligations under the Notes may be subject to the Regulations.

Blocked Rand

Blocked Rands may be used for the subscription for or purchase of Notes. Any amounts payable by the Issuer in respect of the Notes subscribed for or purchased with Blocked Rands may not, in terms of the Regulations, be remitted out of South Africa or paid into any non-South African bank account. For the purposes of this paragraph, “Blocked Rands” are defined as funds which may not be remitted out of South Africa or paid into a non-South African resident’s bank account.

Emigrants from the Common Monetary Area

Any Definitive Certificates issued to Noteholders who are emigrants from the Common Monetary Area will be endorsed “emigrant”. Such restrictively endorsed Definitive Certificates will be deposited with an authorised foreign exchange dealer controlling such emigrant’s blocked assets.

In the event that a Beneficial Interest in Notes is held by an emigrant from the Common Monetary Area through the Central Securities Depository and its relevant Participants, the securities account of such emigrant will be designated as an “emigrant” account.

Any payments of interest and/or principal due to an emigrant Noteholder will be deposited into such emigrant’s Blocked Rands account, as maintained by an authorised foreign exchange dealer. The amounts are not freely transferable from the Common Monetary Area and may only be dealt with in terms of the Regulations.

Non-residents of the Common Monetary Area

Any Definitive Certificates issued to Noteholders who are not resident in the Common Monetary Area will be endorsed “non-resident”. In the event that a Beneficial Interest in Notes is held by a non-resident of the Common Monetary Area through the Central Securities Depository and its relevant Participants, the securities account of such Noteholder will be designated as a “non-resident” account.

It will be incumbent on any such non-resident to instruct the non-resident’s nominated or authorised dealer in foreign exchange as to how any funds due to such non-resident in respect of Notes are to be dealt with. Such funds may, in terms of the Regulations, be remitted abroad only if the relevant Notes are acquired with foreign currency introduced into South Africa and provided that the relevant Certificate or securities account is designated “non-resident”.

For the purposes of these paragraphs, the Common Monetary Area comprises South Africa, the Republic of Namibia, the Kingdom of Lesotho and the Kingdom of eSwatini.

SARB Approval

The issuance and sale of Notes that will qualify as Additional Tier 1 Capital or Tier 2 Capital, as the case may be, under the Programme requires the approval of SARB in terms of section 79(1)(b) of the Banks Act. Redemption of Additional Tier 1 Capital or Tier 2 Capital, as the case may be, is subject to the prior written approval of the Prudential Authority and must be in accordance with the conditions (if any) approved by the Prudential Authority in writing.

Bearer Notes

The disposal or acquisition of or dealing in Bearer Notes is subject to the prior written approval of the Minister of Finance (or the Person authorised by the Minister of Finance) in accordance with Regulation 15 of the Exchange Control Regulations.

Order Notes

Any Order Notes issued to Noteholders who are emigrants from the Common Monetary Area will be endorsed in accordance with the applicable provisions of the Exchange Control Regulations. Any Order Notes issued to Noteholders who are emigrants from the Common Monetary Area will be subject to the applicable provisions of the Exchange Control Regulations.

Any Order Notes issued to Noteholders who are not resident in the Common Monetary Area will be endorsed in accordance with the applicable provisions of the Exchange Control Regulations. Any Order Notes issued to Noteholders who are not resident in the Common Monetary Area will be subject to the applicable provisions of the Exchange Control Regulations.

As at the Programme Date, no exchange control approval is required in respect of the Programme and/or the Notes.

SETTLEMENT, CLEARING AND TRANSFER OF NOTES

Clearing systems

Each Tranche of Notes, which is listed on the Interest Rate Market of the JSE will be cleared through the Central Securities Depository which, as the operator of an electronic clearing system, has been appointed by the JSE to match, clear and facilitate the settlement of transactions concluded on the JSE. Each such Tranche of Notes will be issued, cleared and transferred in accordance with the Applicable Procedures and the Terms and Conditions. Each such Tranche of Notes will be settled through Participants who will comply with the electronic settlement procedures prescribed by the JSE and the Central Securities Depository. The Notes may be accepted for clearance through any additional clearing system as may be agreed between the JSE, the Issuer and the Dealer(s).

A Tranche of unlisted Notes may also be held in the Central Securities Depository. With respect to Notes not listed on the Interest Rate Market of the JSE, the placement of such unlisted Notes may be reported through the JSE reporting system in order for the settlement of trades in such Tranche of Notes to take place in accordance with the electronic settlement procedures of the JSE and the Central Securities Depository.

