

EXECUTION

**Programme Memorandum
dated 15 November 2019**



ABSA BANK LIMITED

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

**ZAR90,000,000,000
Domestic Medium Term Note Programme**

On 25 March 2004, Absa Bank Limited (the “**Issuer**”) established a ZAR2,000,000,000 Domestic Medium Term Note Programme (the “**Programme**”) pursuant to a programme memorandum dated 25 March 2004, as amended and restated in or around July 2005, 11 August 2008, 14 June 2011 and 21 October 2014 (the “**Previous Programme Memoranda**”), in terms of which Programme the Issuer may from time to time issue notes (the “**Notes**”). This Programme Memorandum (the “**Programme Memorandum**”) will apply to Notes issued under the Programme on or after 15 November 2019 (the “**Programme Date**”) and will in respect of such Notes supersede and replace the Previous Programme Memoranda in their entirety. Notes issued under the Programme on or after the Programme Date are subject to the provisions described herein and to the terms and conditions contained in the sections 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). This Programme Memorandum does not affect any Notes issued before the Programme Date and the Previous Programme Memoranda will continue to apply to such Notes. Notes may be issued in bearer, order or registered form (respectively, “**Bearer Notes**”, “**Order Notes**” and “**Registered Notes**”).

The maximum aggregate Principal Amount of all Notes issued under the Programme (pursuant to this Programme Memorandum and the Previous Programme Memoranda) from time to time outstanding will not exceed ZAR90,000,000,000 or its equivalent in the Specified Currency. Notes may be issued with any maturity date or Notes may be issued with no maturity date, subject, in relation to Subordinated Notes, to such minimum maturities as may be required from time to time by the applicable Capital Regulations and, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements. Save as set out in this Programme Memorandum, the Notes will not be subject to any maximum maturity.

Notes will be issued in individual Tranches which, together with other Tranches, may form a Series of Notes. Before the Issuer issues any Tranche of Notes, the Issuer shall complete and sign an Applicable Pricing Supplement based on the *pro forma* Applicable Pricing Supplement included in this Programme Memorandum, setting out details of such Notes. The Applicable Pricing Supplement in relation to any Tranche of Notes may specify other terms and conditions (which may replace, modify or supplement the Relevant Terms and Conditions) in which event such other terms and conditions shall, to the extent so specified or to the extent inconsistent with the Relevant Terms and Conditions, replace, modify or supplement the Relevant Terms and Conditions for the purpose of such Tranche of Notes.

Notes to be issued under the Programme may comprise (i) unsubordinated Notes (the “**Unsubordinated Notes**”), (ii) Notes which are subordinated as described in this Programme Memorandum with a maturity date and with terms capable of qualifying the proceeds of such Notes as Tier 2 Capital (as defined in the Tier 2 Terms and Conditions) (the “**Tier 2 Notes**”) or (iii) Notes which are subordinated as described in this Programme Memorandum with no maturity date, ranking junior to the Tier 2 Notes and with terms capable of qualifying the proceeds of such Notes as Additional Tier 1 Capital (as defined in the Additional Tier 1 Terms and Conditions) (the “**Additional Tier 1 Notes**” and, together with the Tier 2 Notes, the “**Subordinated Notes**”).

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see the section of this Programme Memorandum headed “*Risk Factors*”.

This Programme Memorandum has been registered with the JSE and is listed on the Interest Rate Market of the JSE. Each Tranche of Notes may be listed on the Interest Rate Market of the JSE or on such other or further exchange(s) as may be determined by the Issuer and the Dealer(s) and subject to any Applicable Laws. With respect to a Tranche of Notes listed on the Interest Rate Market of the JSE, the Applicable Pricing Supplement(s) relating to that Tranche will be delivered to the JSE and the Central Securities Depository before the Issue Date, and the Notes in that Tranche may be traded by or through members of the JSE from the date specified in the Applicable Pricing Supplement. The trading of Notes listed on the Interest Rate Market of the JSE will take place in accordance with the rules and operating procedures for the time being of the JSE. The settlement of trades on the JSE will take place in accordance with the electronic settlement procedures of the JSE and the Central Securities Depository. The settlement and redemption procedures for a Tranche of Notes listed on another exchange, irrespective of whether that Tranche is listed on the Interest Rate Market of the JSE as well, will be specified in the Applicable Pricing Supplement.

Unlisted Notes may also be issued under this Programme. 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 to take place with the electronic settlement procedures of the JSE and the Central Securities Depository. In such event, the Applicable Pricing Supplement will be delivered to the JSE and the Central Securities Depository. With respect to Notes not to be listed on the Interest Rate Market of the JSE, and not to be settled through the electronic settlement procedures of the JSE and the Central Securities Depository, no Applicable Pricing Supplement will be delivered to the JSE.

Unlisted notes are not regulated by the JSE. The holders of Notes that are not listed on the Interest Rate Market of the JSE will have no recourse 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. Notes may be issued on a continuing basis and be placed by one or more Dealers appointed by the Issuer from time to time, which appointment may be for a specific issue or on an ongoing basis.

The Issuer may be rated by a Rating Agency on a national scale or international scale basis, which rating (if applicable) will be reflected in the Applicable Pricing Supplement. As at the date of this Programme Memorandum, the Programme has not been rated by a Rating Agency. A Tranche of Notes may, on or before the Issue Date, be rated by a Rating Agency. The Applicable Pricing Supplement will reflect the rating, if any, which has been assigned to the Issuer, the Programme and/or a Tranche of Notes, as the case may be, as well as the Rating Agency which assigned such rating. The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Relevant Terms and Conditions of the Notes herein, in which event a supplementary Programme Memorandum, if appropriate, will be made available, which will describe the effect of the agreement reached in relation to such Notes. **Capitalised terms used in this Programme Memorandum are defined in the Relevant Terms and Conditions, unless separately defined in this Programme Memorandum and/or the Applicable Pricing Supplements. Expressions defined in this Programme Memorandum will bear the same meanings in supplements to this Programme Memorandum which do not themselves contain their own definitions.**

The Issuer certifies that to the best of its knowledge and belief there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made as well as that this Programme Memorandum contains all information required by Applicable Law and the JSE Debt Listings Requirements. The Issuer accepts full responsibility for the accuracy of the information contained in this Programme Memorandum, the annual financial statements, the Applicable Pricing Supplements and the annual reports and any other amendments or supplements to the aforementioned documents, except as otherwise stated therein.

The Issuer having made all reasonable enquiries, confirms that this Programme Memorandum contains or incorporates all information which is material in the context of the issue and the offering of Notes that the information contained or incorporated in this Programme Memorandum is true and accurate in all material respects and is not misleading, that the opinions and the intentions expressed in this Programme Memorandum are honestly held and that there are no other facts, the omission of which would make this Programme Memorandum or any of such information or expression of any such opinions or intentions false or misleading in any material respect.

The JSE takes no responsibility for the contents of this Programme Memorandum, the annual financial statements, any Applicable Pricing Supplements, or the annual reports of the Issuer and any amendments or supplements to the aforesaid documents. The JSE makes no representation as to the accuracy or completeness of this Programme Memorandum, the annual financial statements, any Applicable Pricing Supplements, or the annual reports of the Issuer and any amendments or supplements to the aforementioned documents and expressly disclaims any liability for any loss arising from or in reliance upon the whole or any part the aforementioned documents. The JSE's approval of the registration of this Programme Memorandum and listings of the Notes is not to be taken in any way as an indication of the merits of the Issuer or the Notes and that, to the extent permitted by law, the JSE will not be liable for any claim whatsoever.

This Programme Memorandum is to be read in conjunction with all documents which are deemed to be incorporated in this Programme Memorandum by reference. This Programme Memorandum shall be read and construed on the basis that such documents are incorporated into and form part of this Programme Memorandum. Any reference in this section to the Programme Memorandum, shall be read and construed as including such documents incorporated by reference.

The Arranger, the Dealers, their respective affiliates, other professional advisers and the JSE have not separately verified the information contained in this Programme Memorandum. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Arranger, the Dealers, their respective affiliates, other professional advisers or the JSE as to the accuracy or completeness of the information contained in this Programme

Memorandum or any other information provided by the Issuer. The Arranger, the Dealers, their respective affiliates, other professional advisers and the JSE do not accept any liability in relation to the information contained in this Programme Memorandum or any other information provided by the Issuer in connection with the Programme.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Programme Memorandum or any other information supplied in connection with the Programme and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Arranger, the Dealers, any other professional advisers or the JSE.

Neither this Programme Memorandum nor any other information supplied in connection with the Programme is intended to provide a basis for any credit or other evaluation, or should be considered as a recommendation by the Issuer that any recipient of this Programme Memorandum or any other information supplied in connection with the Programme, should purchase any Notes.

Each investor contemplating the purchase of any Notes should make its own independent investigation and analysis of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the terms of the offering and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience, and any other factors which may be relevant to it in connection with such investment. The JSE, the Debt Sponsor, the Arranger and the Dealers do not undertake to review the financial condition or affairs of the Issuer nor to advise any investor or potential investor in the Notes of any information coming to the attention of the Arranger or the Dealers.

Neither this Programme Memorandum nor any other information supplied in connection with the Programme constitutes an offer or invitation by or on behalf of the Issuer to any person to subscribe for or to purchase any Notes.

The delivery of this Programme Memorandum does not at any time imply that the information contained in this Programme Memorandum concerning the Issuer is correct at any time subsequent to the date of this Programme Memorandum or that any other financial statements or other information supplied in connection with the Programme is correct as at any time subsequent to the date indicated in the document containing the same. Investors should review, inter alia, the most recent financial statements of the Issuer when deciding whether or not to purchase any Notes.

The Notes will be obligations of the Issuer. The Notes will not be obligations of, or the responsibility of, or guaranteed by the Debt Sponsor, the Arranges or the Dealers. No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes shall be accepted by, the Debt Sponsor, the Arranger or the Dealers.

None of the Issuer, the JSE, the Debt Sponsor, the Arranger or the Dealers makes any representation or warranties as to the settlement procedures of the Central Securities Depository or the JSE or any other relevant stock exchange.

This Programme Memorandum does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction.

The distribution of this Programme Memorandum and the offer or sale of Notes may be restricted by law in certain jurisdictions. Persons into whose possession this Programme Memorandum or any Notes come must inform themselves about, and observe, any such restrictions. In particular, there are restrictions on the distribution of this Programme Memorandum and the offer or sale of Notes in the United States of America, the United Kingdom, the European Economic Area and South Africa. None of the Issuer, the Dealers, other professional advisers or the JSE represents

that this Programme Memorandum may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Dealers, other professional advisers or the JSE which would permit a public offering of any Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Programme Memorandum nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations and the Dealers have represented that all offers and sales by them will be made on the same terms.

*The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”). Notes may not be offered, sold or delivered within the United States or to any U.S. persons except in accordance with Regulation S under the Securities Act. In addition, there are restrictions on the distribution of this Programme Memorandum in South Africa and the United Kingdom. For a more complete description of certain restrictions on the offering, sale and delivery of Notes and distribution of this Programme Memorandum see the section of this Programme Memorandum headed “Subscription and Sale”.*

*All references in this document to “**Rand**”, “**ZAR**”, “**South African Rand**”, “**R**” and “**cent**” refer to the currency of South Africa.*

*In connection with the issue and distribution of any Tranche of Notes under the Programme, the Issuer or a Dealer disclosed as the approved stabilisation manager (if any) in the Applicable Pricing Supplement or any person acting for it (“**Stabilisation Manager**”) may, subject to the terms and conditions for stabilisation contained in the Applicable Pricing Supplement and only if such stabilising is permitted by the JSE Debt Listings Requirements, over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period after the Issue Date. However, there may be no obligation on the Stabilisation Manager or any of its agents to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Such stabilising is to be carried out in accordance with all Applicable Laws and the price/yield and size of the Tranche of Notes to be issued will be determined by the Issuer, each relevant Dealer(s) and/or the Arranger at the time of issue in accordance with the prevailing market conditions.*

TABLE OF CONTENTS

	<i>Page</i>
DOCUMENTS INCORPORATED BY REFERENCE.....	7
GENERAL DESCRIPTION OF THE PROGRAMME.....	10
OVERVIEW OF THE PROGRAMME.....	12
SUMMARY OF THE PROGRAMME.....	13
FORM OF THE NOTES.....	30
RISK FACTORS	33
PRO FORMA APPLICABLE PRICING SUPPLEMENT OF THE UNSUBORDINATED NOTES.....	57
TERMS AND CONDITIONS OF THE UNSUBORDINATED NOTES	69
<i>PRO FORMA</i> APPLICABLE PRICING SUPPLEMENT OF THE TIER 2 NOTES	119
TERMS AND CONDITIONS OF THE TIER 2 NOTES	130
<i>PRO FORMA</i> APPLICABLE PRICING SUPPLEMENT OF THE ADDITIONAL TIER 1 NOTES.....	194
TERMS AND CONDITIONS OF THE ADDITIONAL TIER 1 NOTES	205
USE OF PROCEEDS.....	268
DESCRIPTION OF THE ISSUER.....	269
SETTLEMENT, CLEARING AND TRANSFER OF NOTES	316
SOUTH AFRICAN TAXATION.....	318
SUBSCRIPTION AND SALE	321
EXCHANGE CONTROL.....	325
GENERAL INFORMATION.....	327
CORPORATE INFORMATION.....	329

DOCUMENTS INCORPORATED BY REFERENCE

The documents listed below are deemed to be incorporated into, and to form part of, this Programme Memorandum and are available for inspection by Noteholders, during normal office hours after the date of this Programme Memorandum, at the Specified Office of the Issuer:

- (a) all amendments and supplements to this Programme Memorandum circulated by the Issuer from time to time;
- (b) the audited consolidated annual financial statements of the Issuer (including, where applicable, consolidated interim financial statements), for the financial years ended 31 December 2016, 31 December 2017 and 31 December 2018, and for each financial year ended thereafter, together with such statements, reports and notes attached to or intended to be read with such financial statements, and the reviewed unaudited interim consolidated financial results of the Issuer for each financial half-year commencing with the financial half-year ended 30 June 2019;
- (c) each annual report prepared by the Issuer from time to time;
- (d) each Applicable Pricing Supplement;
- (e) all information pertaining to the Issuer which is relevant to the Notes which is electronically disseminated on SENS to SENS subscribers; and
- (f) the constitutional documents of the Issuer, as amended from time to time.

Any statement contained in this Programme Memorandum or in any document which is incorporated by reference into this Programme Memorandum will be deemed to be modified or superseded for the purposes of this Programme Memorandum to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference in this Programme Memorandum modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

The Programme Memorandum and any amendments or supplements thereto (including the Applicable Pricing Supplements) will be made available on the website of the JSE (www.jse.co.za). The Programme Memorandum and any amendments or supplements thereto (including the Applicable Pricing Supplements) and the financial statements of the Issuer referred to above will also be available on the website of the Issuer (<https://www.absa.africa/absaafrica/investor-relations>). The most recently obtained monthly beneficial disclosure report made available by the relevant Participants to the Central Securities Depository will be made available for inspection by investors at the Specified Office of the Issuer, as long as the Programme Memorandum remains registered with the JSE.

The Issuer will, on an annual basis, for so long as the Programme Memorandum remains registered with the JSE, review the Programme Memorandum to consider if any of the information contained in relation to the Issuer, specifically excluding the Relevant Terms and Conditions, is outdated in a material respect, and if deemed so, publish a new Programme Memorandum or a supplement to this Programme Memorandum, as the case may be, and release a SENS announcement containing a summary of the changes and a statement that the updated Programme Memorandum will be available for inspection on the relevant website, together with a link to that website; provided that no new Programme Memorandum or supplement to this Programme Memorandum, as the case may be, is required in respect of the Issuer's annual financial statements or interim financial statements if such financial statements are incorporated by reference into this Programme

Memorandum and such financial statements are published, as required by the Companies Act and the JSE, and submitted to the JSE within the time period required by the JSE Debt Listing Requirements. The Issuer's annual consolidated financial statements may include risk factors which may be updated from time to time.

Any such new Programme Memorandum or Programme Memorandum as supplemented, as the case may be, will be deemed to have substituted the previous Programme Memorandum from the date of issue of the new Programme Memorandum or Programme Memorandum as supplemented, as the case may be.

In relation to any Tranche of Notes listed on the Interest Rate Market of the JSE, copies of any notices to Noteholders, including of meetings and any amendments to the Relevant Terms and Conditions or amendments to the rating of a Tranche of Notes and/or to the Programme Memorandum, shall be published on SENS. Similarly the Issuer shall publish an announcement on SENS when any information incorporated by reference is updated and where such updated information is available. Any modification to the Relevant Terms and Conditions which may have a direct effect on the Issuer's compliance with the JSE Debt Listings Requirements or such other Financial Exchange, as the case may be, will require the approval of the JSE or such other Financial Exchange.

In the event that the Issuer issues any Additional Tier 1 Notes under this Programme, the Applicable Pricing Supplement will address any additional requirements of the JSE.

The Issuer will provide, free of charge, to any person, upon request of such person, a copy of any of the public documents deemed to be incorporated herein by reference for so long as the Programme Memorandum remains registered with the JSE, unless such documents have been modified or superseded, in which case the modified or superseding documentation will be provided. In addition, any Noteholder shall be entitled to request a copy of the Register in respect of the Notes held by that Noteholder. Requests for such documents should be directed to the Issuer at its Specified Office.

	Information incorporated by reference:	Accessible on the Issuer's website	Available for inspection at the registered office of the Issuer (as set out at the end of this Programme Memorandum)	Available on the JSE's website, www.jse.co.za
(a)	Programme Memorandum, any amendments and/or supplements to this Programme Memorandum.	Yes, available at: https://www.absa.africa/absaafrica/investor-relations/debt-investors/	Yes	Yes
(b)	All Applicable Pricing Supplements relating to Notes in issue under the Programme.	Yes, available at: https://www.absa.africa/absaafrica/investor-relations/debt-investors/	Yes	Yes
(c)	Annual reports of the Issuer.	Yes, available at: https://www.absa.africa/	Yes	

		absaafrica/investor-relations/		
(d)	Audited annual financial statements and unaudited interim financial statements of the Issuer.	Yes, available at: https://www.absa.africa/absaafrica/investor-relations/	Yes	
(e)	The full names of the Issuer's directors.	Yes, available at: https://www.absa.africa/absaafrica/about-us/corporate-governance/		
(f)	Constitutional documents of the Issuer.		Yes	
(g)	Implementation by the Issuer of the King Code through the application of the King Code disclosure and application regime.	Yes available at: https://www.absa.africa/absaafrica/about-us/corporate-governance/		
(h)	All information pertaining to the Issuer which is relevant to the Programme and/or this Programme Memorandum.	Yes, available at: https://www.absa.africa/absaafrica	Yes	Yes

GENERAL DESCRIPTION OF THE PROGRAMME

A general description of the Programme and the Relevant Terms and Conditions is set out below. The general description does not purport to be complete and is taken from, and is qualified by, the remainder of this Programme Memorandum and, in relation to any particular Tranche of Notes, the Applicable Pricing Supplements.

Under the Programme, the Issuer may from time to time issue Notes denominated in the currency specified in the Applicable Pricing Supplement. The applicable terms of any Notes will be set out in the Relevant Terms and Conditions incorporated by reference into the Notes, as modified and supplemented by the Applicable Pricing Supplement relating to the Notes and any supplementary Programme Memorandum.

For the avoidance of doubt, this Programme Memorandum will only apply to Notes issued after the Programme Date and the Previous Programme Memoranda will apply to Notes issued before the Programme Date.

The maximum aggregate Principal Amount of all Notes issued under the Programme (pursuant to this Programme Memorandum and the Previous Programme Memoranda) from time to time outstanding will not exceed ZAR90,000,000,000 or its equivalent in such other currencies as Notes are issued, unless such amount is increased as set out below. For the purpose of calculating the aggregate Principal Amount of Notes issued under the Programme from time to time:

- (a) the ZAR equivalent of Notes denominated in another currency shall be determined at or about the time at which an agreement is reached for the issue of such Notes as between the Issuer and the relevant Dealer(s) on the basis of the spot rate at such time for the sale of such ZAR amount against the purchase of such currency or unit of account in the Johannesburg inter-bank foreign exchange markets, as quoted by any leading bank selected by the Issuer;
- (b) the amount of Indexed Notes and Partly Paid Notes (each as defined in the General Terms and Conditions) shall be calculated by reference to the original Principal Amount of such Notes (and, in the case of Partly Paid Notes, regardless of the subscription price paid); and
- (c) the amount of Zero Coupon Notes (as defined in the General Terms and Conditions) and other Notes issued at a discount or premium shall be calculated by reference to the net proceeds received by the Issuer for the relevant issue.