Participants

The Central Securities Depository maintains accounts only for Participants. As at the Programme Date, the Participants which are approved by the JSE, in terms of the rules of the JSE, as settlement agents to perform electronic settlement of funds and scrip are Absa Bank Limited, acting through its Corporate and Investment Banking division, Citibank N.A., South Africa branch, FirstRand Bank Limited (RMB Custody and Trustee Services), Nedbank Limited, The Standard Bank of South Africa Limited, Standard Chartered Bank, Johannesburg branch, and the SARB. Euroclear Bank S.A./N.V., as operator of the Euroclear System and Clearstream Banking société anonyme will settle offshore transfers through their South African Participant.

Settlement and clearing

Participants will be responsible for the settlement of scrip and payment transfers through the Central Securities Depository, the JSE and the SARB.

While a Tranche of Notes is held in its entirety in the Central Securities Depository, the Registered Holder will be named in the Register as the sole Noteholder of the Notes in that Tranche. All amounts to be paid and all rights to be exercised in respect of Notes held in the Central Securities Depository will be paid to and may be exercised only by the Registered Holder for the holders of Beneficial Interests in such Notes.

In relation to each person shown in the records of the Central Securities Depository or the relevant Participant, as the case may be, as the holder of a Beneficial Interest in a particular Principal Amount of Notes, a certificate or other document issued by the Central Securities Depository or the relevant Participant, as the case may be, as to the Principal Amount of such Notes standing to the account of such person shall be prima facie proof of such Beneficial Interest. The Registered Holder of Notes named in the Register or the Uncertificated Securities Register will be treated by the Issuer, the Paying Agent, the Transfer Agent and the relevant Participant as the holder of that aggregate Principal Amount of such Notes for all purposes.

Payments of interest and principal in respect of Notes issued in uncertificated form will be made in accordance with the Applicable Procedures. Each of the persons reflected in the records of the Central Securities Depository or the relevant Participant, as the case may be, as the holders of Beneficial Interests in Notes shall look solely to the Central Securities Depository or the relevant Participant, as the case may be, for such persons share of each payment so made by the Issuer to, or for the order of, the relevant Participant's Nominee, to the extent applicable, as the registered holder of such Notes. The Issuer will not have any responsibility or liability for any aspect of the records relating to, or payments made on account of, Beneficial Interests, or for

maintaining, supervising or reviewing any records relating to Beneficial Interests. Payments of interest and principal in respect of Notes issued in uncertificated form shall be recorded by each Registered Holder of such Notes, distinguishing between interest and principal, and such record of payments by the Registered Holder of such Notes shall be prima facie proof of such payments.

Transfers and exchanges

Title to Beneficial Interests held by clients of Participants indirectly through such Participants will pass on transfer thereof by electronic book entry in the securities accounts maintained by such Participants for such clients. Title to Beneficial Interests held by Participants directly through the Central Securities Depository will pass on transfer thereof by electronic book entry in the central securities accounts maintained by the Central Securities Depository for such Participants. Beneficial Interests may be transferred only in accordance with the Applicable Procedures.

Beneficial Interests may be exchanged for Notes represented by Individual Certificates in accordance with Condition 13 (*Delivery, Exchange and Replacement of Certificates, Receipts and Coupons*) of the General Terms and Conditions, Condition 14 (*Delivery, Exchange and Replacement of Certificates, Receipts and Coupons*) of the Tier 2 Terms and Conditions and Condition 14 (*Delivery, Exchange and Replacement of Certificates*) of the Additional Tier 1 Terms and Conditions.

JSE Debt Guarantee Fund Trust

The holders of Notes that are listed on the Interest Rate Market of the JSE may claim against the JSE Debt Guarantee Fund Trust. Claims against the JSE Debt Guarantee Fund Trust may only be made in respect of the trading of Notes listed on the Interest Rate Market of the JSE and in accordance with the rules of the JSE Debt Guarantee Fund Trust. Unlisted notes are not regulated by the JSE.

Notes listed on any Financial Exchange other than (or in addition to) the JSE

Each Tranche of Notes which is listed on any Financial Exchange other than (or in addition to) the JSE will be issued, cleared and settled in accordance with the rules and settlement procedures of that Financial Exchange. The settlement, clearing and redemption procedures for trades of a Tranche of Notes issued on a Financial Exchange other than (or in addition to) the JSE will be specified in the Applicable Pricing Supplement.

SOUTH AFRICAN TAXATION

The following summary is of a general nature and is included herein solely for information purposes. It is based on the laws presently in force in South Africa, though it is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors in the Notes should therefore consult their own professional advisers as to the effects of the state, local or foreign laws, including South African tax law, to which they may be subject.

Income Tax

Under current taxation law in South Africa persons who or which are tax Residents will, subject to any available exemptions, be taxed in South Africa on their world-wide income. A tax Resident is a person who or which is a “resident” as defined in section 1 of the South African Income Tax Act, 1962 (the Income Tax Act). Any income received by or accrued to a Resident in respect of the Notes will accordingly be subject to income taxes imposed or assessed under the Income Tax Act.

Unsubordinated Notes and Tier 2 Notes

Any original issue at a discount to the nominal amount of the Notes will, in terms of Section 24J of the Income Tax Act, be treated as interest for tax purposes, and the discount amount will be deemed to accrue to the Noteholder on a yield to maturity basis as if such Noteholder were to hold the Notes until maturity.

Any original issue premium or redemption premium will be added to the nominal amount of the Notes to determine the initial amount which will be used to determine the interest which is deemed, under Section 24J of the Income Tax Act, to have been incurred or to have accrued in respect of the Notes.

Interest is taxed on the basis of type yield to maturity unless an election has been made by the Noteholder (if the Noteholder is entitled to make such election) to treat the Notes as trading stock on a mark-to market basis.

If the Notes are disposed of prior to maturity or are subject to early redemption, then the yield to maturity is re-calculated at that time, and an adjustment to taxable income may be necessary.

Additional Tier 1

It is considered that the provisions of Section 24J of the Income Tax Act may not apply to determine the taxable amount as Additional Tier 1 are issued without a maturity date. Any coupon payments received in respect of Additional Tier 1 will then be taxable in terms of the normal accrual rules.

A Non-Resident is taxed in South Africa under the Income Tax Act only on income from a source within or deemed to be within South Africa. A Non-Resident is a person who or which is not a “resident” as defined in the Income Tax Act. Interest (as defined in Section 24J of the Income Tax Act) which is received or accrued in respect of the Notes during any year of assessment to any Non-Resident will be exempt from taxation under the Income Tax Act, unless that Non-Resident is a natural person who was physically present in South Africa for a period exceeding 183 days in aggregate in that year or, if that Non-Resident (whether or not a natural person) carried on business in South Africa at any time during that year through a permanent establishment located in South Africa.

Where the above exemption does not apply, relief from double taxation may be provided for in terms of an appropriate provision of any applicable double taxation treaty.

Noteholders should note that where any interest on Notes is paid to them (or to any person acting on their behalf) by any person in South Africa, then the company may be required to supply to the South African Revenue Service (“SARS”) details of the payment and certain details relating to the Noteholder (including the Noteholder’s name, address and identification or registration number). These provisions will apply whether or

not the interest has been paid subject to withholding or deduction for or on account of South African income tax and whether or not the Noteholder is resident in South Africa for South African taxation purposes. In certain circumstances, the details provided to SARS may be passed by SARS to the tax authorities of certain other jurisdictions.

Capital Gains Tax

Capital gains tax applies to any capital gain earned on the disposal or deemed disposal of a capital asset by Residents, as well as to any capital gain resulting from the disposal of immovable property, interests in immovable property, and any assets attributable to a permanent establishment of a Non-Resident located in South Africa.

A gain made on the disposal of the Notes, held on capital account, by a Resident Noteholder may be subject to capital gains tax.

A Non-Resident Noteholder may be subject to capital gains tax on a gain made on the disposal of the Notes if the Notes comprise assets held on capital account which are attributable to a permanent establishment of such Non-Resident Noteholder located in South Africa.

Securities transfer tax

No securities transfer tax will be payable, in terms of the South African Securities Transfer Tax Act, 2007, in respect of either the issue of the Notes or on the subsequent transfer of the Notes on the basis that the Notes will not comprise a “security” as defined in section 1 of the Securities Transfer Tax Act.