Each Tranche of Notes may be listed on the Interest Rate Market of the JSE or on such other or further exchange(s) as may be determined by the Issuer and the Dealer(s) and subject to any Applicable Laws. Unlisted Notes may also be issued. Claims against the JSE Debt Guarantee Fund Trust may only be made in respect of 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.

In the event that the Issuer issues unlisted Notes, or any Notes are listed on any Financial Exchange other than the Interest Rate Market of the JSE, the Issuer shall, no later than the last day of the month of such issue, inform the JSE in writing of the Principal Amount and scheduled maturity date in respect of such Notes.

From time to time the Issuer may wish to increase the aggregate Principal Amount of the Notes that may be issued under the Programme. Subject to the requirements of the JSE and/or any such other Financial Exchange(s) on which the Notes may be listed or in terms of any law, the Issuer may, without the consent of Noteholders, increase the aggregate Principal Amount of the Notes that may

be issued under the Programme by delivering a notice to Noteholders and the relevant Financial Exchange in accordance with the Relevant Terms and Conditions. Upon such notice being given, all references in the Programme Memorandum or any other agreement, deed or document in relation to the Programme, to the aggregate Principal Amount of the Notes, shall be and shall be deemed to be references to the increased aggregate Principal Amount.

OVERVIEW OF THE PROGRAMME

The information set out below is a summary of the principal features of the Programme. This Overview should be read in conjunction with, and is qualified in its entirety by, the detailed information contained elsewhere in this Programme Memorandum and, in respect of types of Notes which are not already provided for by this Programme Memorandum, by the information contained in the Applicable Pricing Supplement.

A brief overview of the Programme is as follows:

- (a) the Programme provides a framework and certain common terms for the issue of Notes by the Issuer.
- (b) the Programme is established by the Issuer.
- (c) Notes may be issued by the Issuer in Tranches pursuant to the Programme. A Tranche of Notes may, together with a further Tranche or Tranches, form a Series of Notes issued under the Programme.
- (d) to the extent that the Issuer issues a type of Note that is provided for in this Programme Memorandum, certain supplemental terms and conditions applicable to such Notes will be contained in the Applicable Pricing Supplement. The Applicable Pricing Supplement for each Tranche of Notes is incorporated herein for the purposes of such Tranche and supplements the Relevant Terms and Conditions. To the extent so specified or to the extent inconsistent with the Relevant Terms and Conditions, terms and conditions contained in an Applicable Pricing Supplement replace, amend and/or supplement the Relevant Terms and Conditions for the purposes of such Tranche. Capitalised expressions used in the Applicable Pricing Supplement and not herein defined shall bear the meaning assigned to them in the Applicable Pricing Supplement.
- (e) if there is any conflict or inconsistency between the provisions set out in the relevant Applicable Pricing Supplement and the provisions set out in the Relevant Terms and Conditions, then the provisions in the relevant Applicable Pricing Supplement will prevail.
- (f) the Issuer may be rated by a Rating Agency on a national scale or international scale basis, which rating (if applicable) will be reflected in the Applicable Pricing Supplement. As at the date of this Programme Memorandum, the Programme has not been rated by a Rating Agency. A Tranche of Notes may, on or before the Issue Date, be rated by a Rating Agency. The Applicable Pricing Supplement will reflect the rating, if any, which has been assigned to the Issuer, the Programme and/or a Tranche of Notes, as the case may be, as well as the Rating Agency which assigned such rating.

SUMMARY OF THE PROGRAMME

The following summary does not purport to be complete and is taken from, and is qualified by, the remainder of this Programme Memorandum and, in relation to the Relevant Terms and Conditions of any particular Tranche of Notes, the Applicable Pricing Supplements.

Issuer	Absa Bank Limited (registration number 1986/004794/06), a company with limited liability duly incorporated in accordance with the laws of South Africa, and registered as a bank in accordance with the Banks Act, 1990.
Risk Factors	There are certain factors that may affect the Issuer's ability to fulfill its obligations under Notes issued under the Programme. These are set out in the section of this Programme Memorandum headed " <i>Risk Factors</i> ". In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are also set out in the section of this Programme Memorandum headed " <i>Risk Factors</i> " and include the fact that the Notes may not be a suitable investment for all investors, certain risks relating to the structure of particular series of Notes and certain market risks.
Description of the Programme	Absa Bank Limited, ZAR90,000,000,000 Domestic Medium Term Note Programme.
Size of the Programme	Up to ZAR90,000,000,000 (or its equivalent in the Specified Currency) outstanding at any time, which for the avoidance of doubt, includes all outstanding amounts specified under this Programme Memorandum and the Previous Programme Memoranda. The Issuer may, without the consent of Noteholders, increase the maximum aggregate Principal Amount of Notes that may be outstanding in terms of the Programme in accordance with Applicable Laws and subject to any required regulatory approvals. The total authorised amount of the Programme at the time of the issue of any Tranche of Notes will be set out in the Applicable Pricing Supplement.
JSE	JSE Limited (registration number 2005/022939/06), licensed as an exchange in terms of the Financial Markets Act.
JSE Debt Sponsor	Absa Bank Limited, acting through its Corporate and Investment Banking division.
Arranger	Absa Bank Limited, acting through its Corporate and Investment Banking division.
Dealers	Absa Bank Limited, acting through its Corporate and Investment Banking division and any additional Dealer appointed under the Programme from time to time, which appointment may be for a specific issue or on an ongoing basis, subject to the Issuer's right to terminate the appointment of any Dealer.
Calculation Agent	Absa Bank Limited, acting through its Corporate and Investment

Banking division, unless the Dealer or, in the case of a syndicated issue, the lead manager requests the Issuer to appoint, or the Issuer elects to appoint, in relation to a particular Tranche or Series of Notes, another entity as Calculation Agent, in which event that other entity, on execution of the Agency Agreement, shall act in such capacity in respect of that Tranche or Series of Notes.

Issuer Agent	Absa Bank Limited, acting through its Corporate and Investment Banking division, or such other entity appointed as Issuer Agent by the Issuer from time to time, where such Issuer Agent is appointed for purposes of the debt instrument solution system of the Central Securities Depository.
Paying Agent	Absa Bank Limited, acting through its Corporate and Investment Banking division, unless the Issuer elects to appoint, in relation to a particular Tranche or Series of Notes, another entity as Paying Agent, in which event that other entity shall act in such capacity in respect of that Tranche or Series of Notes.
Transfer Agent	Absa Bank Limited, acting through its Corporate and Investment Banking division or such other entity appointed as Transfer Agent by the Issuer from time to time.
Central Securities Depository	Strate Proprietary Limited (registration number 1998/022242/07) or any additional or alternate depository approved by the Issuer, the Dealer(s) and the JSE.
Noteholder(s)	The holders of Notes who are recorded as the Registered Holders of the Registered Notes (in the Register or the Uncertificated Securities Register) and/or Bearers of the Bearer Notes and/or the Payees of the Order Notes.
Relevant Terms and Conditions	The General Terms and Conditions, the Tier 2 Terms and Conditions or the Additional Tier 1 Terms and Conditions.
General Terms and Conditions	The terms and conditions of the Unsubordinated Notes as set out below in this Programme Memorandum under the section " <i>Terms and Conditions of the Unsubordinated Notes</i> ".
Tier 2 Terms and Conditions	The terms and conditions of the Tier 2 Notes as set out below in this Programme Memorandum under the section " <i>Terms and Conditions of the Tier 2 Notes</i> ".
Additional Tier 1 Terms and Conditions	The terms and conditions of the Additional Tier 1 Notes as set out below in this Programme Memorandum under the section " <i>Terms and Conditions of the Additional Tier 1 Notes</i> ".
Form of Notes	Notes may be issued in the form of Registered Notes, Bearer Notes or Order Notes as described in this Programme Memorandum under the section " <i>Form of the Notes</i> ". Registered Notes will not be exchangeable for Bearer Notes and vice versa. Subordinated Notes may not be issued in bearer form and will only be issued in registered form.
Currencies	South African Rand or, subject to all Applicable Laws and, in the case of Notes listed on the Interest Rate Market of the JSE, the rules of the

JSE, in such other currency as specified in the Applicable Pricing Supplement.

Issue Price	Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at their Principal Amount or at a discount to, or premium over, their Principal Amount as specified in the Applicable Pricing Supplement.
Interest Period(s) or Interest Payment Date(s)	Such period(s) or date(s) as specified in the Applicable Pricing Supplement.
Denomination of Notes	Notes will be issued in such denominations as specified in the Applicable Pricing Supplement.
Status of the Notes	Notes may be issued on a subordinated or unsubordinated basis, as specified in the Applicable Pricing Supplement.
Status of the Unsubordinated Notes	The Unsubordinated Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 22 (<i>Negative Pledge</i>)) unsecured obligations of the Issuer, all as described in Condition 5.2 (<i>Status of the Unsubordinated Notes</i>) of the General Terms and Conditions and the Applicable Pricing Supplement.
Status of the Tier 2 Notes	The Tier 2 Notes constitute direct, unsecured and, in accordance with Condition 5.1 (<i>Status of the Tier 2 Notes</i>) of the Tier 2 Terms and Conditions, subordinated obligations of the Issuer and rank <i>pari passu</i> without any preference among themselves and (save for those that have been accorded by law preferential rights) at least <i>pari passu</i> with all other claims of creditors of the Issuer which rank or are expressed to rank (and which are entitled to rank) <i>pari passu</i> with the Tier 2 Notes.
Status of the Additional Tier 1 Notes	Additional Tier 1 Notes constitute direct, unsecured and, in accordance with Condition 5 (<i>Status of Additional Tier 1 Notes</i>) of the Additional Tier 1 Terms and Conditions, subordinated obligations of the Issuer and rank <i>pari passu</i> without any preference among themselves and (save for those that have been accorded by law preferential rights) at least <i>pari passu</i> with all other claims of creditors of the Issuer which rank or are expressed to rank (and which are entitled to rank) <i>pari passu</i> with the Additional Tier 1 Notes. Additional Tier 1 Notes thus rank <i>pari passu</i> with all subordinated securities issued by the Issuer, the proceeds of which qualify as Additional Tier 1 Capital and all Non-Redeemable Non-Cumulative Preference Shares issued by the Issuer, the proceeds of which qualify as Additional Tier 1 Capital and are senior in respect of the rights and claims of the holders of Ordinary Shares and other Junior Securities.
Subordinated and Capital Regulations	In order for the proceeds of the issue of a Tranche of Subordinated Notes to qualify as Additional Tier 1 Capital or Tier 2 Capital, as the case may be, Subordinated Notes must comply with the applicable Capital Regulations (including such Additional Conditions (if any) as are prescribed by the Prudential Authority in respect of that Tranche of Subordinated Notes). The Issuer will specify in the Applicable Pricing Supplement whether any issue of Notes is an issue of Additional Tier 1 Notes, the proceeds of which are intended to qualify as Additional Tier

1 Capital, or Tier 2 Notes, the proceeds of which are intended to qualify as Tier 2 Capital or other instruments required by the Prudential Authority as the case might be. The Additional Conditions (if any) prescribed by the Prudential Authority in respect of Subordinated Notes will be specified in the Applicable Pricing Supplement or a supplement to this Programme Memorandum.

Maturities

Notes may be issued with any maturity date or Notes may be issued with no maturity date, subject, in relation to Subordinated Notes, to such minimum maturities as may be required from time to time by the applicable Capital Regulations and, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Subject to the applicable Capital Regulations: (i) Additional Tier 1 Notes will be issued without a maturity date; and (ii) Tier 2 Notes will have a minimum maturity of 5 years and one day.

Redemption

Subject to the description in “*Maturities*” above, Notes may be redeemable at par or at such other Redemption Amount (detailed in a formula, index or otherwise) as may be specified in the Applicable Pricing Supplement. Notes may also be redeemable in 2 or more instalments on such dates and in such manner as may be specified in the Applicable Pricing Supplement.

For so long as the Capital Regulations so require, Tier 2 Notes may be redeemed prior to the Maturity Date (after a minimum period of five years and one day after the Issue Date) only if (i) the Issuer has notified the Prudential Authority of, and the Prudential Authority has consented in writing to such redemption, subject to such conditions (if any) as the Prudential Authority may deem appropriate and (ii) the redemption of the Tier 2 Notes is not prohibited by the Capital Regulations as described in Condition 11.5 (*Conditions to redemption, substitution or variation of Tier 2 Notes*) in the Tier 2 Terms and Conditions.

There is no fixed redemption date for Additional Tier 1 Notes. For so long as the Capital Regulations so require, Additional Tier 1 Notes may be redeemed only at the option of the Issuer, after a minimum period of five years and one day after the Issue Date, subject to the prior written approval of the Prudential Authority and in accordance with the conditions (if any) approved by the Prudential Authority in writing.

Unless the Prudential Authority determines that the Issuer will be duly capitalised above the minimum capital requirements after a call option in respect of Subordinated Notes is exercised, the Issuer may not redeem such Subordinated Notes unless such Subordinated Notes are replaced by the Issuer with instruments of similar or better quality and the replacement is on conditions that are sustainable for the income capacity of the Issuer.

Optional Redemption

Subject to the description in “*Redemption*” above, Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) with, in the case of Subordinated Notes, the prior written approval of the Prudential Authority and (if any) in accordance with conditions approved by the Prudential Authority in writing, and/or

the Noteholders to the extent (if at all) specified in the Applicable Pricing Supplement.

Tax Redemption

Except as described in “*Optional Redemption*” above, and subject to the description in “*Redemption*” above, early redemption will only be permitted for tax reasons as described in Condition 10.2 (*Redemption for tax reasons*) of the General Terms and Conditions, Condition 11.2 (*Redemption for tax reasons*) of the Tier 2 Terms and Conditions and Condition 11.2 (*Redemption for tax reasons*) of the Additional Tier 1 Terms and Conditions.

Redemption for Regulatory Reasons

Except as described in “*Optional Redemption*” and “*Tax Redemption*” above, early redemption of the Subordinated Notes in whole (but not in part) is permitted at the option of the Issuer if a Capital Disqualification Event occurs and is continuing on the relevant interest payment date as described in Condition 11.3 (*Redemption following a Capital Disqualification Event*) of the Tier 2 Terms and Conditions and Condition 11.3 (*Redemption following a Capital Disqualification Event*) of the Additional Tier 1 Terms and Conditions.

Non-Viability Loss Absorption (Tier 2 Notes)

a “**Non-Viability Trigger Event**” shall occur when a “trigger event” specified in writing by the Prudential Authority in accordance with the Capital Regulations has occurred, upon which a Series of Tier 2 Notes is required to either be Written-off (as defined in the Relevant Terms and Conditions) or Converted (as defined in the Relevant Terms and Conditions) into Issuer Ordinary Shares (in whole or in part), as specified in the Applicable Pricing Supplement, which trigger event shall be at the discretion of the Prudential Authority and shall at minimum be the earlier of:

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

Conversion of Tier 2 Notes:

If Conversion upon the occurrence of a Non-Viability Trigger Event is specified as applicable to a Series of Tier 2 Notes in the Applicable Pricing Supplement then upon the occurrence of a Non-Viability Trigger Event, the Issuer will Convert the Current Principal Amount of the Tier 2 Notes (or the Relevant Part thereof) into Issuer Ordinary Shares, in accordance with the Capital Regulations, by such amount (the “**Conversion Amount**”) as the Prudential Authority shall require; provided that:

- (a) a Conversion of the Tier 2 Notes need only occur up until the point where the Issuer is deemed by the Prudential Authority to be viable again, as specified in writing by the Prudential Authority; and
- (b) the Tier 2 Notes shall be Converted in whole, or in part, on a

pro rata basis with other Loss Absorbing Instruments.

Any such Conversion shall take place on such date selected by the Issuer in consultation with the Prudential Authority (the “**Conversion Date**”) but no later than 30 (thirty) days following the occurrence of the Non-Viability Trigger Event unless:

- (a) in accordance with the Capital Regulations, the Prudential Authority has agreed with the Issuer in writing that the Current Principal Amount (or the Relevant Part thereof) of the Tier 2 Notes may be Converted after a longer period, in which case, the Conversion Date shall be such date as agreed with the Prudential Authority; or
- (b) the Issuer, using its best efforts, is unable to complete the Conversion within the aforesaid 30-day period as a result of the need to comply with any Applicable Laws, regulations or written instructions of the Prudential Authority (including but not limited to the time required to interface and consult with the Prudential Authority), in which case the Conversion Date shall be a date as soon as reasonably possible after the end of the aforesaid 30-day period.

A Conversion may occur on more than one occasion following the occurrence of a Non-Viability Trigger Event and the Tier 2 Notes may be Converted on more than one occasion.

To the extent that the conversion or write-off of any Loss Absorbing Instruments is not effective for any reason:

- (a) the ineffectiveness of any such conversion or write-off shall not prejudice the requirement to effect a Conversion of the Tier 2 Notes; and
- (b) the conversion or write-off of any Loss Absorbing Instrument which is not effective shall not be taken into account in determining the Conversion Amount of the Tier 2 Notes.

If a Conversion of any Tier 2 Notes will take place pursuant to the occurrence of a Non-Viability Trigger Event specified in the Non-Viability Trigger Event Notice, the Issuer shall deliver a further written notice (the “**Conversion Notice**”) to the Noteholders which specifies:

- (a) the Conversion Price;
- (b) the Conversion Record Date;
- (c) the Conversion Date;
- (d) the number of Conversion Shares to be issued pursuant to that Conversion; and
- (e) details of the arrangement for the settlement of the Tier 2 Notes that are subject to the Conversion,

within the time period specified in the Applicable Pricing Supplement or failing any time period stipulated therein, as soon as the Conversion Price has been determined and such details are available. In this regard, the Issuer is required to do all things which may be necessary to enable such price and details to be determined as soon as is reasonably possible in the circumstances.

On the Conversion Date, in accordance with Applicable Laws, the Capital Regulations and (if applicable) the written instructions received from the Prudential Authority:

- (a) the Issuer shall issue to the relevant Noteholders (as they appear, and into the relevant securities accounts of the Beneficial Interest holders of the Converted Tier 2 Notes recorded as such on the Conversion Record Date (or to the relevant Participant managing such securities account, if such Issuer Ordinary Shares are certificated), or, as the case may be, to the holder of Individual Certificates in respect of Converted Tier 2 Notes as set out in the Register on the Conversion Record Date) such number of Issuer Ordinary Shares (the “**Conversion Shares**”) calculated by dividing the Conversion Amount on the Conversion Date by the Conversion Price;
- (b) the relevant Noteholders shall be deemed to have subscribed for the Conversion Shares for an aggregate subscription price equal to the Conversion Amount (the “**Subscription Price**”);
- (c) the Subscription Price shall be automatically off-set against the Conversion Amount and the aggregate Current Principal Amount of the Tier 2 Notes shall be reduced by the Conversion Amount; and
- (d) the Conversion Shares shall be credited as fully paid and shall be freely transferable and shall have the same rights as, and *pari passu* in all respects with, and be of the same class as, all of the Issuer Ordinary Shares as at the Conversion Date. If the Issuer Ordinary Shares are issued in registered certificated form, the Issuer shall procure that the certificate/s evidencing the relevant number of Issuer Ordinary Shares is/are delivered to each relevant Subordinated Noteholder.

Should all other issued Issuer Ordinary Shares be listed on a relevant Financial Exchange at the time the Conversion Shares are issued to the relevant Noteholders pursuant to Condition 9.2 (*Conversion of Tier 2 Notes upon a Non-Viability Trigger Event*) of the Tier 2 Terms and Conditions, the Issuer shall procure that such Conversion Shares are, upon issue, likewise listed on that relevant Financial Exchange.

Where, at the occurrence of the relevant Non-Viability Trigger Event, the Conversion of the relevant Tranche of Tier 2 Notes pursuant to Condition 9.2 (*Conversion of Tier 2 Notes upon a Non-Viability Trigger Event*) of the Tier 2 Terms and Conditions (a) cannot be undertaken for any reason or (b) is not irrevocable, then the relevant Tranche of Tier 2 Notes shall, instead of being Converted, be Written-

off, at the occurrence of that Non-Viability Trigger Event (at the discretion of the Prudential Authority), mutatis mutandis in accordance with the provisions of Condition 9.3 (*Write-off of Tier 2 Notes upon a Non-Viability Trigger Event*) of the Tier 2 Terms and Conditions.

For the avoidance of doubt, following any Conversion of the Tier 2 Notes (or the Relevant Part thereof) the Issuer shall not be obliged to pay compensation in any form to the Noteholders.

Any Conversion of the Tier 2 Notes (or the Relevant Part thereof) upon the occurrence of a Non-Viability Trigger Event will not constitute an event of default or any other breach of the Issuer's obligations, or a failure to perform by the Issuer, under the Tier 2 Terms and Conditions and shall not entitle the Noteholders to petition or apply for the liquidation, winding-up or dissolution of the Issuer.

Once a Conversion of all or the Relevant Part of the Current Principal Amount of the Tier 2 Notes has occurred, no Conversion Amount shall be restored under any circumstances (including, without limitation, where the Non-Viability Trigger Event ceases to continue) and the Noteholders will automatically irrevocably lose their rights to receive, and no longer have any rights against the Issuer with respect to, interest accrued on the Tier 2 Notes prior to the Conversion Date and repayment of the Conversion Amount; provided that, if the Tier 2 Notes are Converted in part, interest will continue to accrue on the Current Principal Amount.

The Issuer shall at all times (to the extent that it is within the Issuer's control and/or power to do so) obtain and maintain all prior authorisations (including, without limitation, all relevant Issuer shareholder approvals in terms of the Companies Act and the JSE Listings Requirements applicable to the Main Board of the JSE) necessary to ensure the Conversion of the relevant Tranche of Tier 2 Notes. The Issuer will not issue and list a Tranche of Tier 2 Notes to which Conversion is applicable unless the Issuer shall have obtained the required shareholders' approval in accordance with the JSE Listings Requirements applicable to the Main Board of the JSE.

Write-off of Tier 2 Notes:

If Write-off upon the occurrence of a Non-Viability Trigger Event is specified as applicable to a Series of Tier 2 Notes in the Applicable Pricing Supplement then upon the occurrence of a Non-Viability Trigger Event, the Issuer will Write-off the Current Principal Amount of the Tier 2 Notes (or the Relevant Part thereof), in accordance with the Capital Regulations, by such amount (the "**Written-off Amount**") as the Prudential Authority shall require; provided that:

- (a) a Write-off of the Tier 2 Notes need only occur up until the point where the Issuer is deemed by the Prudential Authority to be viable again, as specified in writing by the Prudential Authority; and
- (b) the Tier 2 Notes shall be Written-off in whole, or in part, on a pro rata basis with other Loss Absorbing Instruments.

Any such Write-off shall take place on such date selected by the Issuer in consultation with the Prudential Authority (the “**Write-off Date**”) but no later than 30 (thirty) days following the occurrence of the Non-Viability Trigger Event unless in accordance with the Capital Regulations, the Prudential Authority has agreed with the Issuer in writing that the Current Principal Amount (or the Relevant Part thereof) of the Tier 2 Notes may be Written-off after a longer period, in which case, the Write-off shall take place on such date as agreed with the Prudential Authority.

A Write-off may occur on more than one occasion following the occurrence of a Non-Viability Trigger Event and the Tier 2 Notes may be Written-off on more than one occasion.

For the avoidance of doubt, following any Write-off of the Tier 2 Notes (or the Relevant Part thereof) the Issuer shall not be obliged to pay compensation in any form to the Noteholders.

Any Write-off of the Tier 2 Notes (or the Relevant Part thereof) upon the occurrence of a Non-Viability Trigger Event will not constitute an event of default or any other breach of the Issuer's obligations, or a failure to perform by the Issuer, under the Tier 2 Terms and Conditions and shall not entitle the Noteholders to petition or apply for the liquidation, winding-up or dissolution of the Issuer.

Once a Write-off of all or the Relevant Part of the Current Principal Amount of the Tier 2 Notes has occurred, no Written-off Amount shall be restored under any circumstances (including, without limitation, where the Non-Viability Trigger Event ceases to continue) and the Noteholders will automatically irrevocably lose their rights to receive, and no longer have any rights against the Issuer with respect to, interest accrued on the Tier 2 Notes prior to the Write-off Date and repayment of the Written-off Amount; provided that, if the Tier 2 Notes are Written-off in part, interest will continue to accrue on the Current Principal Amount.

Disapplication of Non-Viability Loss Absorption Condition:

If a Statutory Loss Absorption Regime is implemented in South Africa, and the Tier 2 Notes are subject to such a Statutory Loss Absorption Regime upon the occurrence of a Non-Viability Trigger Event, then the Issuer, if so specified in the Applicable Pricing Supplement, shall have the option to elect that the Non-Viability Loss Absorption Condition referred to in Condition 9 (*Loss Absorption Following a Non-Viability Trigger Event in respect of Tier 2 Notes*) of the Tier 2 Terms and Conditions shall cease to apply and that the Statutory Loss Absorption Regime will apply to the Tier 2 Notes from the date specified by the Issuer in accordance with Condition 9 (*Loss Absorption Following a Non-Viability Trigger Event in respect of Tier 2 Notes*) of the Tier 2 Terms and Conditions.

Non-Viability Loss Absorption (Additional Tier 1 Notes)

In relation to Additional Tier 1 Notes a “**Non-Viability Trigger Event**” shall occur when:

- (a) a “trigger event” specified in writing by the Prudential Authority in accordance with the Capital Regulations has occurred; provided that, as a minimum, the aforesaid “trigger event” shall be the earlier of:
 - (i) a decision that a write-off, without which the Issuer would become non-viable, is necessary as determined by the Prudential Authority; or
 - (ii) the decision to make a public sector injection of capital, or equivalent support, without which the Issuer would have become non-viable, as determined by the Prudential Authority; or
- (b) 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 Applicable Pricing Supplement relating to a Tranche of Additional Tier 1 Notes will specify whether that Tranche of Additional Tier 1 Notes will, upon the occurrence of a Non-Viability Trigger Event, be Written-off or Converted into Issuer Ordinary Shares in (at the direction of the Prudential Authority at the time of the occurrence of that Non-Viability Trigger Event) whole or in part.

Conversion of Additional Tier 1 Notes:

If Conversion upon the occurrence of a Non-Viability Trigger Event is specified as applicable to a Series of Additional Tier 1 Notes in the Applicable Pricing Supplement then upon the occurrence of a Non-Viability Event, the Issuer will Convert the Current Principal Amount of the Additional Tier 1 Notes (or the Relevant Part thereof) into Issuer Ordinary Shares, in accordance with the Capital Regulations, by such amount (the “**Conversion Amount**”) as the Prudential Authority shall require; provided that:

- (a) a Conversion of the Additional Tier 1 Notes need only occur up until the point where the Issuer is deemed by the Prudential Authority to be viable again, as specified in writing by the Prudential Authority and the Issuer’s Common Equity Tier 1 Capital Ratio is above 5.875 per cent. (or such other percentage determined by the Prudential Authority from time to time) to the extent that the Additional Tier 1 Notes are liability accounted; and
- (b) the Additional Tier 1 Notes shall be Converted in whole, or in part, on a pro rata basis with other Loss Absorbing Instruments.

Any such Conversion shall take place on such date selected by the Issuer in consultation with the Prudential Authority (the “**Conversion**”

Date”) but no later than 30 (thirty) days following the occurrence of the Non-Viability Trigger Event unless:

- (a) in accordance with the Capital Regulations, the Prudential Authority has agreed with the Issuer in writing that the Current Principal Amount (or the Relevant Part thereof) of the Additional Tier 1 Notes may be Converted after a longer period, in which case, the Conversion Date shall be such date as agreed with the Prudential Authority; or
- (b) the Issuer, using its best efforts, is unable to complete the Conversion within the aforesaid 30-day period as a result of the need to comply with any Applicable Laws, regulations or written instructions of the Prudential Authority (including but not limited to the time required to interface and consult with the Prudential Authority), in which case the Conversion Date shall be a date as soon as reasonably possible after the end of the aforesaid 30-day period.

A Conversion may occur on more than one occasion following the occurrence of a Non-Viability Trigger Event and the Additional Tier 1 Notes may be Converted on more than one occasion.

To the extent that the conversion or write-off of any Loss Absorbing Instruments is not effective for any reason:

- (a) the ineffectiveness of any such conversion or write-off shall not prejudice the requirement to effect a Conversion of the Additional Tier 1 Notes; and
- (b) the conversion or write-off of any Loss Absorbing Instrument which is not effective shall not be taken into account in determining the Conversion Amount of the Additional Tier 1 Notes.

If a Conversion of any Additional Tier 1 Notes will take place pursuant to the occurrence of a Non-Viability Trigger Event specified in the Non-Viability Trigger Event Notice, the Issuer shall deliver a further written notice (the “**Conversion Notice**”) to the Noteholders which specifies:

- (a) the Conversion Price;
- (b) the Conversion Record Date;
- (c) the Conversion Date;
- (d) the number of Conversion Shares to be issued pursuant to that Conversion; and
- (e) details of the arrangement for the settlement of the Additional Tier 1 Notes which are subject to the Conversion,

within the time period specified in the Applicable Pricing Supplement or failing any time period stipulated therein, as soon as the Conversion

Price has been determined and such details are available. In this regard, the Issuer is required to do all things which may be necessary to enable such price and details to be determined as soon as is reasonably possible in the circumstances.

On the Conversion Date, in accordance with Applicable Laws, the Capital Regulations and (if applicable) the written instructions received from the Prudential Authority:

- (a) the Issuer shall issue to the relevant Noteholders (as they appear, and into the relevant securities accounts of the Beneficial Interest holders of the Converted Additional Tier 1 Notes recorded as such on the Conversion Record Date (or to the relevant Participant managing such securities account, if such Issuer Ordinary Shares are certificated), or, as the case may be, to the holder of Individual Certificates in respect of Converted Additional Tier 1 Notes as set out in the Register on the Conversion Record Date) such number of Issuer Ordinary Shares (the “**Conversion Shares**”) calculated by dividing the Conversion Amount on the Conversion Date by the Conversion Price;
- (b) the relevant Noteholders shall be deemed to have subscribed for the Conversion Shares for an aggregate subscription price equal to the Conversion Amount (the “**Subscription Price**”);
- (c) the Subscription Price shall be automatically off-set against the Conversion Amount and the aggregate Current Principal Amount of the Additional Tier 1 Notes shall be reduced by the Conversion Amount; and
- (d) the Conversion Shares shall be credited as fully paid and shall be freely transferable and shall have the same rights as, and *pari passu* in all respects with, and be of the same class as, all of the Issuer Ordinary Shares as at the Conversion Date. If the Issuer Ordinary Shares are issued in registered certificated form, the Issuer shall procure that the certificate/s evidencing the relevant number of Issuer Ordinary Shares is/are delivered to each relevant Subordinated Noteholder.

Should all other issued Issuer Ordinary Shares be listed on a relevant Financial Exchange at the time the Conversion Shares are issued to the relevant Noteholders pursuant to Condition 9.2 (*Conversion of Additional Tier 1 Notes upon a Non-Viability Trigger Event*) of the Additional Tier 1 Terms and Conditions, the Issuer shall procure that such Conversion Shares are, upon issue, likewise listed on that relevant Financial Exchange.

Where, at the occurrence of the relevant Non-Viability Trigger Event, the Conversion of the relevant Tranche of Additional Tier 1 Notes pursuant to Condition 9.2 (*Conversion of Additional Tier 1 Notes upon a Non-Viability Trigger Event*) of the Additional Tier 1 Terms and Conditions (a) cannot be undertaken for any reason or (b) is not irrevocable or (c) will not result in an immediate increase in the Common Equity Tier 1 Capital Ratio, then the relevant Tranche of

Additional Tier 1 Notes shall, instead of being Converted, be Written-off, at the occurrence of that Non-Viability Trigger Event (at the discretion of the Prudential Authority), mutatis mutandis in accordance with the provisions of Condition 9.3 (*Write-off of Additional Tier 1 Notes upon a Non-Viability Trigger Event*) of the Additional Tier 1 Terms and Conditions.

For the avoidance of doubt, following any Conversion of the Additional Tier 1 Notes (or the Relevant Part thereof) the Issuer shall not be obliged to pay compensation in any form to the Noteholders.

Any Conversion of the Additional Tier 1 Notes (or the Relevant Part thereof) upon the occurrence of a Non-Viability Trigger Event will not constitute an event of default or any other breach of the Issuer's obligations, or a failure to perform by the Issuer, under the Additional Tier 1 Terms and Conditions and shall not entitle the Noteholders to petition or apply for the liquidation, winding-up or dissolution of the Issuer.

Once a Conversion of all or the Relevant Part of the Current Principal Amount of the Additional Tier 1 Notes has occurred, no Conversion Amount shall be restored under any circumstances (including, without limitation, where the Non-Viability Trigger Event ceases to continue) and the Noteholders will automatically irrevocably lose their rights to receive, and no longer have any rights against the Issuer with respect to, interest accrued on the Additional Tier 1 Notes prior to the Conversion Date and repayment of the Conversion Amount; provided that, if the Additional Tier 1 Notes are Converted in part, interest will continue to accrue on the Current Principal Amount.

The Issuer shall at all times (to the extent that it is within the Issuer's control and/or power to do so) obtain and maintain all prior authorisations (including, without limitation, all Issuer shareholder approvals in terms of the Companies Act and the JSE Listings Requirements applicable to the Main Board of the JSE) necessary to ensure the Conversion of the relevant Tranche of Additional Tier 1 Notes. The Issuer will not issue and list a Tranche of Additional Tier 1 Notes to which Conversion is applicable unless the Issuer shall have obtained the required shareholders' approval in accordance with the JSE Listings Requirements applicable to the Main Board of the JSE.

Write-off of Additional Tier 1 Notes:

If Write-off upon the occurrence of a Non-Viability Trigger Event is specified as applicable to a Series of Additional Tier 1 Notes in the Applicable Pricing Supplement then upon the occurrence of a Non-Viability Trigger Event, the Issuer will Write-off the Current Principal Amount of the Additional Tier 1 Notes (or the Relevant Part thereof), in accordance with the Capital Regulations, by such amount (the "**Written-off Amount**") as the Prudential Authority shall require; provided that:

- (a) a Write-off of the Additional Tier 1 Notes need only occur up until the point where the Issuer is deemed by the Prudential Authority to be viable again, as specified in writing by the

Prudential Authority, and the Issuer's Common Equity Tier 1 Capital Ratio is above 5.875 per cent. (or such other percentage determined by the Prudential Authority from time to time) to the extent that the Additional Tier 1 Notes are liability accounted; and

- (b) the Additional Tier 1 Notes shall be Written-off in whole, or in part, on a pro rata basis with other Loss Absorbing Instruments.

Any such Write-off shall take place on such date selected by the Issuer in consultation with the Prudential Authority (the “**Write-off Date**”) but no later than 30 (thirty) days following the occurrence of the Non-Viability Trigger Event unless in accordance with the Capital Regulations, the Prudential Authority has agreed with the Issuer in writing that the Current Principal Amount (or the Relevant Part thereof) of the Additional Tier 1 Notes may be Written-off after a longer period, in which case, the Write-off shall take place on such date as agreed with the Prudential Authority.

A Write-off may occur on more than one occasion following the occurrence of a Non-Viability Trigger Event and the Additional Tier 1 Notes may be Written-off on more than one occasion.

For the avoidance of doubt, following any Write-off of the Additional Tier 1 Notes (or the Relevant Part thereof) the Issuer shall not be obliged to pay compensation in any form to the Noteholders.

Any Write-off of the Additional Tier 1 Notes (or the Relevant Part thereof) upon the occurrence of a Non-Viability Trigger Event will not constitute an event of default or any other breach of the Issuer's obligations, or a failure to perform by the Issuer, under the Additional Tier 1 Terms and Conditions and shall not entitle the Noteholders to petition or apply for the liquidation, winding-up or dissolution of the Issuer.

Once a Write-off of all or the Relevant Part of the Current Principal Amount of the Additional Tier 1 Notes has occurred, no Written-off Amount shall be restored under any circumstances (including, without limitation, where the Non-Viability Trigger Event ceases to continue) and the Noteholders will automatically irrevocably lose their rights to receive, and no longer have any rights against the Issuer with respect to, interest accrued on the Additional Tier 1 Notes prior to the Write-off Date and repayment of the Written-off Amount; provided that, if the Additional Tier 1 Notes are Written-off in part, interest will continue to accrue on the Current Principal Amount.

Disapplication of Non-Viability Loss Absorption Condition:

If a Statutory Loss Absorption Regime is implemented in South Africa, and the Additional Tier 1 Notes are subject to such a Statutory Loss Absorption Regime upon the occurrence of a Non-Viability Trigger Event, then the Issuer, if so specified in the Applicable Pricing Supplement, shall have the option to elect that the Non-Viability Loss Absorption Condition referred to in Condition 9 (*Loss Absorption Following a Non-Viability Trigger Event*) of the Additional Tier 1

Terms and Conditions shall cease to apply and that the Statutory Loss Absorption Regime will apply to the Additional Tier 1 Notes from the date specified by the Issuer in accordance with Condition 9 (*Loss Absorption Following a Non-Viability Trigger Event*) of the Additional Tier 1 Terms and Conditions.

Interest

Notes may be interest-bearing or non-interest bearing. Additional Tier 1 Notes and Tier 2 Notes must be interest-bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate or, except in the case of the Subordinated Notes, be index-linked and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series of Notes.

The Issuer may elect not to pay, and in certain circumstances is obliged not to pay, interest on Additional Tier 1 Notes as more fully set out in Condition 6.1 (*Non payment of interest*) of the Additional Tier 1 Terms and Conditions.

Stamp Duty

In terms of current South African legislation as at the date of this Programme Memorandum, no securities transfer tax is payable by the Issuer on the original issue of or on registration of transfer of, Notes, on the basis that the Notes will not comprise a “security” as defined in section 1 of the Securities Transfer Tax Act, 2007. Any future securities transfer tax that may be introduced will be for the account of the Noteholders.

Withholding tax

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 pursuant to 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 (*Redemption and Purchase*) of the Tier 2 Terms and Conditions and Condition 12 (*Taxation*) of the Additional Tier 1 Terms and Conditions.

Tax status

A summary of applicable current South African Tax legislation appears in the section of this Programme Memorandum headed “*South African Taxation*”. The section does not constitute tax advice and investors should consult their own professional advisers.

Governing Law	The Notes will be governed by, and construed in accordance with the laws of South Africa.
Listing	This Programme Memorandum has been registered with and approved by the JSE. Notes issued under the Programme may be listed on the Interest Rate Market of the JSE or such other or further Financial Exchange(s) as may be determined by the Issuer and the Dealer(s) in relation to such issue and subject to any Applicable Laws. Unlisted Notes may also be issued under the Programme. Unlisted Notes are not regulated by the JSE. The Applicable Pricing Supplement in respect of a Tranche will specify whether or not such Notes will be listed and, if so, on which exchange.
Register	The Register maintained by the Transfer Agent in terms of the Relevant Terms and Conditions.
Selling Restrictions	The distribution of this Programme Memorandum and any offering or sale of a particular Tranche of Notes may be restricted by law in certain jurisdictions, and are restricted by law in the United States of America, the United Kingdom, European Economic Area and South Africa. Any relevant selling restrictions and other restrictions as may be required to be met in relation to an offering or sale of a particular Tranche of Notes shall be included in the Applicable Pricing Supplement. Persons who come into possession of this Programme Memorandum or the Applicable Pricing Supplement must inform themselves about and observe such restrictions.
Blocked Rand	Blocked Rand may be used for the purchase of Notes, subject to South African Exchange Control Regulations, 1961, promulgated under the Currency and Exchanges Act, 1933.
Distribution	Notes may be offered by way of private placement or any other means permitted by Applicable Law and in each case on a syndicated or non-syndicated basis as determined by the Issuer and reflected in the Applicable Pricing Supplement.
Method of Transfer	The method of transfer is by registration for transfer of Notes to occur through the Register and by electronic book entry in the securities accounts of Participants or the Central Securities Depository, as the case may be, for transfers of Beneficial Interests in the Notes, in all cases subject to the restrictions described in this Programme Memorandum. The Notes will be fully paid up on the Issue Date and freely transferable.
Electronic Settlement	The Notes will be issued, cleared and settled in accordance with the rules of the JSE and the Central Securities Depository through the Strate electronic settlement system. Euroclear Bank S.A./N.V., as operator of the Euroclear System (“ Euroclear ”) and Clearstream Banking Société anonyme (“ Clearstream, Luxembourg ”) access the JSE through their Settlement Agent. The Notes will be cleared by the JSE recognised Settlement Agents which will follow the electronic settlement procedures, prescribed by the JSE and the Central Securities Depository. Interest and principal payments will be made via

electronic funds transfer and cheques shall only be issued to holders of Definitive Certificates, if so requested by such Noteholders in writing.