Withholding tax

Under current taxation law in South Africa, all payments made under the Notes to resident and non-resident Noteholders will be made free of withholding or deduction for or on account of any taxes, duties, assessments or governmental charges. A withholding tax on South African-sourced interest paid to or for the benefit of a foreign person applies at a rate of 15%, in accordance with the Income Tax Act, 1962. The legislation exempts, inter alia, from the withholding tax on interest any amount of interest paid by a bank as defined in the Banks Act, to a foreign person. It is envisaged that this exemption would apply to the interest payments made to Noteholders on listed Notes.

In the event that an additional withholding tax or such other deduction is required by Applicable Laws, the Issuer will, subject to the Issuer’s rights to redeem Notes following a Tax Event or Capital Disqualification Event, respectively pursuant to Condition 10.2 (*Redemption for tax reasons*) of the General Terms and Conditions, Conditions 11.2 (*Redemption for tax reasons*) and 11.3 (*Redemption following a Capital Disqualification Event*) of the Tier 2 Terms and Conditions and Conditions 11.2 (*Redemption for tax reasons*) and 11.3 (*Redemption following a Capital Disqualification Event*) of the Additional Tier 1 Terms and Conditions, be obliged to pay additional amounts as shall be necessary in order that the net amounts received by the Noteholders after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes in the absence of such withholding or deduction, subject to customary exceptions, as described in Condition 11 (*Taxation*) of the General Terms and Conditions, Condition 12 (*Taxation*) of the Tier 2 Terms and Conditions and Condition 12 (*Taxation*) of the Additional Tier 1 Terms and Conditions.

Conversion and Write-off of Subordinated Notes

It should be noted that the tax consequences to the Subordinated Noteholders of the compulsory Conversion of Subordinated Notes into Issuer Ordinary Shares or the compulsory Write-off of Subordinated Notes, upon the occurrence of a Non-Viability Trigger Event, are complicated. A summary of some of the possible tax consequences of the compulsory Conversion of Subordinated Notes or the compulsory Write-off of

Subordinated Notes is set out below. Prospective subscribers for or purchasers of Subordinated Notes must consult their professional advisers in this regard.

Conversion of Subordinated Notes

To the extent that Subordinated Notes are Converted into Issuer Ordinary Shares, the Conversion may potentially be regarded as a disposal for tax purposes, resulting in a tax consequences for the Noteholder.

Normal tax principles should be applied in determining whether the taxpayer will be subject to capital gains tax or normal income tax on conversion and write-off of Subordinated Notes into Issuer Ordinary Shares.

The “conversion” of an asset is specifically included in the definition of a “disposal” of an asset in paragraph 11 of the Eighth Schedule of the Income Tax Act and capital gains tax consequences may arise to the Noteholder. Alternatively, normal income tax consequences may arise if the Subordinated Note is held on revenue account. Noteholders should consult their professional advisers to this regard. The South African Revenue Service, in its Capital Gains Tax Guide, has specifically indicated that there will be an adjusted gain or loss arising on the conversion of a debenture (or a debt instrument such as the Subordinated Notes). This adjusted gain or loss is deemed to accrue in the year of transfer or redemption.

The Capital Gains Tax Guide indicates that, even if the “right” to convert a debenture (or a debt instrument such as the Subordinated Notes) into an ordinary share is acquired upfront, a capital gain or loss will have to be determined at the time of conversion. A similar consequence may arise to the extent that the Subordinated Notes are held on revenue account.

Write-off of Subordinated Notes

To the extent that Subordinated Notes are Written-off (on the basis that the Issuer is no longer obliged to pay the relevant amount to the Noteholders of the Tier 2 Notes or Additional Tier 1 Notes (as applicable)) the event is a “disposal” for capital gains tax purposes or a realisation for normal income tax purposes. If a debt is waived or reduced as envisaged in the Income Tax Act, this may result in a loss for the Subordinated Noteholders. The normal principles of capital and revenue are to be applied in determining whether any such loss should be subject to normal income tax or capital gains tax in terms of the Income Tax Act. In addition, specific provisions in the Income Tax Act may apply to the waiver or reduction of debt. In this regard, Subordinated Noteholders must consult their own tax advisers to confirm the specific tax treatment of the waiver or reduction of debt.

SUBSCRIPTION AND SALE

In terms of (and subject to) the Programme Agreement, Absa Bank Limited, acting through its Corporate and Investment Banking division has been appointed as a Dealer on an ongoing basis for the duration of the Programme. The Issuer may appoint one or more Dealers for a specific issue of one or more Tranches of Notes or on an ongoing basis. In terms of (and subject to) the Programme Agreement, the Issuer may from time to time agree with any Dealer(s) to issue, and any Dealer(s) may agree to place, one or more Tranches of Notes.