Participants

Depository institutions accepted by the Central Securities Depository as participants in terms of the Financial Markets Act.

Settlement Agents

The JSE recognised settlement agents, who are also Participants from time to time. As at the date of this Programme Memorandum, the JSE recognised settlement agents, who are also Participants, are 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, Société Générale, Johannesburg branch and the SARB. Euroclear and Clearstream, Luxembourg will settle offshore transfers through their Settlement Agent.

Negative Pledge

Unsubordinated Notes will have the benefit of a negative pledge as described in Condition 22 (*Negative Pledge*) of the General Terms and Conditions.

Cross Default

Unsubordinated Notes will have the benefit of a cross default as described in Condition 12 (*Events of Default*) of the General Terms and Conditions.

FORM OF THE NOTES

Notes may be issued as Registered Notes, Bearer Notes or Order Notes.

Each Tranche of Notes may be listed on the Interest Rate Market of the JSE or on such other or further Financial Exchange(s) as may be determined by the Issuer and the Dealer(s) and subject to any Applicable Laws. Unlisted Notes may also be issued under the Programme.

Each Tranche of Notes will be issued in accordance with the Relevant Terms and Conditions and represented by (i) Definitive Certificates in the form of Registered Notes (whether listed or unlisted), Bearer Notes (if unlisted) or Order Notes (if unlisted) or (ii) no Certificate, if issued as a Registered Note in uncertificated form in terms of section 33 of the Financial Markets Act.

UNCERTIFICATED NOTES

Listed or unlisted Registered Notes

Notes issued in uncertificated form

If the Notes are to be listed on the Interest Rate Market of the JSE, the Issuer will, subject to Applicable Laws, issue such Notes in uncertificated form. Unlisted Notes may also be issued in uncertificated form.

Notes issued in uncertificated form will not be represented by any certificate or written instrument.

All transactions in uncertificated securities as contemplated in the Financial Markets Act will be cleared and settled in accordance with the Applicable Procedures. All the provisions relating to Beneficial Interests in the Notes held in the Central Securities Depository will apply to Notes issued in uncertificated form.

Beneficial Interests

The Central Securities Depository will hold each Tranche of Notes in uncertificated form, subject to the Financial Markets Act and the Applicable Procedures. Each Tranche of Notes issued in uncertificated form will be registered in the name of each Registered Holder in the Uncertificated Securities Register as the sole Noteholder of such Tranche of Notes.

Accordingly, and except where the contrary is provided in the Relevant Terms and Conditions, all amounts to be paid and all rights to be exercised in respect of the Notes held in uncertificated form, will be paid to and may be exercised only in accordance with the Applicable Procedures.

The Central Securities Depository maintains central securities accounts only for Participants. As at the date of this Programme Memorandum, the Participants are 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, Société Générale, Johannesburg branch and the South African Reserve Bank (“SARB”).

The Participants are in turn required to maintain securities accounts for their clients. The clients of Participants may include the holders of Beneficial Interests in the Notes or their custodians. The clients of Participants, as the holders of Beneficial Interests or as custodians for such holders, may exercise their rights in respect of the Notes held by them in the Central Securities Depository only through their Participants.

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 such a Participant, as the case may be, as to the Principal Amount of such Beneficial Interest in the Notes standing to the account of any person shall be *prima facie* proof of such Beneficial Interest.

Transfers of Beneficial Interests in the Central Securities Depository to and from clients of the Participants occur by electronic book entry in the central securities accounts of the clients of the Participants. Transfers among Participants of Notes held in the Central Securities Depository system occur through electronic book entry in the Participants' central security accounts with the Central Securities Depository. Beneficial Interests may be transferred only in accordance with the Relevant Terms and Conditions and the rules and operating procedures for the time being of the Central Securities Depository, Participants and the JSE.

Beneficial Interests may be exchanged, without charge by the Issuer, for Definitive Certificates in accordance with the provisions of 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, in terms of the Financial Markets Act.

The Issuer shall regard the Register as the conclusive record of title to the Notes.

DEFINITIVE CERTIFICATES

Listed or unlisted Registered Notes

The Notes represented by Definitive Certificates will be registered in the name of the individual Noteholders in the Register of Noteholders.

Notes represented by Definitive Certificates may be transferred only in accordance with the Relevant Terms and Conditions.

Payments of interest and principal in respect of Notes represented by Definitive Certificates will be made in accordance with Condition 7 (*Payments*) of the General Terms and Conditions, Condition 7 (*Payments*) of the Tier 2 Terms and Conditions and Condition 8 (*Payments*) of the Additional Tier 1 Terms and Conditions, to the person reflected as the Registered Holder of such Definitive Certificates in the Register at 17h00 (South African time) on the Last Day to Register, and the Issuer will be discharged by proper payment to or to the order of the Registered Holder of the Certificate in respect of each amount so paid.

Unlisted Bearer or Order Notes

Notes issued in bearer form ("**Bearer Notes**") or in order form ("**Order Notes**") and which are interest bearing shall, if indicated in the Applicable Pricing Supplement, have interest coupons ("**Coupons**") and, if indicated in the Applicable Pricing Supplement, talons for further Coupons ("**Talons**") attached on issue. Notes repayable in instalments shall have receipts ("**Receipts**") for the payment of the instalments of principal (other than the final instalment) attached on issue.

Title to Bearer Notes and/or Receipts, Coupons and Talons attached on issue to the Certificate evidencing such Bearer Notes will pass by delivery of such Certificate, Receipt, Coupon or Talon (as the case may be). Title to Order Notes and/or any Receipts, Coupons and Talons attached on issue to the Certificate evidencing such Order Note, will pass by way of endorsement and delivery of such Certificate, Receipt, Coupon or Talon (as the case may be).

Title to Bearer Notes is subject to the Bearer obtaining the exemption from the National Treasury in respect of the prohibition on dealing in bearer securities as set out in regulation 15 of the Exchange Control Regulations.

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfill 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 this Programme Memorandum 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 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. 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

South Africa is a small open economy, linked to the global economy through trade in goods and services and with open capital account and a freely floating exchange rate. Global economic growth helps drive demand for South Africa's exports, and as commodity exports make up more than 60% of the country's exports, there are important volume and value linkages. Global risk appetite is a key factor in determining financial flows into South Africa's financial markets, with both domestic bond and equity listings on the Johannesburg Stock Exchange both benefitting from significant foreign ownership. Should global growth deteriorate, or should non-energy commodity prices fall, this could impact South Africa's export earnings, whilst a reduction in risk appetite from global fund managers could see selling of South African financial assets. In both cases a weakening of the rand could be expected, as might higher domestic fixed-income yields and weaker economic growth.

South African economic conditions

Growth has been weak in recent years as business and consumer confidence has been eroded, contributing to low private sector investment and weak employment growth. A long-running survey of the manufacturing sector highlights that concerns over the political climate and policy certainty have been at record levels, which points to one necessary priority of the new government.

Inflation has been stable, and largely within the central bank's 3-6% range, has allowed the South African Reserve Bank to keep interest rate moves modest relative to history. Challenges at the state owned electricity monopoly Eskom, both financial and operational, represent another acute challenge. Weakness at several state owned companies (including Eskom), along with increased spending pressure on the fiscus and the impact of the weak economic environment's impact of tax revenues, have together led to a period of heightened fiscal deficits and sharply rising public debt. South Africa has lost its investment grade credit rating from Fitch and Standard & Poor's credit rating agencies, and Moody's has warned that unless improvements in the outlook are delivered in the near-term, Moody's may follow suit.

South African political conditions

South African's voted in the country's sixth democratic elections on 8 May 2019, rewarding the ANC with a national majority of 57% (reduced from 62% in the 2014 election) and leaving the ANC with a majority position in eight of the country's nine provincial legislatures. Voter turnout, at 66%, was the weakest since the advent of democracy in South Africa, reflecting in part the frustration of some voters with the country's slow economic and social transformation, and of alleged corruption within the ruling party.

President Ramaphosa began his first full-term as state president on a mandate of fighting corruption, reviving the economy, and overseeing faster economic transformation. To the first of these, the continued workings of the Commission of Inquiry into Allegations of State Capture, which began its public proceedings in August 2018, are key, as is Ramaphosa's moves to recapacitate state institutions focused on investigating and prosecuting criminal behavior. The president's cabinet will also be closely watched, given the corruption allegations that have been made against some ministers and other senior politicians in testimonies at the Commission. President Ramaphosa's focus on economic revival has targeted engagement with foreign direct investors and on creating greater policy clarity so as to allow business a better opportunity to assess investment opportunities. Economic transformation remains a highly contentious policy area. The adoption of a national minimum wage in 2019 will see the incomes of millions of South Africans increased, but with uncertainty as to the impact on employment numbers. Most importantly will be finding an appropriate balance between the need to address South Africa's racially discriminating past with the need to provide a secure environment for investment as the new parliament will return to the issue of land reform, the potential for expropriation without compensation, and a rewording of the section in the constitution that focuses on property rights.

South African socio-economic conditions

Despite efforts in the quarter century since South Africa's first democratic elections, the country continues to struggle to emerge from its racially discriminating past. At the time this Programme was updated, unemployment on a narrow-definition was above 27% (and nearly 40% on a wider definition), the country's Gini coefficient is amongst the most extreme globally, and international comparisons of the quality of education suggest that South Africa's public school system is failing to provide adequate quality education. Together these factors present the potential for increased social strain, significant upward pressure on social spending, and heightened policy contestation, all of which can adversely impact South Africa's creditworthiness.

South African conditions specific to the banking sector

The South African banking sector remains well capitalised, funded, regulated and managed. The banking sector has navigated the low economic growth environment of the last five years well, and should be in a good position to benefit from any improvement in the economic environment in the years ahead. That said, the asset book could be susceptible to a deterioration in domestic conditions, particularly should the central bank push the policy rate materially higher, should an

aggressively redistributive stance be adopted in the policy around land reform and expropriation without compensation, or should the country lose its last investment grade rating.

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

The Issuer, as is common with other banks in South Africa and elsewhere, 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.

Whilst the Issuer believes that it has implemented appropriate standards, policies, systems and processes to control and mitigate these risks, investors should note that any failure 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.

Credit Concentration Risk

Credit concentration risk is the risk of loss arising from an excessive concentration of exposure to a single counterparty, industry, market, product, financial instrument or type of security, country or region, or maturity. Due to the Issuer's position and role in the South African economy, natural concentrations exist in areas where it is largely unavoidable, namely:

- Private household clients, and specifically the home loans asset class, due to the Issuer's position as a major retail bank in the South African market;
- Sovereign exposure that is largely due to the Issuer's liquid asset portfolio holdings;
- South Africa geographic exposure due to the Issuer's being concentrated in South Africa; and
- Banks due to the Issuer's funding and hedging activities.

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.

Equity risk is defined as the risk of loss arising from a decline in the value of equity or an equity-type instrument held in the banking book, whether caused by a deterioration in the underlying operating asset performance, net asset value, enterprise value of the issuing entity, or by a decline in the market price of the equity or instrument itself.

The Issuer's primary non-trading related exposures to foreign currency risk arise as a result of foreign-denominated cash exposures and accruals.

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.

Liquidity Risk

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.

This liquidity 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.

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.

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. 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

Similar to other financial institutions, 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 reporting period ended 30 June 2019, including the following material cases:

- **Ayanda Collective Investment Scheme (the “Scheme”)**: Absa Capital Investor Services was the trustee of Ayanda Collective Investment Scheme, in which Corporate Money Managers (“CMM”) managed a portfolio of assets within the Scheme. The joint curators of the CMM group of companies and the Altron Pension Fund (an investor in the fund) allege that the defendants caused damages to them arising from their alleged failure to meet their

obligations in the trust deed together with their statutory obligations set out in the Collective Investment Scheme Act, in respect of which they seek payment of R934 million.

- MyRoof: During 2015, Absa terminated an agreement in terms of which MyRoof provided to Absa an online electronic system that facilitated the advertising and sale of distressed Home Loans properties. A dispute subsequently arose, with MyRoof contending that Absa 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 is disputing both the substance and the quantum of the claim.

In addition, the Issuer is engaged in various legal, competition and regulatory matters both in South Africa and 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 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. In terms of the requirements of IFRS, cases where the Issuer's obligation is now determined to be remote have no longer been disclosed above.

The Issuer may suffer losses as a result of fraudulent activity

Similar to other financial institutions, the Issuer is susceptible to losses as a result of fraudulent activity. The main contributor of fraudulent loss to the Issuer's business is card fraud. The Issuer has implemented a number of strategies aimed at reducing the ability of persons to utilise counterfeit cards at the Issuer's ATMs, however there is no assurance that such strategies will be effective in eliminating card fraud entirely.

Online banking fraud is the second highest contributor to losses as a result of fraudulent activity driven by an increase in the level of online fraud attempts. Fraudsters are using increasingly sophisticated social engineering techniques to secure account numbers, personal identification numbers and passwords from customers.

Other illegal activities such as market abuse, market manipulation, rogue trading and increasing trends of syndicate fraud with potential staff involvement as a result of the recent economic downturns are also factors which the Issuer considers could also have a material adverse effect on the operations of the Issuer.

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, even for a short period of time, it could be unable to serve some or all customers' needs on a timely basis which could result in a loss of business. In addition, a temporary shutdown of the Issuer's information systems could result in costs that are required for information retrieval and verification.

The occurrence of any such failures or interruptions in the Issuer's IT systems, 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.

Inappropriate management and execution of the Issuer's Controlling Company, Absa Group Limited, and separation from Barclays Bank PLC could result in an elevation in conduct, operational and funding risks

Separation from Barclays Bank PLC (the "**Separation**") is one of Absa Group Limited's most important strategic deliverables. Absa Group Limited intends to complete the majority of the activities relating to the Separation by June 2020. As is common with large scale change initiatives, the Separation is susceptible to a number of risks which may cause an impact on Absa Group Limited and its subsidiaries, including the Issuer, and may impact the Issuer's ability to implement the Separation within the agreed timeline and budget. This could in turn, have a material adverse impact on the Issuer's business results, financial conditions and prospects.

Competitive landscape

The Issuer is subject to significant competition from other major banks operating in South Africa, including but not limited to, the other large local banks, such as Standard Bank Limited, FirstRand Bank Limited and Nedbank Limited, as well as international banks that may have greater financial and other resources, particularly in the corporate and investment banking market. Many of these banks operating in the Issuer's markets 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, fintech companies, insurers 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 customers or other sources of funding. Competition may increase in some or all of the Issuer's principal markets and may have an adverse effect on its financial condition and results of operations.

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 (the "**PA**"), which provide for a minimum Common Equity Tier 1 ("**CET 1**") ratio, Tier 1 ratio and Total Capital Adequacy Ratio ("**CAR**").

The amended Regulations relating to Banks (as further amended on 20 May 2016) (the "**Regulations Relating to Banks**") effective 1 January 2013 are based on the Basel III framework and provide the minimum risk based capital ratios. Basel III (otherwise known as the Third Basel Accord or Basel Standards) is a global, regulatory framework on bank capital adequacy, stress testing and market liquidity risk. The PA minimum regulatory capital ratios will be phased in for the period 2013 to 2019 in line with Basel III requirements. The minimum CET 1 ratio for 2019 was 7.5%. The minimum Tier 1 ratio for 2019 was 9.25%. The minimum total CAR for 2019 was 11.5%. These minimum regulatory capital requirements include the capital conservation buffer but exclude the bank-specific individual capital requirement ("**Pillar 2b add-on**") and the Domestic Systemically Important Bank ("**D-SIB**") add-on.

The Basel III capital buffers 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-cyclicality 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.

The Basel Committee on Banking Supervision (“**Basel Committee**”) has issued various new or amended frameworks, standards or requirement for implementation by member jurisdictions. The PA proposes to implement the outstanding regulatory reforms in South Africa on dates set out in Guidance Note 6 of 2018.

In addition, Basel III prescribes two minimum liquidity standards for funding liquidity. The first is the liquidity coverage ratio (“**LCR**”) which became effective on 1 January 2015 and 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 became effective 1 January 2018, and aims to promote medium and long-term funding of banks' assets and activities.

South Africa, as a G20 and Basel Committee on Banking Supervision (“**Basel Committee**”) member country, commenced the phasing-in of the Basel III framework on 1 January 2013 and reached full compliance with the accord on 1 January 2019 in line with timelines determined by the Basel Committee.

The SARB’s committed liquidity facility (“**CLF**”) will be available to banks up to 2021 to assist them in complying with the LCR. The SARB's approach to the CLF is detailed in, inter alia, Guidance Note 6 of 2016 (Provision of a committed liquidity facility by the SARB).

Given the structural funding profile of South Africa's financial sector, the South African banking sector (including the Issuer), was expected to experience difficulty in complying with the Basel III NSFR requirement. The Issuer therefore supports the amended framework issued by the SARB in August 2017, whereby funding received from financial corporates, excluding banks, maturing within six months receives an available stable funding factor of 35%.

The Issuer, together with the local banking industry, implemented the NSFR requirement from 1 January 2018.

The impact of any future change in law or regulations on the Issuer's business is uncertain

In general, there is a transparent and consultative relationship between the Issuer, policy makers and regulators where ample opportunity is provided for individual organisations, including the Issuer and industry bodies, e.g. the Banking Association of South Africa (“**BASA**”), to comment on proposed legislation and regulation, highlight concerns and make suggestions and recommendations. The Issuer’s regulators are focused on balancing the interests of the country and its citizens to ensure a sustainable and viable financial services sector that maintains stability. An example of this would be the introduction of the NSFR requirement, one of the reforms introduced under Basel III following the global financial sector crisis to strengthen liquidity management in banks. South Africa was expected to experience difficulty in complying with the regulations introduced under Basel III due to structural impediments in the local market. In considering the risks to the economy and sector, the SARB applied national discretions that enabled banks to meet the requirements without creating systemic risks to the economy.

Notable regulatory interventions in South Africa over the last few years have included numerous pieces of legislation such as the Financial Markets Act 2012 (the “**Financial Markets Act**”) (which regulates financial markets); the National Credit Amendment Act, 2014 including the

National Credit Amendment Act, 2019 which regulates the provision of consumer credit and over indebtedness, and Conduct of Financial Institutions Bill (“**COFI**”) (which is a single law to strengthen market conduct within Financial Institutions and promote fair customer outcomes).

In addition, since 2003 the Financial Intelligence Centre Act, 2001 (the “**FIC Act**”) has been the key regulatory tool to protect the integrity of the South African financial system against abuse for illicit purposes like money laundering the proceeds of crime and the financing of terrorism. The Financial Intelligence Centre Amendment Act came into effect in 2017, which sought to improve the effectiveness of the FIC Act and bring South African law more in line with international standards through the introduction of some fundamental changes. One of the main changes include the introduction of a risk based approach to customer due diligence, the development and implementation of a risk management and compliance programme (“**RMCP**”) as well as financial sanctions.

The Issuer continues to support the trend towards global financial information sharing, specific to the intergovernmental agreement entered by the United States and South Africa to comply with the US Foreign Account Tax Compliance Act (“**FATCA**”) which was ratified by Parliament and came into force on 28 October 2014. In compliance to data privacy, the Issuer has prioritised its readiness to comply with the Protection of Personal Information Act, 2013 (signed into law in 2013 and will only take effect on a date yet to be determined by the President) and align to the General Data Protection Regulations (GDPR). The Financial Markets Act, which took effect on 3 June 2013, has modernised South Africa's securities services legislation in line with international best practice and regulatory principles and provides an enabling framework for the regulation of over-the-counter derivatives and new provisions relating to market abuse. The first phase in regulating over-the-counter derivatives is mandatory reporting of over-the-counter derivatives trades to a trade repository. A programme is in place to streamline the compliance with local regulations as well as the requirements of extra-territorial regulation, which includes FATCA, the Dodd Frank Act and the European Market Infrastructure Regulation (“**EMIR**”).

As previously advised, the Financial Sector Regulation Act, 2017 (the “**FSR Act**”) was assented to by the South African Parliament giving effect to the “twin peaks” approach to financial sector regulation, similar to the system implemented in the UK on 1 April 2013, that will align its regulatory oversight structures closely to global best practice. Under the “twin peaks” model the FSR Act established two new regulatory bodies being (i) the PA which is responsible for all financial sector organisations (banks and non-banks) and will effectively detect and manage contagion risks within the financial sector and (ii) the Financial Sector Conduct Authority (“**FSCA**”) which manages the market conduct risk across all financial institutions. Both became effective on 1 April 2018. The FSCA has introduced the COFI Bill (which is still under the consultation process) that will increase the rigor of supervision and oversight of market conduct practices within the financial sector and could potentially increase the cost of compliance. Some areas of concern of this Bill have been raised and were submitted to the FSCA for consideration. The FSCA has already published draft conduct standards in terms of the FSR Act, which objective is to introduce requirements that promote the fair treatment of financial customers of banks. These standards are currently under the commentary review process.

Consumer credit regulation has been tightened to provide stronger consumer protection under the National Credit Act, 2005 (the “**National Credit Act**”). The National Credit Act was amended in March 2014, and additional amendments have been proposed. The National Credit Amendment Act, 2019 was signed into law by the president in August 2019 and is yet to be promulgated. This act, inter alia, seeks to provide for debt relief for low income earners within South Africa (earning less or equal to R7500.00 per month); and can suspend debt for those who qualify (in part or in full) up to a period of two years. The Banking Association of South Africa has raised concerns directly with the Presidency, which are constitutional, operational and legal concerns on the economic impact for the banking industry.

In addition to direct regulation impacting banks, new domestic legislation may also affect the sustainability of bank earnings in the long term. The legislation pertaining to land reform, i.e. the Expropriation Bill and Regulation of Agricultural Land Holdings Bill continues to be under discussion/engagement. This legislation is still in a consultative phase; however, risks exist as to how expropriation values will be determined and whether these will be aligned to market values. Any deviation from market values could impact risk appetite of the financial sector in the agricultural sector and the value of collateral held by banks as security against exposure to the sector.

Nevertheless, the pace and scale of regulatory change continues to be a major challenge, and the Issuer's focus is on managing the costs and resource requirements of compliance as carefully as possible. Notwithstanding this focus, the Issuer may incur losses in people and financial resources if the changes in law and regulation are not adequately managed by it.

In accordance with its Basel III and G20 commitments, the SARB is developing a resolution framework. The framework has been drafted and published as the "Financial Sector Laws Amendment Bill". Only once the Bill and associated regulations are finalised will banks be in a better position to fully assess the potential impact of the resolution framework on the South African banking sector

The Financial Sector Laws Amendment Bill of 2018, which was approved by Cabinet, gives effect to proposals contained in the discussion document: Strengthening South Africa's Resolution Framework for Financial Institutions released on 13 August 2015 and the deposit insurance discussion policy document: Designing a Deposit Insurance Scheme for South Africa released on 30 May 2017.

Together, the proposed resolution framework and the Deposit Insurance Scheme (the "DIS") are expected to form the comprehensive regulatory architecture for reducing the social and economic cost of failing financial institutions and will provide for the establishment of a framework for the resolution of banks. Important non-bank financial institutions and holding companies of banks or systemically important non-bank financial institutions to ensure that the impacts and potential impacts of a failure of a branch or a systematically important financial institution on financial stability are managed appropriately. It is anticipated that the Financial Sector Laws Amendment Bill will continue through legislative processes post the swearing in of the new members of various departments of the legislature. The Bill contains high-level principles of for resolution and the DIS, with the actual mechanics to be captured in supplemental regulations or directives once designed and agreed. Only once finalised will banks be in a position to fully assess the potential impact.

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, anti-terrorism laws and other regulations in South Africa. These laws and regulations require the Issuer, among other things, to adopt and enforce "know your customer" policies and procedures and to report suspicious and large 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 activities by terrorists and terrorist-related organisations and individuals generally, 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 the Issuer may fail to fully comply with applicable laws and regulations, the relevant government agencies to which it reports have the power and authority to impose fines and other penalties on the Issuer. In addition, the Issuer's business and reputation could suffer if customers use it for money laundering or illegal or improper purposes.

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. The Issuer's performance is dependent on the talents and efforts of key personnel, some of whom may have been employed by the Issuer 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.

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 this 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 this 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.

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.

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.

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.

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 instruments*) (“**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 this 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 this 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.

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 this 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.

PRO FORMA APPLICABLE PRICING SUPPLEMENT OF THE UNSUBORDINATED NOTES

Set out below is the form of Applicable Pricing Supplement which will be completed for each Tranche of Unsubordinated Notes issued under the Programme:



Absa Bank Limited

(Incorporated with limited liability in South Africa under registration number 1986/004794/06)

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] with Stock Code []

Under its ZAR90,000,000,000 Domestic Medium Term Note Programme

This document constitutes the Applicable Pricing Supplement relating to the issue of the Tranche of Notes described in this Applicable Pricing Supplement.

This Applicable Pricing Supplement must be read in conjunction with the Programme Memorandum issued by Absa Bank Limited dated 15 November 2019, as amended. To the extent that there is any conflict or inconsistency between the contents of this Applicable Pricing Supplement and the Programme Memorandum, the provisions of this Applicable Pricing Supplement shall prevail.

Any capitalised terms not defined in this Applicable Pricing Supplement shall have the meanings ascribed to them in the General Terms and Conditions. References in this Applicable Pricing Supplement to the General Terms and Conditions are to the section of the Programme Memorandum "*Terms and Conditions of the Unsubordinated Notes*". References to any Condition in this Applicable Pricing Supplement are to that Condition of the General Terms and Conditions.

DESCRIPTION OF THE NOTES

1.	Issuer	Absa Bank Limited
2.	Status of Notes	Unsubordinated Notes
3.	(a) Tranche Number	[]
	(b) Series Number	[]
4.	Aggregate Principal Amount	[]
5.	Interest/Payment Basis	[Fixed Rate/Floating Rate/Zero Coupon/Indexed Interest/Indexed Redemption Amount/Partly Paid/Instalment/Exchangeable/other]

6.	Form of Notes	[Registered Notes/Bearer Notes/Order] Notes]
7.	Security	Unsecured
8.	Automatic/Optional Conversion from one Interest/Payment Basis to another	[insert details including date for conversion]
9.	Issue Date	[]
10.	Business Centre	[]
11.	Additional Business Centre	[]
12.	Principal Amount	[]
13.	Specified Denomination	[]
14.	Issue Price	[]
15.	Interest Commencement Date	[]
16.	Maturity Date	[]
17.	Specified Currency	[]
18.	Applicable Business Day Convention	[Floating Rate Business Day/Following Business Day/Modified Following Business Day/Preceding Business Day/other convention – insert details]
19.	Calculation Agent	[]
20.	Specified Office of the Calculation Agent	[]
21.	Paying Agent	[]
22.	Specified Office of the Paying Agent	[]
23.	Transfer Agent	[]
24.	Specified Office of the Transfer Agent	[]
25.	Settlement Agent	[]
26.	Specified Office of the Settlement Agent	[]
27.	Issuer Agent	[]
28.	Specified Office of the Issuer Agent	[]
29.	Final Redemption Amount	[]

PARTLY PAID NOTES

[Applicable] / [Not Applicable]

30. Partly Paid Note Provisions

- (a) Amount of each payment comprising the Issue Price []
- (b) Date upon which each payment is to be made by Noteholder []
- (c) Consequences (if any) of failure to make any such payment by Noteholder []
- (d) Interest Rate to accrue on the first and subsequent instalments after the due date for payment of such instalments [] per cent

INSTALMENT NOTES

[Applicable] / [Not Applicable]

31. Instalment Note Provisions

- (a) Instalment Dates []
- (b) Instalment Amounts (expressed as a percentage of the aggregate Principal Amount of the Notes) []

FIXED RATE NOTES

[Applicable] / [Not Applicable]

32. Fixed Rate Note Provisions

- (a) Fixed Interest Rate [] per cent, per annum
- (b) Interest Payment Date(s) Means [●], [●], [●] and [●], in each year until the Maturity Date, commencing on [●] and, subject to the terms hereof, ending on [●] or, if such day is not a Business Day, the Business Day on which the interest will be paid, as determined in accordance with the applicable Business Day Convention (as specified in this Applicable Pricing Supplement)
- (c) Interest Period(s) Each period commencing on (and including) an Interest Payment Date and ending on (but excluding) the following Interest Payment Date; provided that the first Interest Period will commence on (and include) the Interest Commencement Date and end on (but exclude) [the following Interest Payment Date] / [state specific Interest Payment Date] (each Interest Payment Date as adjusted in

accordance with the applicable Business Day Convention)

- (d) Initial Broken Amount []
- (e) Final Broken Amount []
- (f) Interest Rate Determination Date(s) Means [●], [●], [●] and [●], in each year until the Maturity Date, with the first Interest Determination Date being [●]
- (g) Day Count Fraction []
- (h) Any other terms relating to the particular method of calculating interest []

FLOATING RATE NOTES

[Applicable] / [Not Applicable]

33. Floating Rate Note Provisions

- (a) Interest Payment Date(s) Means [●], [●], [●] and [●], in each year until the Maturity Date, commencing on [●] and, subject to the terms hereof, ending on [●] or, if such day is not a Business Day, the Business Day on which the interest will be paid, as determined in accordance with the applicable Business Day Convention (as specified in this Applicable Pricing Supplement)
- (b) Interest Period(s) Each period commencing on (and including) an Interest Payment Date and ending on (but excluding) the following Interest Payment Date; provided that the first Interest Period will commence on (and include) the Interest Commencement Date and end on (but exclude) [the following Interest Payment Date] / [state specific Interest Payment Date] (each Interest Payment Date as adjusted in accordance with the applicable Business Day Convention)
- (c) Definitions of Business Day (if different from that set out in Condition 1 (*Interpretation*) of the Terms and Conditions) []
- (d) Minimum Interest Rate [] per cent
- (e) Maximum Interest Rate [] per cent
- (f) Other terms relating to the method of calculating interest (e.g., Day Count Fraction, rounding up []

provision, if different from Condition 6 (*Interest*) of the Terms and Conditions)

34. Manner in which the Interest Rate is to be determined [ISDA Determination/Screen Rate Determination/other (insert details)]
35. Margin [(+/-) • per cent to be added to/subtracted from the relevant (ISDA Rate/Reference Rate)]
36. If ISDA Determination
- (a) Floating Rate []
 - (b) Floating Rate Option []
 - (c) Designated Maturity []
 - (d) Reset Date(s) []
37. If Screen Determination
- (a) Reference Rate (including relevant period by reference to which the Interest Rate is to be calculated) [e.g. ZAR-JIBAR-SAFEX]
 - (b) Interest Rate Determination Date(s) Means [●], [●], [●] and [●], in each year until the Maturity Date, with the first Interest Determination Date being [●]
 - (c) Relevant Screen Page and Reference Code []
38. If Interest Rate to be calculated otherwise than by reference to the previous 2 subparagraphs, insert basis for determining Interest Rate/Margin/Fall back provisions []
39. If different from the Calculation Agent, agent responsible for calculating amount of principal and interest []

MIXED RATE NOTES

[Applicable] / [Not Applicable]

40. Mixed Rate Note Provisions:

Period(s) during which the interest rate for the Mixed Rate Notes will be (as applicable) that for: []

- (a) Fixed Rate Notes []
- (b) Floating Rate Notes []
- (c) Indexed Notes []

(d) Other Notes []

ZERO COUPON NOTES [Applicable] / [Not Applicable]

41. Zero Coupon Note Provisions

(a) Implied Yield []

(b) Reference Price []

(c) Any other formula or basis for determining amount(s) payable []

INDEXED NOTES [Applicable] / [Not Applicable]

42. Indexed Notes Provisions

(a) Type of Indexed Notes [Indexed Interest Notes/Indexed Redemption Amount Notes]

(b) Index/Formula by reference to which Interest Amount/Final Redemption Amount is to be determined Name of Index: []

Index Code: []

Index Currency: []

Index Sponsor: []

Index Calculator: []

The Index ground rules document is available at www.[]

Any change to the Index methodology will be published on SENS and communicated to the JSE. All other changes as detailed in the ground rules document will be published on the Index Calculator's website, www.[]

(c) Index of Indices [Yes/No]

(If yes, complete the below information for each underlying index)

[Underlying Indices: []

The Index Level is published [daily/monthly] on www.[]

(d) Manner in which the Interest Amount/Final Redemption Amount is to be determined []

The Index Level is published [daily/monthly] on www.[]

- (e) Initial Index Level []
- (f) Interest Period Each period commencing on (and including) an Interest Payment Date and ending on (but excluding) the following Interest Payment Date; provided that the first Interest Period will commence on (and include) the Interest Commencement Date and end on (but exclude) [the following Interest Payment Date] / [state specific Interest Payment Date] (each Interest Payment Date as adjusted in accordance with the applicable Business Day Convention)
- (g) Interest Payment Date(s) Means [●], [●], [●] and [●], in each year until the Maturity Date, commencing on [●] and, subject to the terms hereof, ending on [●]
- (h) Interest Rate Determination Date(s) Means [●], [●], [●] and [●], in each year until the Maturity Date, with the first Interest Determination Date being [●]
- (i) If different from the Calculation Agent, agent responsible for calculating amount of principal and interest []
- (j) Provisions where calculation by reference to Index and/or Formula is impossible or impracticable []

EXCHANGEABLE NOTES [Applicable] / [Not Applicable]

43. Exchangeable Notes Provisions

- (a) Mandatory Exchange applicable? [Yes/No]
- (b) Noteholders' Exchange Right applicable? [Yes/No]
- (c) Exchange Securities []
- (d) Manner of determining Exchange Price []
- (e) Exchange Period []
- (f) Other []

OTHER NOTES [Applicable] / [Not Applicable]

44. If the Notes are not Partly Paid Notes, Instalment Notes, Fixed Rate Notes, []

Floating Rate Notes, Mixed Rate Notes, Zero Coupon Notes, Indexed Notes or Exchangeable Notes or if the Notes are a combination of any of the foregoing, set out the relevant description and any additional Terms and Conditions relating to such Notes

PROVISIONS REGARDING REDEMPTION

45. Redemption at the option of the Issuer [Yes/No]
(Call Option): if yes:
- (a) First Optional Redemption Date []
(Call)
 - (b) Optional Redemption Date(s) []
(Call)
 - (c) Optional Redemption Amount(s) []
(Call) and method, if any, of calculation of such amount(s)
 - (d) Minimum period of notice (if []
different to Condition 10.3
(*Redemption at the option of the Issuer (Issuer Call)*) of the Terms and Conditions)
 - (e) If redeemable in part:
 - Minimum Redemption Amount(s) []
 - Higher Redemption Amount(s) []
 - (f) Other terms applicable on []
Redemption
46. Redemption at the option of the [Yes/No]
Noteholders (Put Option): If yes:
- (a) Optional Redemption Date(s) (Put) []
 - (b) Optional Redemption Amount(s) []
(Put) and method, if any, of calculation of such amount(s)
 - (c) Minimum period of notice (if []
different to Condition 10.3
(*Redemption at the option of the Issuer (Issuer Call)*) of the Terms and Conditions)
 - (d) If redeemable in part:

- Minimum Redemption Amount(s) []
- Higher Redemption Amount(s) []
- (e) Other terms applicable on Redemption []
- (f) Attach *pro forma* put notice(s)
47. Early Redemption Amount(s) []
- (a) Early Redemption Amount (Regulatory) [Principal Amount plus accrued interest (if any) to the date fixed for redemption]
- (b) Early Redemption Amount (Tax) [Principal Amount plus accrued interest (if any) to the date fixed for redemption]
- (c) Early Termination Amount [Principal Amount] / [Other specified amount] / [In the case of Zero Coupon Notes: either: (i) the amount calculated in terms of Condition 10.6 (*Early redemption of Zero Coupon Notes*) of these Terms and Conditions; or (ii) other specified amount]
48. Do the General Terms and Conditions or the provisions of this Applicable Pricing Supplement provide for automatic redemption of the Notes upon the occurrence of a trigger event(s)? If yes: [Yes]/[No]
- [Early Redemption Date of the Note will be a minimum of 5 (five) Business Days after the date on which the Trigger Event occurred and such Early Redemption Date will be announced on SENS one Business Day after the Trigger Event occurred]
- (a) Trigger Event(s) []
- (b) Early Redemption Date []

GENERAL

49. Additional selling restrictions []
50. Additional terms or special conditions [] / [Not applicable]
51. (a) International Securities Identification Numbering (ISIN) []
- (b) Stock Code []
52. Financial Exchange []
53. Clearing System [Strate Proprietary Limited]
54. Method of distribution []
55. If syndicated, names of managers

56. Receipts attached? If yes, number of Receipts attached [Yes/No]
[]
57. Coupons attached? If yes, number of Coupons attached [Yes/No]
[]
58. Talons attached? If yes, number of Talons attached [Yes/No]
[]
59. Issuer rating and date of issue []
60. Credit Rating assigned to [the Issuer] / [the Programme] / [the Notes] (if any), date of such rating and date for review of such rating []
61. Rating Agency (if any) []
62. Stripping of Receipts and/or Coupons prohibited as provided in Condition 14.4 (*Prohibition on stripping*) of the Terms and Conditions? [Yes/No]
63. Governing law (if the laws of South Africa are not applicable) [] / [Not Applicable]
64. Other Banking Jurisdiction []
65. Last Day to Register, which shall mean that the “Books Closed Period” (during which the Register will be closed) will be from each Last Day to Register to the applicable Payment Day until the date of redemption [Not applicable] [By 17h00 on []] or if such day is not a Business Day, the Business Day before each Books Closed Period, in each year until the Maturity Date]
66. Books Closed Period [The Register will be closed from [] to [] and from [] to [] (all dates inclusive) in each year until the Maturity Date] / []
67. Debt Sponsor []
68. Stabilisation Manager (if any) []
69. Pricing Methodology []
70. Authorised amount of the Programme []
71. Aggregate Outstanding Principal Amount of all Notes in issue on the Issue Date of this Tranche (excluding the current issue and any other Note(s) issued on the Issue

Date)

72. Set out the relevant description of any [] additional/other Terms and Conditions relating to the Notes (including covenants, if any)
73. Negative Pledge Condition 22 (*Negative Pledge*) [Applicable] / [Not Applicable]
74. Material Changes The Issuer confirms that as at the date of this Applicable Pricing Supplement, there has been no material change in the financial or trading position of the Issuer and its subsidiaries since the date of the Issuer's latest [audited financial statements/ unaudited interim financial statements], dated []. As at the date of this Applicable Pricing Supplement, there has been no involvement by [], the auditor of the Issuer, in making the aforementioned statement
75. Exchange control approval [Applicable/Not Applicable]

RESPONSIBILITY

The Issuer certifies that to the best of its knowledge and belief there are no facts that have been omitted from this Programme Memorandum and this Applicable Pricing Supplement which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that this Applicable Pricing Supplement contains all information required by Applicable Law and, in relation to any Tranche of Notes listed on the Interest Rate Market of the JSE, the JSE Debt Listings Requirements. The Issuer accepts full responsibility for the accuracy of the information contained in this Programme Memorandum, this Applicable Pricing Supplement, the annual financial statements and the annual financial report of the Issuer and any amendments or supplements to the aforementioned documents from time to time, except as otherwise stated therein.

The JSE takes no responsibility for the contents of this Programme Memorandum, any Applicable Pricing Supplements, the annual financial statements and/or the annual report of the Issuer (and any amendments or supplements to the aforementioned documents from time to time). The JSE makes no representation as to the accuracy or completeness of any of the foregoing documents and expressly disclaims any liability for any loss arising from or in reliance upon the whole or any part of this Programme Memorandum, any Applicable Pricing Supplements, the annual financial statements and/or the annual report of the Issuer (any amendments or supplements to the aforementioned documents from time to time).

The JSE's approval of the registration of this Programme Memorandum and listing of the Notes is not to be taken in any way as an indication of the merits of the Issuer or of the Notes and that, to the extent permitted by law, the JSE will not be liable for any claim whatsoever.

As at the date of this Applicable Pricing Supplement, the Issuer confirms that the aggregate Principal Amount of all Notes Outstanding under this Programme does not exceed ZAR90,000,000,000, being the maximum aggregate Principal Amount of the Notes that may be issued under the Programme.

Application [is hereby] / [will not be] made to list this issue of Notes on [insert date] pursuant to the Absa Bank Limited Domestic Medium Term Note Programme. The Programme was registered with the JSE on [...] 2019.