South Africa

Each Dealer has (or will have) represented, warranted and agreed that it (a) will not offer Notes for subscription, (b) will not solicit any offers for subscription for or sale of the Notes and (c) will itself not sell or offer the Notes in South Africa, in contravention of the Companies Act, Banks Act, Exchange Control Regulations and/or any other Applicable Laws and regulations of South Africa in force from time to time.

Prior to the issue of any Tranche of Notes under the Programme, each Dealer who has (or will have) agreed to place that Tranche of Notes will be required to represent and agree that it will not make an “offer to the public” (as such expression is defined in the Companies Act, and which expression includes any section of the public) of Notes (whether for subscription, purchase or sale) in South Africa. The Programme Memorandum (as read with the Risk Factors and Other Disclosures Schedule) does not, nor is it intended to, constitute a prospectus prepared and registered under the Companies Act.

Offers not deemed to be offers to the public

Offers for subscription for, or sale of, Notes are not deemed to be an offer to the public if:

- (a) an offer is only made to certain investors contemplated in section 96(1)(a) of the Companies Act; or
- (b) the total contemplated acquisition cost of Notes, for any single addressee acting as principal, is equal to or greater than ZAR1,000,000, or such higher amount as may be promulgated by notice in the Government Gazette of South Africa pursuant to section 96(2)(a) of the Companies Act.

Information made available in the Programme Memorandum, or any document incorporated by reference therein should not be considered as “*advice*” as defined in the Financial Advisory and Intermediary Services Act, 2002.

The issue of a particular Tranche of Notes may, depending on the type of Notes in that Tranche, require the prior written approval of the Exchange Control Authorities in terms of the Exchange Control Regulations (see the section of this Risk Factors and Other Disclosures Schedule – DMTN Programme headed “*Exchange Control*”).

United States of America

The Notes have not been and will not be registered under the United States Securities Act, 1933, as amended (the “**Securities Act**”), or with any securities regulatory authority of any state or other jurisdiction of the United States, and may not be offered, sold or delivered within the United States or to, or for the account of or benefit of, U.S. persons (as defined in Regulation S) except in accordance with Regulation S or pursuant to an exemption from, or in a transaction not subject to the registration requirements of the Securities Act and applicable state securities laws. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Prior to the issue of any Tranche of Notes under the Programme by the Issuer, each Dealer for that Tranche of Notes will be required to represent and agree that:

- (a) the Notes in that Tranche have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold or delivered within the United States or to, or for the account of or benefit of, U.S. persons except in accordance with Regulation S or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws;
- (b) it has not offered, sold or delivered any Notes in that Tranche and will not offer, sell or deliver, any Notes in that Tranche within the United States except in accordance with Rule 903 of Regulation S under the Securities Act or pursuant to an available exemption from the registration requirements of the Securities Act and applicable state securities laws; and
- (c) it, its affiliates and any persons acting on its or any of its affiliates' behalf have not engaged and will not engage in any directed selling efforts with respect to the Notes in that Tranche and it, its affiliates and any persons acting on its or any of its affiliates' behalf have complied and will comply with the offering restrictions requirements of Regulation S.

Each issuance of Indexed Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree and specified in the Applicable Pricing Supplement.

United Kingdom

Prior to the issue of any Tranche of Notes under the Programme by the Issuer, each Dealer for that Tranche of Notes will be required to represent and agree that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act, 2000 (“**FSMA**”) by the Issuer;
- (b) it has complied with and will comply with all applicable provisions of the **FSMA** with respect to anything done by it in relation to the Notes in that Tranche in, from or otherwise involving the United Kingdom; and
- (c) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in that Tranche in circumstances in which section 21(1) of the FSMA does not apply to the Issuer.

European Economic Area

Prior to the issue of any Tranche of Notes under the Programme, each Dealer who has (or will have) agreed to place that Tranche of Notes will be required to represent and agree that, in relation to each Member State of the European Economic Area (each a “**Member State**”), it has not made and will not make an offer of any of such Notes to the public in that Member State except that it may make an offer of any of such Notes to the public in that Member State:

- (a) in the period beginning on the date of publication of a prospectus in relation to those Notes which has been approved by the competent authority in that Member State in accordance with the Prospectus Regulation and/or, where appropriate, published in another Member State and notified to the

competent authority in that Member State in accordance with Articles 24 and 25 of the Prospectus Regulation and ending on the date which is 12 months after the date of such publication;

- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which has two or more of: (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43 000 000.00; and (iii) an annual turnover of more than €50 000 000.00 as shown in its last annual or consolidated accounts; or
- (d) at any time in any other circumstances which do not require the publication by the Issuer or any Dealer of a prospectus pursuant to Article 3 of the Prospectus Regulation, or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes and the expression “**Prospectus Regulation**” means Regulation (EU) 2017/1129, as amended.