ABSA BANK LIMITED

By: _____ By: _____

Name: _____ Name: _____

Capacity: Authorised Signatory Capacity: Authorised Signatory

Date: _____ Date: _____

TERMS AND CONDITIONS OF THE UNSUBORDINATED NOTES

The following are the Terms and Conditions of the Unsubordinated Notes to be issued by the Issuer (the “**General Terms and Conditions**”). Unsubordinated Notes will be issued in individual Tranches which, together with other Tranches, may form a Series of Unsubordinated Notes. Before the Issuer issues any Tranche of Unsubordinated Notes, the Issuer shall complete, sign and deliver to the JSE and the Central Securities Depository an Applicable Pricing Supplement, based on the pro forma Applicable Pricing Supplement (included in the Programme Memorandum headed “Pro Forma Applicable Pricing Supplement of the Unsubordinated Notes”), setting out details of such Unsubordinated Notes. The Applicable Pricing Supplement in relation to any Tranche of Unsubordinated Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following General Terms and Conditions, replace or modify the following General Terms and Conditions for the purpose of such Tranche of Unsubordinated Notes. The General Terms and Conditions set out below and the Applicable Pricing Supplement will be deemed to be incorporated by reference into each Certificate evidencing any Unsubordinated Notes.

1. INTERPRETATION

- 1.1 “**Absa CIB**” Absa Bank Limited, acting through its Corporate and Investment Banking division;
- 1.2 “**Agency Agreement**” the amended and restated agency agreement dated 15 November 2019 concluded between the Issuer, Issuer Agent, the Paying Agent, the Calculation Agent and the Transfer Agent, or a separate agreement between the Issuer and each of the Issuer Agent, the Paying Agent, the Calculation Agent and the Transfer Agent, unless the Issuer itself acts in any of the abovementioned capacities;
- 1.3 “**Applicable Laws**” In relation to a person, means all and any:
- 1.3.1 statutes and subordinate legislation;
 - 1.3.2 regulations, ordinances and directives;
 - 1.3.3 by-laws;
 - 1.3.4 codes of practice, circulars, guidance notices, judgments and decisions of any competent authority; and
 - 1.3.5 other similar provisions, from time to time;
- 1.4 “**Applicable Pricing Supplement**” in relation to a Tranche of Notes, the pricing supplement completed and signed by the Issuer in relation to the issue of that Tranche of Notes, setting out such additional and/or other terms and conditions as are applicable to that Tranche of Notes, based upon the *pro forma* pricing supplement which is set out in the section of the Programme Memorandum headed “Pro Forma Applicable Pricing Supplement of the Unsubordinated

Notes”;

- 1.5 **“Applicable Procedures”** the rules and operating procedures for the time being of the Central Securities Depository, Settlement Agents, the JSE and/or any Financial Exchange, as the case may be;
- 1.6 **“Arranger”** Absa CIB;
- 1.7 **“Assets”** the total amount of the non consolidated gross assets of the Issuer as shown in the latest published audited non consolidated balance sheet of the Issuer, but adjusted for contingencies and subsequent events in such manner as the directors of the Issuer, the auditors of the Issuer or a liquidator, judicial manager, administrator or curator of the Issuer (if applicable) may determine;
- 1.8 **“Banks Act”** the Banks Act, 1990;
- 1.9 **“Bearer”** the bearer of a Certificate evidencing a Bearer Note or of a Receipt or Coupon attached to such Certificate on issue;
- 1.10 **“Bearer Note”** a Note payable to the Bearer thereof, transferable by way of delivery in accordance with Condition 14.2 (*Transfer of Bearer Notes*) and the term “*Bearer Note*” shall include the rights to payment of any interest or principal represented by a Coupon or Receipt (if any) attached on issue to the Certificate evidencing such Bearer Note;
- 1.11 **“Beneficial Interest”** in relation to a Note, an interest as co-owner of an undivided share in an Uncertificated Note, in accordance with the Financial Markets Act;
- 1.12 **“Books Closed Period”** in relation to a Tranche of Notes, the period as specified in the Applicable Pricing Supplement, commencing after the Last Day to Register, during which transfer of the Notes will not be recorded in the Register, or such other shorter period as the Issuer may decide to determine those Noteholders entitled to receive interest or redemption monies;
- 1.13 **“Business Day”** a day (other than a Saturday or Sunday or public holiday within the meaning of the Public Holidays Act, 1994) which is a day on which commercial banks settle ZAR payments in Johannesburg or any Additional Business Centre specified in the Applicable Pricing Supplement save that if the Specified Currency is not ZAR, “*Business Day*” shall mean a day (other than a Saturday or Sunday) which is a day on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the Specified Currency and in each (if any) Additional Business Centre, save further that if the Applicable Pricing Supplement so provides, “*Business Day*” shall include a Saturday;

1.14	“Calculation Agent”	Absa CIB unless the Dealer, or in the case of a syndicated issue, the lead manager, requests the Issuer to appoint or the Issuer elects to appoint, in relation to a particular Tranche or Series of Notes, another entity as Calculation Agent, in which event that other entity shall act, on execution of the Agency Agreement, as a Calculation Agent in respect of that Tranche or Series of Notes;
1.15	“Call Option”	has the meaning given in the Applicable Pricing Supplement;
1.16	“Central Securities Depository”	Strate Proprietary Limited (registration number 1998/022242/07), or its nominee, operating in terms of the Financial Markets Act a central securities depository, or any additional or alternate depository approved by the Issuer, the Dealer(s) and the JSE;
1.17	“Certificate”	a Definitive Certificate;
1.18	“Companies Act”	the Companies Act, 2008;
1.19	“Coupon”	an interest coupon evidencing title to an interest payment in respect of an interest bearing Note which is a Bearer Note or an Order Note, attached on issue to the Certificate evidencing such interest bearing Note and any reference to a Coupon shall, unless the context otherwise requires, be deemed to include a reference to a Talon;
1.20	“Dealer”	Absa CIB and/or any other additional Dealer appointed under the Programme from time to time, which appointment may be for a specific issue or on an ongoing basis, subject to the Issuer’s right to terminate the appointment of any Dealer;
1.21	“Definitive Certificate”	means: <ul style="list-style-type: none"> 1.21.1 in respect of Registered Notes: a Note in the definitive registered form of a single certificate and, a certificate exchanged for a Beneficial Interest in the Notes in accordance with Condition 14 (<i>Transfer of Notes</i>) and any further certificate issued in consequence of a transfer thereof; 1.21.2 in respect of Bearer Notes: a Note in the definitive bearer form of a single Certificate together with Coupons and/or Receipts, if applicable; or 1.21.3 in respect of Order Notes: a Note in the definitive order form of a single Certificate together with Coupons and/or Receipts, if applicable;

1.22	“Early Redemption Amount (Regulatory)”	in respect of each Note in a Tranche of Subordinated Notes, its Principal Amount (or the relevant part thereof) plus accrued interest (if any) to the date fixed for redemption or such other amount as may be specified in, or determined in accordance with, the Applicable Pricing Supplement, as the case may be;
1.23	“Early Redemption Amount (Tax)”	in respect of each Note in a Tranche of Notes (other than a Tranche of Zero Coupon Notes), its Principal Amount (or the relevant part thereof) or such other amount as may be specified in, or determined in accordance with, the Applicable Pricing Supplement, as the case may be, and, in respect of a Zero Coupon Note, the amount calculated in accordance with Condition 10.6 (<i>Early redemption of Zero Coupon Notes</i>) or such other amount as may be specified in, or determined in accordance with, the Applicable Pricing Supplement, as the case may be;
1.24	“Early Termination Amount”	in respect of each Note in a Tranche of Notes (other than a Tranche of Zero Coupon Notes), its Principal Amount (or the relevant part thereof) or such other amount as may be specified in, or determined in accordance with, the Applicable Pricing Supplement, as the case may be, and, in respect of a Zero Coupon Note, the amount calculated in accordance with Condition 10.6 (<i>Early redemption of Zero Coupon Notes</i>) or such other amount as may be specified in, or determined in accordance with, the Applicable Pricing Supplement, as the case may be;
1.25	“Endorsement”	an “indorsement”, <i>mutatis mutandis</i> , within the meaning of the Bills of Exchange Act, 1964;
1.26	“Endorsement in Blank”	an Endorsement which specifies no named Payee;
1.27	“Event of Default”	any of the events described in Condition 12 (<i>Events of Default</i>);
1.28	“Exchangeable Notes”	Notes which may be redeemed by the Issuer in the manner indicated in the Applicable Pricing Supplement by the delivery to the Noteholders of cash or of so many of the Exchange Securities as is determined in accordance with the Applicable Pricing Supplement;
1.29	“Exchange Period”	in respect of Exchangeable Notes to which the Noteholders’ Exchange Right applies (as indicated in the Applicable Pricing Supplement), the period indicated in the Applicable Pricing Supplement during which such right may be exercised;
1.30	“Exchange Price”	the value indicated in the Applicable Pricing Supplement according to which the number of Exchange Securities which may be delivered in redemption of an Exchangeable Note will be determined;

1.31	“Exchange Securities”	the securities indicated in the Applicable Pricing Supplement which may be delivered by the Issuer in redemption of Exchangeable Notes to the value of the Exchange Price;
1.32	“Extraordinary Resolution”	a resolution passed at a properly constituted meeting of Noteholders or Noteholders of the relevant Series of Notes, as the case may be, by a majority consisting of not less than 66,67% of the votes cast at a poll by Noteholders or Noteholders of the relevant Series, as the case may be, present in person or by proxy;
1.33	“Extraordinary Written Resolution“	a resolution passed other than at a meeting of Noteholders or Noteholders of the relevant Series of Notes, with the written consent of the Noteholders holding not less than 66.67% of the Principal Amount of the Notes or of the Notes in that relevant Series of Notes, as the case may be, for the time being Outstanding. A resolution of Noteholders or members of the relevant class of Noteholders shall state the date that the Issuer selected to determine which Noteholders recorded in the Register will receive notice of the written resolution;
1.34	“Final Redemption Amount”	in respect of any Note, its Principal Amount or such other amount as may be specified in, or determined in accordance with, the Applicable Pricing Supplement, upon final redemption thereof;
1.35	“Financial Exchange”	the JSE or any other financial exchange(s) on which any Notes may be listed;
1.36	“Financial Markets Act”	the Financial Markets Act, 2012;
1.37	“First Optional Redemption Date”	has the meaning given in the Applicable Pricing Supplement;
1.38	“Fixed Interest Rate”	the rate or rates of interest applicable to Fixed Rate Notes, as specified in the Applicable Pricing Supplement;
1.39	“Fixed Rate Notes”	Notes which will bear interest at the Fixed Interest Rate, as specified in the Applicable Pricing Supplement;
1.40	“Floating Rate Notes”	Notes which will bear interest at a floating Interest Rate, as specified in the Applicable Pricing Supplement;
1.41	“Group”	the Issuer and its consolidated subsidiaries taken as a whole;
1.42	“Income Tax Act”	the Income Tax Act, 1962;
1.43	“Implied Yield”	the yield accruing on the Issue Price of Zero Coupon Notes, as specified in the Applicable Pricing Supplement;

1.44	“Independent Investment Bank”	the independent investment bank or financial institution of international repute selected and appointed by the Issuer (at the Issuer’s expense) for the purposes of performing one or more of the functions expressed to be performed by such independent investment bank or financial institution under these Terms and Conditions;
1.45	“Indexed Interest Notes”	Notes in respect of which the Interest Amount is calculated by reference to such index and/or formula, as specified in the Applicable Pricing Supplement;
1.46	“Indexed Note”	an Indexed Interest Note and/or an Indexed Redemption Amount Note, as applicable;
1.47	“Indexed Redemption Amount Notes”	Notes in respect of which the Final Redemption Amount is calculated by reference to an index and/or a formula, as specified in the Applicable Pricing Supplement;
1.48	“Individual Certificate”	<p>1.48.1 in respect of Registered Notes: a Note in the definitive registered form of a single certificate and, in respect of Registered Notes, being a certificate exchanged for a Beneficial Interest in accordance with Condition 13 (<i>Delivery, Exchange and Replacement of Certificates, Receipts and Coupons</i>) and any further certificate issued in consequence of a transfer thereof;</p> <p>1.48.2 in respect of Bearer Notes: a Note in the definitive bearer form of a single certificate together with Coupons and/or Receipts, if applicable; or</p> <p>1.48.3 in respect of Order Notes: a Note in the definitive order form of a single certificate together with Coupons and/or Receipts, if applicable;</p>
1.49	“Instalment Amount”	the amount expressed as a percentage of the Principal Amount of an Instalment Note, being an instalment of principal (other than the final instalment) on an Instalment Note;
1.50	“Instalment Notes”	Notes redeemable in Instalment Amounts by the Issuer on an amortised basis on different Instalment Dates, as indicated in the Applicable Pricing Supplement;
1.51	“Interest Amount”	the amount of interest payable in respect of each Principal Amount of Fixed Rate Notes, Floating Rate Notes and Indexed Notes, as determined in accordance with Conditions 6.1 (<i>Interest on Fixed Rate Notes</i>), 6.2 (<i>Interest on Floating Rate Notes</i>), 6.2F (<i>Determination of</i>

Interest Rate and calculation of Interest Amount) and 6.4 (*Indexed Notes*) respectively;

- 1.52 **“Interest Commencement Date”** the first date from which interest on the Notes, other than Zero Coupon Notes, will accrue, as specified in the Applicable Pricing Supplement;
- 1.53 **“Interest Payment Date”** the date(s) specified as such in the Applicable Pricing Supplement, or if no express such date(s) is/are specified in the Applicable Pricing Supplement, each date which occurs after a certain period following the preceding date upon which Interest Amounts are due and payable (such period as specified in the Applicable Pricing Supplement) or, in the case of the first Interest Payment Date, after the Interest Commencement Date;
- 1.54 **“Interest Period”** the period(s) specified as such in the Applicable Pricing Supplement in respect of which interest accrues on Notes other than Zero Coupon Notes, commencing on and including the day of any Interest Payment Date and ending on but excluding the following Interest Payment Date; provided that the first Interest Period shall be from and including the Interest Commencement Date of such Notes to but excluding the first Interest Payment Date thereafter;
- 1.55 **“Interest Rate”** the rate or rates of interest applicable to Notes other than Zero Coupon Notes and Fixed Rate Notes;
- 1.56 **“Interest Rate Market of the JSE”** the separate platform or sub-market of the JSE designated as the *“Interest Rate Market”*, or any other successor market designated by the JSE for the listing of debt securities, and on which debt securities (as defined in the JSE Debt Listings Requirements) may be listed, subject to all Applicable Laws;
- 1.57 **“ISDA”** International Swaps and Derivatives Association, Inc.;
- 1.58 **“ISDA Definitions”** the 2006 ISDA Definitions as published by ISDA (as amended, supplemented, revised or republished from time to time);
- 1.59 **“Issue Date”** has the meaning ascribed thereto in the Applicable Pricing Supplement;
- 1.60 **“Issuer”** Absa Bank Limited (registration number 1986/004794/06), a company with limited liability duly incorporated in accordance with the laws of South Africa, and registered as a bank in accordance with the Banks Act;
- 1.61 **“Issuer Agent”** the Issuer, or such other entity appointed as Issuer Agent by the Issuer from time to time, where such Issuer Agent is appointed for purposes of the debt instrument solution system of the Central Securities Depository;

- 1.62 **“Issuer Ordinary Shares”** the ordinary shares in the share capital of the Issuer;
- 1.63 **“JSE”** means the JSE Limited (Registration Number 2005/022939/06), licensed as an exchange in terms of the Financial Markets Act, or any exchange which operates as a successor exchange to the JSE in terms of the Financial Markets Act;
- 1.64 **“JSE Debt Guarantee Fund Trust”** the Guarantee Fund Trust established and operated by the JSE as a separate Guarantee Fund Trust, in terms of the rules of the JSE, as required by sections 8(1)(h) and 15(2) of the Financial Markets Act or any successor fund;
- 1.65 **“JSE Debt Listing Requirements”** means all listings requirements promulgated by the JSE from time to time for the Interest Rate Market of the JSE;
- 1.66 **“Last Day to Register”** with respect to a particular Series of Notes (as reflected in the Applicable Pricing Supplement), means close of business on the Business Day immediately preceding the first day of a Books Closed Period;
- 1.67 **“Mandatory Exchange”** if indicated in the Applicable Pricing Supplement, the obligation of the Issuer to redeem Exchangeable Notes on the Maturity Date by delivery of Exchange Securities to the relevant Noteholders of Exchangeable Notes;
- 1.68 **“Margin”** has the meaning ascribed thereto in the Applicable Pricing Supplement;
- 1.69 **“Material Subsidiary”** any subsidiary of the Issuer:
- 1.69.1 whose gross revenues (consolidated in the case of a subsidiary which itself has subsidiaries) represent no less than 10 percent. of the consolidated gross revenues of the Group, all as calculated by reference to the last audited (consolidated or, as the case may be, unconsolidated) accounts of the subsidiary and the latest audited consolidated accounts of the Issuer; or
- 1.69.2 whose total assets (consolidated in the case of a subsidiary which itself has subsidiaries) represent no less than 10 percent. of the consolidated total assets of the Group, all as calculated by reference to the latest audited (consolidated or, as the case may be, unconsolidated) accounts of the subsidiary and the latest audited consolidated accounts of the Issuer; or
- 1.69.3 to which is transferred the whole or substantially the whole of the undertaking

and assets of a subsidiary of the Issuer which immediately before the transfer is a Material Subsidiary of the Issuer (whereupon such transferor subsidiary shall cease to be a Material Subsidiary until the next publication of audited consolidated accounts of the Issuer following such transfer),

provided that

- (a) in the case of a subsidiary acquired or an entity which becomes a subsidiary after the end of the financial period to which the latest audited consolidated accounts of the Issuer relate, the reference to the latest audited consolidated accounts for the purposes of the calculation above shall, until audited consolidated accounts of the issuer are published for the financial period in which the acquisition is made or, as the case may be, in which such entity becomes a subsidiary, be deemed to be a reference to the latest consolidated accounts of the Issuer adjusted in such manner as the Issuer shall consider appropriate to consolidate the latest audited accounts of such subsidiary in such accounts; and
- (b) a certificate signed by two directors of the issuer that in their opinion a subsidiary of the issuer is or is not or was or was not at any time or throughout any specified period a Material Subsidiary shall, in the absence of manifest or proven error, be conclusive and binding;

1.70	“Maturity Date”	has the meaning ascribed thereto in the Applicable Pricing Supplement;
1.71	“Maximum Interest Rate”	has the meaning ascribed thereto in the Applicable Pricing Supplement;
1.72	“Mixed Rate Notes”	Notes which will bear interest over respective periods at differing interest rates applicable to any combination of Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes or Indexed Notes, each as indicated in the Applicable Pricing Supplement and as more fully described in Condition 6.3 (<i>Mixed Rate Notes</i>);
1.73	“Noteholders”	the holders of the Notes who are recorded as the Registered Holders of the Registered Notes (in the Register or the Uncertificated Securities Register) and/or the Bearers of the Bearer Notes and/or the Payees of the Order Notes;
1.74	“Noteholders’ Exchange Right”	if indicated in the Applicable Pricing Supplement, the right of Noteholders of Exchangeable Notes to elect to

		receive delivery of the Exchange Securities in lieu of cash from the Issuer upon redemption of such Notes;
1.75	“Notes”	the notes issued or to be issued by the Issuer under the Programme;
1.76	“Optional Redemption Amount (Call)”	in respect of any Note, its Principal Amount or such other amount as may be specified in, or determined in accordance with, the Applicable Pricing Supplement;
1.77	“Optional Redemption Amount (Put)”	in respect of any Unsubordinated Note, its Principal Amount or such other amount as may be specified in, or determined in accordance with, the Applicable Pricing Supplement;
1.78	“Optional Redemption Date (Call)”	has the meaning given in the Applicable Pricing Supplement;
1.79	“Optional Redemption Date (Put)”	has the meaning given in the Applicable Pricing Supplement;
1.80	“Order Note”	a Note payable to the Payee thereof, transferable by way of Endorsement and delivery in accordance with Condition 14.3 (<i>Transfer of Order Notes</i>) and the term “Order Note” shall include the rights to interest or principal represented by a Coupon or Receipt (if any) attached on issue to the Certificate evidencing such Order Note;
1.81	“Ordinary Resolution”	a resolution passed at a properly constituted meeting of Noteholders or Noteholders of the relevant Series of Notes, as the case may be, by a majority of the votes cast at a poll by Noteholders or Noteholders of the relevant Series of Notes, as the case may be, present in person or by proxy;
1.82	“Ordinary Shares”	ordinary shares in the issued share capital of the Issuer;
1.83	“Outstanding”	in relation to the Notes, all the Notes issued other than: <ul style="list-style-type: none"> 1.83.1 those which have been redeemed in full; 1.83.2 those in respect of which the date for redemption in accordance with these Terms and Conditions or the Tier 2 Terms and Conditions or the Additional Tier 1 Terms and Conditions has occurred and the redemption monies (including all interest (if any) accrued thereon to the date for such redemption and any interest (if any) payable under the Terms and Conditions or the Tier 2 Terms and Conditions or the Additional Tier 1 Terms and Conditions after such date) remain available for payment against presentation of Certificates;

- 1.83.3 those which have been purchased and cancelled as provided in Condition 10.7 (*Purchase*) of these Terms and Conditions, Condition 11.9 (*Purchase*) of the Tier 2 Terms and Conditions or Condition 11.8 (*Purchase*) of the Additional Tier 1 Terms and Conditions;
- 1.83.4 those which have become prescribed under Condition 9 (*Prescription*) of these Terms and Conditions, Condition 10 (*Prescription*) of the Tier 2 Terms and Conditions or Condition 10 (*Prescription*) of the Additional Tier 1 Terms and Conditions;
- 1.83.5 Notes represented by those mutilated or defaced Certificates which have been surrendered in exchange for replacement Certificates pursuant to Condition 13 (*Delivery, Exchange and Replacement of Certificates, Receipts and Coupons*) of these Terms and Conditions or Condition 14 (*Delivery, Exchange and Replacement of Certificates, Receipts and Coupons*) of the Tier 2 Terms and Conditions or Condition 14 (*Delivery, Exchange and Replacement of Certificates*) of the Additional Tier 1 Terms and Conditions;
- 1.83.6 (for the purpose only of determining how many Notes are Outstanding and without prejudice to their status for any other purpose) those Notes represented by Certificates alleged to have been lost, stolen or destroyed and in respect of which replacement Certificates have been issued pursuant to Condition 13 (*Delivery, Exchange and Replacement of Certificates, Receipts and Coupons*) of these Terms and Conditions or Condition 14 (*Delivery, Exchange and Replacement of Certificates, Receipts and Coupons*) of the Tier 2 Terms and Conditions or Condition 14 (*Delivery, Exchange and Replacement of Certificates*) of the Additional Tier 1 Terms and Conditions,

provided that for each of the following purposes, namely:

- (a) the right to attend and vote at any meeting of the Noteholders; and
- (b) the determination of how many and which Notes are for the time being Outstanding for the purposes of Conditions 18 (*Meetings of*

Noteholders) and 19 (*Amendment of these Conditions*) of these Terms and Conditions,

all:

- (i) Notes (if any) which are for the time being held by the Issuer (subject to any applicable law) or by any person for the benefit of the Issuer and not cancelled (unless and until ceasing to be so held); and
- (ii) Receipts and Coupons,

shall be deemed not to be Outstanding;

1.84	“Participants”	a person that holds in custody and administers securities or an interest in securities and that has been accepted by the Central Securities Depository as a participant in terms of the Financial Markets Act;
1.85	“Partly Paid Notes”	Notes which are issued with the Issue Price partly paid and which Issue Price is paid up fully by the Noteholder in instalments (as indicated in the Applicable Pricing Supplement);
1.86	“Payee”	a person reflected (either as the subscriber or by way of Endorsement) as the payee on a Certificate evidencing an Order Note or a Receipt or Coupon attached thereto on issue and to whom such Certificate, Receipt or Coupon (as the case may be) has been delivered;
1.87	“Paying Agent”	Absa CIB, unless the Issuer elects to appoint, in relation to a particular Tranche or Series of Notes, another entity as Paying Agent, in which event that other entity shall act as a Paying Agent in respect of that Tranche or Series of Notes;
1.88	“Payment Day”	any day which is a Business Day and upon which a payment is due by the Issuer in respect of any Notes;
1.89	“Principal Amount”	the nominal amount of each Note specified on the Certificate evidencing such Note;
1.90	“Programme”	the ZAR90,000,000,000 Domestic Medium Term Note Programme under which the Issuer may from time to time issue Notes;
1.91	“Programme Memorandum”	this document dated 15 November 2019, as amended and/or supplemented from time to time;
1.92	“Prudential Authority”	the Prudential Authority in accordance with the Banks Act (previously the Registrar of Banks);
1.93	“Put Option”	has the meaning given in the Applicable Pricing Supplement;

1.94	“Put Option Notice”	a notice which must be delivered to the Paying Agent by any Noteholder wanting to exercise a right to redeem an Unsubordinated Note at the option of the Noteholder;
1.95	“Rating Agency”	means any rating agency(ies) as is/are appointed by the Issuer to provide a credit rating from time to time and as specified in the Applicable Pricing Supplement;
1.96	“Receipt”	a receipt evidencing title to payment of an Instalment Amount payable on an Instalment Note which is a Bearer Note or Order Note, attached upon issue to the Certificate evidencing such Instalment Note;
1.97	“Redemption Amount”	as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Early Redemption Amount (Regulatory), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the Applicable Pricing Supplement;
1.98	“Redemption Date”	each date on which any Notes are to be redeemed, partially or finally, as the case may be, in terms of the Terms and Conditions;
1.99	“Reference Rate”	has the meaning ascribed thereto in the Applicable Pricing Supplement;
1.100	“Register”	the register maintained by the Transfer Agent in terms of Condition 15 (<i>Register</i>);
1.101	“Registered Holder”	means: <ul style="list-style-type: none"> 1.101.1 in respect of Registered Notes held in uncertificated form in the Central Securities Depository, the person whose name is entered into the Uncertificated Securities Register as the holder of such Registered Notes in a Tranche of Notes; and 1.101.2 in respect of Registered Notes represented by an Individual Certificate, the person whose name is entered into the Register as the holder of such Registered Notes in a Tranche of Notes;
1.102	“Registered Note”	a Note issued in registered form and transferable in accordance with Condition 14.1 (<i>Transfer of Registered Notes</i>);
1.103	“Relevant Date”	in respect of any payment relating to the Notes, the date on which such payment first becomes due, except that, in relation to monies payable to the Central Securities

		Depository in accordance with these Terms and Conditions, it means the first date on which: (a) the full amount of such monies have been received by the Central Securities Depository; (b) such monies are available for payment to the holders of Beneficial Interests; and (c) notice to that effect has been duly given to such holders in accordance with the Applicable Procedures;
1.104	“Relevant Screen Page”	has the meaning ascribed thereto in the Applicable Pricing Supplement;
1.105	“Representative”	a person duly authorised to act on behalf of a Noteholder, who may be regarded by the Issuer, the Transfer Agent and the Paying Agent (acting in good faith) as being duly authorised based upon the tacit or express representation thereof by such person, in the absence of express notice to the contrary from such Noteholder;
1.106	“SARB”	the South African Reserve Bank;
1.107	“Screen Rate Determination”	has the meaning ascribed thereto in the Applicable Pricing Supplement;
1.108	“SENS”	the Stock Exchange News Service established by the JSE;
1.109	“Series”	a Tranche of Notes together with any further Tranche or Tranches of Notes which are: (a) expressed to be consolidated and form a single series; and (b) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices;
1.110	“Settlement Agents”	means those Participants which are authorised by the Central Securities Depository, or any other licensed central securities depository from time to time, in terms of the relevant Applicable Procedures, as settlement agents to perform electronic settlement of funds and scrip on behalf of market participants;
1.111	“South Africa”	the Republic of South Africa;
1.112	“Specified Currency”	in relation to a Tranche of Notes, subject to Applicable Laws and in the case of Notes listed on the JSE, subject to the rules and applicable listings requirements of the JSE, has the meaning given in the Applicable Pricing Supplement relating to that Tranche;
1.113	“Specified Denomination”	has the meaning given in the Applicable Pricing Supplement;
1.114	“Specified Office”	in relation to each of the Issuer, the Calculation Agent, Paying Agent and the Transfer Agent, the address of the office specified in respect of such entity at the end of the

Programme Memorandum, or such other address as is notified by such entity (or, where applicable, a successor to such entity) to the Noteholders in accordance with the Terms and Conditions, as the case may be;

- 1.115 **“Talon”** a talon entitling the holder to receive further Coupons in relation to an interest bearing Bearer Note or Order Note, if indicated in the Applicable Pricing Supplement, attached to the Certificate evidencing such interest bearing Note;
- 1.116 **“Tax Event”** an event where, (a) as a result of a Tax Law Change: (i) the Issuer has paid or will or would on the next Interest Payment Date be required to pay additional amounts as provided or referred to in Condition 11 (*Taxation*); or (ii) in respect of the Issuer’s obligation to make any payment of interest on the next following Interest Payment Date or any subsequent Interest Payment Date, the Issuer would not be entitled to claim a deduction in respect of computing its taxation liabilities in South Africa, or such entitlement is materially reduced or (b) other than as a result of a Tax Law Change, the Issuer’s treatment of the interest payable by it on the Notes as a tax deductible expense for South African income tax purposes as reflected on the tax returns (including provisional tax returns) filed (or to be filed) by the Issuer is not accepted by the South African Revenue Service, and in each case the Issuer cannot avoid the foregoing in connection with the Notes by taking measures reasonably available to it (such reasonable measures to exclude any requirement to instigate litigation in respect of any decision or determination of the South African Revenue Service that any such interest does not constitute a tax deductible expense);
- 1.117 **“Tax Jurisdiction”** South Africa or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction in which payments by the Issuer become subject to tax;
- 1.118 **“Tax Law Change”** a change in or proposed change in, or amendment or proposed amendment to, the laws or regulations of South Africa, or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), whether or not having retrospective effect, which change or amendment is announced on or after the Issue Date;
- 1.119 **“Terms and Conditions”** the terms and conditions incorporated in this section headed *“Terms and Conditions of the Unsubordinated Notes”* and in accordance with which the Unsubordinated Notes will be issued;

1.120	“Tranche”	in relation to any particular Series, all Notes which are identical in all respects (including as to listing);
1.121	“Transfer Agent”	Absa CIB, unless the Issuer elects to appoint, in relation to a particular Tranche or Series of Notes, another entity as Transfer Agent, in which event that other entity shall act as Transfer Agent in respect of that Tranche or Series of Notes;
1.122	“Transfer Form”	the written form for the transfer of a Registered Note, in the form approved by the Transfer Agent, and signed by the transferor and transferee;
1.123	“Trigger Event”	an event specified as a “trigger event” by the Prudential Authority, or any successive authority, in accordance with the Capital Regulations;
1.124	“Uncertificated Notes”	a Note which is uncertificated as contemplated in Section 33 of the Financial Markets Act;
1.125	“Uncertificated Securities Register”	has the meaning ascribed thereto in the Financial Markets Act (as read together with the Companies Act);
1.126	“Unsubordinated Notes”	Notes issued with the status and characteristics set out in Condition 5 (<i>Status</i>) as specified in the Applicable Pricing Supplement;
1.127	“ZAR”	the lawful currency of South Africa, being South African Rand, or any successor currency;
1.128	“ZAR-JIBAR-SAFEX”	the mid-market rate for deposits in ZAR for a period of the Designated Maturity which appears on the Reuters Screen SAFEX Page as at 12h00, South African time, on the relevant date, or any successor rate; and
1.129	“Zero Coupon Notes”	Notes which will be offered and sold at a discount to their Principal Amount or at par and will not bear interest other than in the case of late payment.
1.130	In these Terms and Conditions, unless inconsistent with the context, any reference to:	
1.130.1	one gender include a reference to the others;	
1.130.2	the singular includes the plural and <i>vice versa</i> ;	
1.130.3	natural persons include juristic persons and vice versa;	
1.130.4	a subsidiary or holding company shall be interpreted in accordance with section 1 of the Companies Act;	
1.130.5	any agreement or instrument is a reference to that agreement or instrument as amended, supplemented, varied, novated, restated or replaced from time to time, and amended or amendment will be construed accordingly;	

- 1.130.6 a provision of law is a reference to that provision as amended or re-enacted, and includes any subordinate legislation;
- 1.130.7 a **regulation** includes any regulation, rule, official directive, request or guideline (whether or not having the force of law but, if not having the force of law, being of a type with which any person to which it applies is accustomed to comply) of any governmental, inter-governmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;
- 1.130.8 **assets** includes present and future properties, revenues and rights of every description;
- 1.130.9 **disposal** means a sale, transfer, grant, lease or other disposal (whether voluntary or involuntary);
- 1.130.10 **indebtedness** includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;
- 1.130.11 an **authorisation** includes an authorisation, consent, approval, resolution, licence, exemption, filing, registration or notarisation;
- 1.130.12 a default being **continuing** means that it has not been remedied or waived;
- 1.130.13 a party or any other person includes that person's permitted successor, transferee, cessionary and/or delegate; and
- 1.130.14 a time of day is a reference to South African time.
- 1.131 If any provision in a definition is a substantive provision conferring rights or imposing obligations on any party, effect must be given to it as if it were a substantive provision in the body of the agreement, notwithstanding that it is contained in the interpretation clause.
- 1.132 Headings are inserted for the sake of convenience only and do not in any way affect the interpretation of these Terms and Conditions.
- 1.133 The use of the word **including** followed by specific examples will not be construed as limiting the meaning of the general wording preceding it, and the *eiusdem generis* rule must not be applied in the interpretation of such general wording or such specific examples.
- 1.134 The rule of construction that an agreement is to be interpreted against the party responsible for the drafting or preparation thereof must not be used in the interpretation of these Terms and Conditions.
- 2. ISSUE**
- 2.1 Subject to the prior consent of the Prudential Authority (to the extent required by Applicable Laws), Notes may be issued by the Issuer at any time and from time to time (without the consent of the Noteholder) in Tranches pursuant to the Programme. A Tranche of Notes may, together with a further Tranche or Tranches, form a Series of Notes issued under the Programme.

- 2.2 The Applicable Pricing Supplement for each Tranche of Notes is incorporated in these Terms and Conditions for the purposes of those Notes and supplements these Terms and Conditions. The Applicable Pricing Supplement may specify other terms and conditions (which may replace, modify or supplement these Terms and Conditions), in which event such other terms and conditions shall, to the extent so specified in the Applicable Pricing Supplement or to the extent inconsistent with these Terms and Conditions, replace, modify or supplement these Terms and Conditions for the purpose of such Tranche of Notes.
- 2.3 The Issuer may issue listed or unlisted Registered Notes. Unlisted Registered Notes are not regulated by the JSE. Listed Registered Notes will be listed on the Interest Rate Market on the JSE and/or on such other further Financial Exchange/s as may be determined by the Issuer and the relevant Dealer/s, subject to Applicable Laws. The Applicable Pricing Supplement will specify whether or not a Tranche of Registered Notes will be listed and, if so, on which Financial Exchange.
- 2.4 The holders of Registered Notes that are not listed on the Interest Rate Market of the JSE will have no recourse against the JSE.
- 2.5 The Noteholders are deemed to have notice of, and are entitled to the benefit of, and are subject to, all the provisions of the Applicable Pricing Supplement.

3. FORM AND DENOMINATION

3.1 General

- 3.1.1 Notes will be issued as Registered Notes, Bearer Notes or Order Notes.
- 3.1.2 All payments in relation to the Notes will be made in the Specified Currency.
- 3.1.3 Each Note shall be an Unsubordinated Note, as indicated in the Applicable Pricing Supplement. Any Note may be a Partly Paid Note, Instalment Note or an Exchangeable Note.
- 3.1.4 Each Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Indexed Interest Note, an Indexed Redemption Amount Note, a Mixed Rate Note or a combination of any of the foregoing or such other types of Note as may be determined by the Issuer, as indicated in the Applicable Pricing Supplement.
- 3.1.5 Notes will be issued in such denominations as may be determined by the Issuer and as specified in the Applicable Pricing Supplement, provided that the Notes shall not be issued in denominations of less than ZAR1,000,000.

3.2 Registered Notes

- 3.2.1 The Notes in a Tranche of Registered Notes will be issued in (a) the form of Definitive Certificates registered in the name, and for the account of, the relevant Noteholder or (b) uncertificated form, and held in the Central Securities Depository in terms of the Financial Markets Act, and registered in the name, and for the account of, the Registered Holder. The Central Securities Depository will hold the Notes subject to the Financial Markets Act and the Applicable Procedures.
- 3.2.2 An owner of a Beneficial Interest in the Notes shall be entitled to exchange such Beneficial Interest for a Definitive Certificate in accordance with Condition 13 (*Delivery, Exchange and Replacement of Certificates, Receipts and Coupons*).

3.3 **Bearer Notes and Order Notes**

Bearer Notes or Order Notes will be evidenced by Definitive Certificates. Bearer Notes or Order Notes, other than Zero Coupon Notes, may have Coupons and (if indicated in the Applicable Pricing Supplement), Talons attached to the Certificate on issue. Instalment Notes which are Bearer Notes or Order Notes may have Receipts attached to the Certificate on issue.

4. **TITLE**

4.1 **Registered Notes**

4.1.1 Subject as set out below, title to Registered Notes will pass upon registration of transfer in the Register or in the Uncertificated Securities Register in accordance with Condition 14.1 (*Transfer of Registered Notes*).

4.1.2 The Issuer, the Transfer Agent and the Paying Agent shall recognise a Registered Holder as the sole and absolute owner of the Notes registered in that Registered Holder's name in the Register (notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) and shall not be bound to enter any trust in the Register or to take notice of or to accede to the execution of any trust, express, implied or constructive, to which any Note may be subject.

4.1.3 Each person recorded in the Uncertificated Securities Register as a Registered Holder of a particular Tranche of uncertificated Registered Notes will be treated by the Issuer, the Transfer Agent and the Paying Agent as the holder of that aggregate Nominal Amount of such uncertificated Registered Notes for all purposes.

4.1.4 Beneficial Interests which are held by Participants will be held directly through the Central Securities Depository, and the Central Securities Depository will hold such Beneficial Interests, on behalf of such Participants, through the central securities accounts maintained by the Central Securities Depository for such Participants.

4.1.5 Beneficial Interests which are held by clients of Participants will be held indirectly through such Participants, and such Participants will hold such Beneficial Interests, on behalf of such clients, through the securities accounts maintained by such Participants for such clients. The clients of Participants may include the holders of Beneficial Interests or their custodians. The clients of Participants, as the holders of Beneficial Interests or as custodians for such holders, may exercise their rights in respect of the Notes held by them in the Central Securities Depository only through their Participants.

4.1.6 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.

4.1.7 Beneficial Interests may be transferred only in accordance with the Applicable Procedures.

4.1.8 Any reference in these Terms and Conditions to the relevant Participant shall, in respect of Beneficial Interests, be a reference to the Participant appointed to act as such by a holder of such Beneficial Interest.

4.2 **Bearer Notes**

- 4.2.1 Title to Bearer Notes (including rights to Instalment Amounts and/or interest thereon, as applicable) will pass by delivery of the Certificate evidencing such Note or of the Receipt and/or Coupon relating thereto, as the case may be, in accordance with Condition 14.2 (*Transfer of Bearer Notes*). The Issuer, the Transfer Agent and the Paying Agent may deem and treat the Bearer of any such Certificate, Receipt or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes.
- 4.2.2 Title to Bearer Notes is subject to the Bearer obtaining the exemption from the National Treasury in respect of the prohibition on dealing in bearer securities as set out in regulation 14 of the Exchange Control Regulations.

4.3 **Order Notes**

- 4.3.1 Title to Order Notes (including rights to Instalment Amounts and/or interest thereon, as applicable) will initially pass by Endorsement and delivery of the Certificate evidencing such Note or of the Receipt and/or Coupon relating thereto, as the case may be, in accordance with Condition 14.3 (*Transfer of Order Notes*) Any Certificate evidencing an Order Note or such Receipt or Coupon upon which the last Endorsement is an Endorsement in Blank shall be treated as a Bearer Note, for so long as it is not subject to further Endorsement.
- 4.3.2 The Issuer, the Transfer Agent and the Paying Agent may deem and treat the person who from the face of the Certificate, Receipt or Coupon relating to an Order Note appears to be the Payee thereof as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or notice of any previous loss or theft thereof) for all purposes and payment to such person or their Representative shall discharge the Issuer from all liability to the Payee in relation to such Certificate, Receipt or Coupon, as the case may be, even if such Endorsement has been forged or made without authority.
- 4.3.3 Provided the Issuer pays any amount due upon presentation and surrender of a Certificate evidencing an Order Note, or any Receipt or Coupon attached thereto on issue, in good faith, it shall not be incumbent upon the Issuer or the Transfer Agent to determine or prove that the Endorsement of the Payee making such Endorsement was made by or under the authority of the person whose Endorsement it purports to be.

5. **STATUS**

- 5.1 *Application:* This Condition 5 applies only to Unsubordinated Notes.
- 5.2 *Status of the Unsubordinated Notes:* The Unsubordinated Notes constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 22 (*Negative Pledge*)) unsecured obligations of the Issuer which will at all times rank *pari passu* without preference or priority among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

6. INTEREST

6.1 Interest on Fixed Rate Notes

6.1.1 Unless otherwise specified in the Applicable Pricing Supplement, interest on Fixed Rate Notes will be paid on a 6-monthly basis, on the Interest Payment Dates.