General

Prior to the issue of any Tranche of Notes under the Programme, each Dealer for that Tranche of Notes will be required to represent and agree that it will (to the best of its knowledge and belief) comply with all applicable laws and regulations in force in each jurisdiction in which it purchases, subscribes or procures subscriptions for, offers or sells Notes in that Tranche or has in its possession or distributes the Programme Memorandum and will obtain any consent, approval or permission required by it for the purchase, subscription, offer or sale by it of Notes in that Tranche under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, subscriptions, offers or sales.

Each Dealer for a Tranche of Notes will be required to represent and agree that it will comply with such other or additional restrictions in relation to that Tranche of Notes as the Issuer and such Dealer agree and as are set out in the Applicable Pricing Supplement.

Neither the Issuer nor any of the Dealers represent that Notes may at any time lawfully be subscribed for or sold in compliance with any applicable registration or other requirements in any jurisdiction or pursuant to any exemption available thereunder or assumes any responsibility for facilitating such subscription or sale.

CORPORATE INFORMATION

ISSUER**Absa Bank Limited**

15 Troye Street
Johannesburg, 2001
South Africa

Contact: Head of Investor Relations
Email: ir@absa.africa
Tel: 0113504000

ARRANGER**Absa Bank Limited, acting through its Corporate and Investment Banking division**

15 Alice Lane
Sandown
Sandton, 2196
South Africa

Contact: Head: Debt Capital Markets
Email: ibddcm@absa.africa
Tel: 0118956000

DEALER**Absa Bank Limited, acting through its Corporate and Investment Banking division**

15 Alice Lane
Sandown
Sandton, 2196
South Africa

Contact: Head: Debt Capital Markets
Email: ibddcm@absa.africa
Tel: 0118956000

DEBT SPONSOR**Absa Bank Limited, acting through its Corporate and Investment Banking division**

15 Alice Lane
Sandown
Sandton, 2196
South Africa

Contact: IBD JSE Sponsor
Email: IBDJSEsponsor@absa.africa
Tel: 0118956000

CALCULATION AGENT**Absa Bank Limited, acting through its Corporate and Investment Banking division**

15 Alice Lane
Sandown,
Sandton, 2196
South Africa

Contact: CIB Africa CM Bonds
Email: AbcapCMBonds@absa.africa
Tel: 0118956000

TRANSFER AGENT**Absa Bank Limited, acting through its Corporate and Investment Banking division**

15 Alice Lane
Sandown,
Sandton, 2196
South Africa

Contact: CIB Africa CM Bonds
Email: AbcapCMBonds@absa.africa
Tel: 0118956000

PAYING AGENT**Absa Bank Limited, acting through its Corporate and Investment Banking division**

15 Alice Lane
Sandown,
Sandton, 2196
South Africa

Contact: CIB Africa CM Bonds
Email: AbcapCMBonds@absa.africa
Tel: 0118956000

ATTORNEYS TO THE ISSUER, ARRANGER AND DEBT SPONSOR**Allen & Overy (South Africa) LLP**

6th Floor
90 Grayston Drive
Sandton, 2196
South Africa

Contact: DCM Practice
Email: Reception.Johannesburg@AllenOvery.com
Tel: 0105979850

SETTLEMENT AGENT**Absa Bank Limited, acting through its Corporate and Investment Banking division**

15 Alice Lane
Sandown
Sandton, 2196
South Africa

Contact: Absa Investor Services (AIS)
Email: AISBonds@absa.africa
Tel: 0115015444

AUDITOR TO THE ISSUER

Ernst & Young
Wanderers Office Park
52 Corlett Drive
Illovo
South Africa
Contact: Lead Account Partner
Tel: 0117723000

DEBT OFFICER

Absa Bank Limited
Jason Quinn
Interim Group Chief Executive Officer
15 Alice Lane
Sandown
Sandton, 2196
Email: Jason.Quinn@absa.africa
Tel: 0113504000