6.1.2 Each Fixed Rate Note bears interest on its Principal Amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date to (but excluding) the Maturity Date at the rate(s) per annum equal to the Fixed Interest Rate. Such interest shall fall due for payment in arrear on the Interest Payment Date(s) in each year and on the Maturity Date if such date does not fall on an Interest Payment Date. The first payment of interest will be made on the Interest Payment Date following the Interest Commencement Date.

6.1.3 The Calculation Agent will calculate the Interest Amount payable in respect of each Tranche of Fixed Rate Notes for each Interest Period. Unless stated otherwise in the Applicable Pricing Supplement, the Interest Amount for half yearly interest payments shall be calculated by multiplying the Interest Rate by the Principal Amount (or, if it is a Partly Paid Note, the amount paid up) of the Fixed Rate Note and then dividing such product by 2 (the resultant sum will be rounded to the nearest smallest denomination of the Specified Currency, half of any such denomination being rounded upwards), provided that:

- (a) if an Initial Broken Amount is specified in the Applicable Pricing Supplement, then the first Interest Amount shall equal such Initial Broken Amount; and
- (b) if a Final Broken Amount is specified in the Applicable Pricing Supplement, then the final Interest Amount shall equal such Final Broken Amount.

Save as provided in the preceding paragraphs, interest will be calculated in accordance with the Interest Period as specified in the Applicable Pricing Supplement for the Fixed Rate Notes, however in any other instance, such interest shall be calculated by applying the Fixed Rate of Interest to each Specified Denomination, multiplying such product by the applicable Day Count Fraction, as specified in the Applicable Pricing Supplement, and rounding the resultant figure to the nearest Sub-unit of the relevant Specified Currency, half such Sub-unit being rounded upwards or otherwise in accordance with the applicable market convention.

6.2 Interest on Floating Rate Notes

A. *Interest Rate*

The Interest Rate payable from time to time in respect of the Floating Rate Notes will be determined:

- (a) on the basis of ISDA Determination; or
 - (b) on the basis of Screen Rate Determination; or
 - (c) on such other basis as may be determined by the Issuer,
- all as specified in the Applicable Pricing Supplement.

B. *ISDA Determination*

Where ISDA Determination is specified in the Applicable Pricing Supplement as the manner in which the Interest Rate is to be determined, the Interest Rate for each Interest Period will be the relevant ISDA Rate (as defined below) plus or minus (as indicated in the Applicable Pricing Supplement) the Margin (if any).

For the purposes of this Condition 6.2B:

“**ISDA Rate**” for an Interest Period means a rate equal to the Floating Rate that would be determined by such agent as is specified in the Applicable Pricing Supplement under a notional interest rate swap transaction if that agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (a) the Floating Rate Option is as specified in the Applicable Pricing Supplement;
- (b) the Designated Maturity is the period specified in the Applicable Pricing Supplement; and
- (c) the relevant Reset Date is either: (i) if the applicable Floating Rate Option is based on the ZAR-JIBAR-SAFEX on the first day of that Interest Period; or (ii) in any other case, as specified in the Applicable Pricing Supplement.

“**Floating Rate**”, “**Floating Rate Option**”, “**Designated Maturity**” and “**Reset Date**” have the meanings given to those expressions in the ISDA Definitions.

When this Condition 6.2B applies, in respect of each Interest Period such agent as is specified in the Applicable Pricing Supplement will be deemed to have discharged its obligations under Condition 6.2F (*Determination of Interest Rate and calculation of Interest Amount*) in respect of the determination of the Interest Rate if it has determined the Interest Rate in respect of such Interest Period in the manner provided in this Condition 6.2B.

C. *Screen Rate Determination*

Where Screen Rate Determination is specified in the Applicable Pricing Supplement as the manner in which the Interest Rate is to be determined, the Interest Rate for each Interest Period will, subject as provided below, be either:

- (a) the offered quotation (if there is only one quotation on the Relevant Screen Page); or
- (b) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations (if there is more than one quotation on the Relevant Screen Page) and subject to adjustment in terms of the JSE’s approved methodology,

for the Reference Rate(s) which appears or appear as the case may be, on the Relevant Screen Page as at 12h00 (South African time) on the Interest Determination Date in question, plus or minus (as indicated in the Applicable

Pricing Supplement) the Margin (if any), all as determined by the Calculation Agent. If 5 or more such offered quotations are available on the Relevant Screen Page the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by such agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if, in the case of paragraph (a) above, no such offered quotation appears or, in the case of paragraph (b) above, fewer than 3 such offered quotations appear, in each case at the time specified in the preceding paragraph, the Calculation Agent shall request the principal Johannesburg office of each of the Reference Banks (as defined below) to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately 12h00 (South African time) on the Interest Determination Date in question. If 2 or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Interest Rate for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0,000005 being rounded upwards) of such offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Calculation Agent.

If the Interest Rate cannot be determined by applying the provisions of the preceding paragraphs of this Condition 6.2C, the Interest Rate for the relevant Interest Period shall be the rate per annum which the Calculation Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0,000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any 2 or more of them, at which such banks offered, at approximately 12h00 (South African time) on the relevant Interest Determination Date, in respect of deposits in an amount approximately equal to the Principal Amount of the Notes of the relevant Series, for a period equal to that which would have been used for the Reference Rate, to Reference Banks in the Johannesburg inter-bank market plus or minus (as appropriate) the Margin (if any). If fewer than 2 of the Reference Banks provide the Calculation Agent with such offered rates, the Interest Rate for the relevant Interest Period will be determined by the Calculation Agent as the arithmetic mean (rounded as provided above) of the rates for deposits in an amount approximately equal to the Principal Amount of the Notes of the relevant Series, for a period equal to that which would have been used for the Reference Rate, quoted at approximately 12h00 (South African time) on the relevant Interest Determination Date, by 4 leading banks in Johannesburg (selected by the Calculation Agent and approved by the Issuer) plus or minus (as appropriate) the Margin (if any). If the Interest Rate cannot be determined in accordance with the foregoing provisions of this Condition 6.2C, the Interest Rate shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period).

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the Applicable Pricing Supplement as being other than the ZAR-JIBAR-SAFEX rate, the Interest Rate in respect of such Notes will be

determined, in the manner provided above, or as may be provided in the Applicable Pricing Supplement.

“**Reference Banks**” means for the purposes of this Condition 6.2C the 4 leading banks in the South African inter-bank market selected by the Calculation Agent and approved by the Issuer.

D. *Minimum and/or Maximum Interest Rate*

If the Applicable Pricing Supplement specifies a Minimum Interest Rate for any Interest Period, then the Interest Rate for such Interest Period shall in no event be less than such Minimum Interest Rate and/or if it specifies a Maximum Interest Rate for any Interest Period, then the Interest Rate for such Interest Period shall in no event be greater than such Maximum Interest Rate.

E. *Interest Payment Dates*

Each Floating Rate Note bears interest on its Principal Amount (or, if it is a Partly Paid Note, on the amount paid up) from (and including) the Interest Commencement Date up to (but excluding) the Maturity Date at the rate equal to the Interest Rate. Such interest shall fall due for payment in arrears on the Interest Payment Date(s).

F. *Determination of Interest Rate and calculation of Interest Amount*

The Calculation Agent will, in the case of Floating Rate Notes, at or as soon as practicable after each time at which the Interest Rate is to be determined, determine the Interest Rate and calculate the Interest Amount for the relevant Interest Period. Unless stated otherwise in the Applicable Pricing Supplement, each Interest Amount shall be calculated by multiplying the Interest Rate by the Principal Amount (or, if it is a Partly Paid Note, on the amount paid up), then multiplying the product by the applicable Day Count Fraction and rounding the resultant product to the nearest smallest denomination of the Specified Currency, half of any such denomination being rounded upwards.

“**Day Count Fraction**” means, in respect of the calculation of the Interest Amount for any Interest Period:

- (a) if “**Actual/365**” is specified in the Applicable Pricing Supplement, the actual number of elapsed days (including the first day and excluding the last day of such Interest Period) in the Interest Period divided by 365; or
- (b) such other calculation method as is specified in the Applicable Pricing Supplement.

G. *Notification of Interest Rate and Interest Amount*

The Calculation Agent (or such other agent as is specified in the Applicable Pricing Supplement) will cause the Interest Rate and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Paying Agent, the Transfer Agent, the Noteholders in respect of any Floating Rate Notes which are Bearer Notes or Order Notes, any Financial Exchange on which the relevant Floating Rate Notes are for the time being listed or settled and any central securities depository in which Certificates in

respect of the notes are immobilised, as soon as possible after their determination but not later than the 4th Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to the Issuer, the Paying Agent, the Transfer Agent, the Noteholders in respect of any Floating Rate Notes which are Bearer Notes or Order Notes, each Financial Exchange on which the relevant Floating Rate Notes are for the time being listed or settled and any central securities depository in which Certificates in respect of the Notes are immobilised.

H. *Certificates to be Final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 6.2 by the Calculation Agent shall, in the absence of wilful deceit, bad faith, manifest error or dispute as set out hereunder, be binding on the Issuer, the Calculation Agent, and all Noteholders, and no liability to the Issuer or the Noteholders shall attach to the Transfer Agent, the Calculation Agent or the Paying Agent (as the case may be) in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions. Where the Issuer acts as the Calculation Agent and in the event that Noteholders holding not less than 25% in aggregate Principal Amount of the Notes for the time being Outstanding, deliver to the Issuer a written notice of objection to any determination made by the Issuer within 5 Business Days of notification of the Interest Rate and Interest Amount in accordance with Condition 6.2G (*Notification of Interest Rate and Interest Amount*), such determination shall not be regarded as final and upon such notification, the Issuer shall request the chief executive officer for the time being of the JSE to appoint an independent third party to make such determination. Such independent third party shall make such determination promptly as an expert and not as an arbitrator and their determination, in the absence of wilful deceit, bad faith or manifest error, shall be binding on the Issuer and all Noteholders, and no liability to the Issuer or the Noteholders shall attach to such third party in connection with the exercise or non-exercise by them of their powers, duties and discretions pursuant to such provisions. The costs of procuring and effecting such determination shall be borne by the Issuer in the event that the determination of such third party differs from that of the Issuer as Calculation Agent and shall be borne by the Noteholders disputing such determination by the Issuer in the event that the determination of such third party confirms that of the Issuer as Calculation Agent.

6.3 **Mixed Rate Notes**

The Interest Rate payable from time to time on Mixed Rate Notes shall be the Interest Rate payable on any combination of Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes or Indexed Notes for respective periods, each as specified in the Applicable Pricing Supplement. During each such applicable period, the interest rate on the Mixed Rate Notes shall be determined and fall due for payment on the basis that such Mixed Rate Notes are Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes or Indexed Notes, as the case may be.

6.4 **Indexed Notes**

In the case of Indexed Notes, if the Interest Rate or Final Redemption Amount falls to be determined by reference to an index and/or a formula, such rate or amount payable in respect of each Interest Period shall be determined in the manner specified in the Applicable Pricing Supplement. Any interest payable shall fall due for payment on the Interest Payment Date(s).

6.5 **Partly Paid Notes**

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue on the paid-up Principal Amount of such Notes and otherwise as specified in the Applicable Pricing Supplement.

6.6 **Accrual of Interest**

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date of its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue at the SAFEX Overnight Deposit Rate (to be found on the Reuters Screen SAFEX page as at 12h00 (South African time) on the presentation date, or any successor rate) until whichever is the earlier of:

- (a) the date on which all amounts due in respect of such Note have been paid; and
- (b) the date on which the full amount of the monies payable has been received by the Paying Agent and notice to that effect has been given to Noteholders in accordance with Condition 17 (*Notices*).

In the event that the SAFEX Overnight Deposit Rate is not ascertainable from the relevant screen page at the time contemplated above, the Calculation Agent shall follow the procedure contemplated in Condition 6.2C (*Screen Rate Determination*) to ascertain a rate.

6.7 **Notes listed on the JSE**

The amount of any interest payable in respect of the Notes in terms of this Condition 6 will be announced on SENS at least 3 (three) Business Days before the relevant Interest Payment Date.

6.8 **Business Day Convention**

If any Interest Payment Date (or other date) which is specified in the Applicable Pricing Supplement to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (a) the “**Floating Rate Business Day Convention**”, such Interest Payment Date (or other date) shall in any case where Interest Periods are specified in accordance with Condition 6.2E (*Interest Payment Dates*), be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event: (i) such Interest Payment Date (or other date) shall be brought forward to the first preceding Business Day; and (ii) each subsequent Interest Payment Date (or other date) shall be the last Business Day in the month which falls the number of months or other period specified as the

Interest Period in the Applicable Pricing Supplement after the preceding applicable Interest Payment Date (or other date) has occurred; or

- (b) the “**Following Business Day Convention**”, such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day; or
- (c) the “**Modified Following Business Day Convention**”, such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date (or other such date) shall be brought forward to the first preceding Business Day; or
- (d) the “**Preceding Business Day Convention**”, such Interest Payment Date (or other date) shall be brought forward to the first preceding Business Day.

6.9 **General**

6.9.1 **Calculation of other Amounts**

If the Applicable Pricing Supplement specifies that any other amount, rate, index and/or formula in relation to a Tranche of Notes is to be calculated by the Calculation Agent, the Calculation Agent will soon as practicable after the time or times at which any such amount, rate, index and or formula is to be determined, calculate the relevant amount, rate, index and/or formula in the manner specified in the Applicable Pricing Supplement.

6.9.2 **Fall-back Rate of Interest**

Unless otherwise specified in the relevant Applicable Pricing Supplement, if the Calculation Agent is unable to determine a rate (or, as the case may be, the arithmetic mean of rates) in accordance with the above provisions of this Condition 6, the Interest Rate applicable to the relevant Tranche of Notes during the relevant Interest Period will be the Interest Rate applicable to the relevant Tranche of Notes during the immediately preceding Interest Period (with adjustment for any change in the Margin, Maximum Interest Rate or Minimum Interest Rate).

6.9.3 **Certificates to be final**

All communications, notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 6 by the Calculation Agent will (in the absence of willful default, bad faith or manifest error) be binding of the Issuer and the Noteholders and (subject as aforesaid) no liability to the Issuer or the Noteholders will attach to the Calculation Agent in connection with the exercise or no-exercise by it of its powers, duties and discretions pursuant of this Condition 6.

7. **PAYMENTS**

7.1 **Registered Notes**

- 7.1.1 Payments of interest and principal in respect of Uncertificated Notes will be made to the Registered Holder of such Notes, which in turn will transfer such funds, via the Participants, to the holders of Beneficial Interests. Each of the persons reflected in the records of the Central Securities Depository or the relevant Participants, as the case may be, as the holders of Beneficial Interests 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 Registered Holder of the relevant 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 such Beneficial Interests. Payments of interest and principal in respect of Uncertificated Notes shall be recorded by the 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.

7.1.2 Payments of interest and principal in respect of Notes represented by Definitive Certificates shall be made to the person reflected as the Registered Holder of the Definitive Certificate in the Register on the Last Day to Register.

7.2 **Bearer Notes**

7.2.1 Payments of interest in respect of Bearer Notes will be made to the Bearer only against presentation and surrender by the Bearer or its Representative of the relevant Coupon or (in respect of interest bearing Bearer Notes issued without Coupons) only against presentation by the Bearer or its Representative of the relevant Certificate.

7.2.2 Payments of Instalment Amounts in respect of Bearer Notes will be made to the Bearer only following presentation and surrender by the Bearer or its Representative of the relevant Receipt. Payments of the final instalment of principal in respect of Bearer Notes which are Instalment Notes, or of the principal of all other Bearer Notes will be made to the Bearer only following presentation and surrender by the Bearer or its Representative of the Certificate evidencing such Bearer Notes.

7.2.3 Upon presentation and/or surrender as aforesaid, the Bearer or its Representative shall be required to nominate in writing to the Paying Agent a bank account within South Africa (or any Other Banking Jurisdiction specified in the Applicable Pricing Supplement) into which the relevant payment must be made and provide details of its address (being an address within South Africa or any Other Banking Jurisdiction specified in the Applicable Pricing Supplement).

7.3 **Order Notes**

7.3.1 Payments of interest in respect of Order Notes will be made to the Payee only following presentation and surrender by the Payee or its Representative of the relevant Coupon or (in respect of interest bearing Order Notes issued without Coupons) only against presentation by the Payee or its Representative of the relevant Certificate.

7.3.2 Payments of Instalment Amounts in respect of Order Notes will be made to the Noteholder only following presentation and surrender by the Payee or its Representative of the relevant Receipt. Payments of the final instalment of principal in respect of Order Notes which are Instalment Notes, or of the principal of all other Order Notes will be made to the Payee only following presentation and surrender by the Payee or its Representative of the Certificate evidencing such Order Notes.

7.3.3 Upon presentation and/or surrender as aforesaid, the Payee or its Representative shall be required to nominate in writing to the Paying Agent a bank account within South Africa (or any Other Banking Jurisdiction specified in the Applicable Pricing Supplement) into which the relevant payment must be made and provide details of its address (being an address within South Africa or any Other Banking Jurisdiction specified in the Applicable Pricing Supplement).

7.4 **Method of Payment**

7.4.1 Payments of interest and principal will be made in the Specified Currency by electronic funds transfer.

7.4.2 If the Issuer is prevented or restricted directly or indirectly from making any payment by electronic funds transfer in accordance with the preceding paragraph (whether by reason of strike, lockout, fire, explosion, floods, riot, war, accident, act of God, embargo, legislation, shortage of or breakdown in facilities, civil commotion, unrest or disturbances, cessation of labour, Government interference or control or any other cause or contingency beyond the control of the Issuer), the Issuer shall make such payment by cheque (or by such number of cheques as may be required in accordance with applicable banking law and practice). Such payments by cheque shall be sent by post to:

- (a) the address of the Noteholder of Registered Notes as set forth in the Register or, in the case of joint Noteholders of Registered Notes, the address set forth in the Register of that one of them who is first named in the Register in respect of that Note; or
- (b) the address nominated by the Bearer or the Payee in respect of Bearer Notes or Order Notes, as the case may be, upon surrender in accordance with Condition 7.2 (*Bearer Notes*) or Condition 7.3 (*Order Notes*), as the case may be.

7.4.3 Each such cheque shall be made payable to the relevant Noteholder or, in the case of joint Noteholders of Registered Notes, the first one of them named in the Register. Cheques may be posted by ordinary post, provided that neither the Issuer nor the Paying Agent shall be responsible for any loss in transmission and the postal authorities shall be deemed to be the agent of the Noteholders for the purposes of all cheques posted in terms of this Condition 7.4.

7.4.4 In the case of joint Noteholders of Registered Notes payment by electronic funds transfer will be made to the account of the Noteholder first named in the Register. Payment by electronic transfer to the Noteholder first named in the Register shall discharge the Issuer of its relevant payment obligations under the Notes.

7.4.5 Payments will be subject in all cases to any taxation or other laws, directives and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 11 (*Taxation*).

7.5 **Surrender of Certificates and Coupons**

7.5.1 On or before the Last Day to Register prior to any Redemption Date of a Registered Note (including a Redemption Date relating to redemption in part), the holder of a Certificate, in respect of a Note to be redeemed (in part or in whole, as the case may be) shall deliver to the Transfer Agent the Certificates to be redeemed. This will enable the Transfer Agent to endorse the partial redemption thereon or, in the case of final redemption, to cancel the relevant Certificates.

7.5.2 In the case of the Uncertificated Notes, redemptions in part will be handled in accordance with the Applicable Procedures.

7.5.3 Should the holder of a Certificate refuse or fail to surrender the Certificate for endorsement or cancellation on or before a Redemption Date, the amount payable to

him in respect of such redemption, including any accrued interest, shall be retained by the Paying Agent for such Noteholder, at the latter's risk, until the Noteholder surrenders the necessary Certificate, and interest shall cease to accrue to such Noteholder from the Redemption Date in respect of the amount redeemed.

7.5.4 Payments of interest in respect of Bearer Notes or Order Notes shall be made in accordance with Condition 7.4 (*Method of Payment*) only following surrender of the relevant Coupon (if any) to the Paying Agent.

7.5.5 Payments of Instalment Amounts in respect of Instalment Notes which are Bearer Notes or Order Notes shall be made by the Issuer in accordance with Condition 7.4 (*Method of Payment*) only following surrender of the relevant Receipt to the Paying Agent.

7.5.6 No payment in respect of the final redemption of a Bearer Note or Order Note shall be made until the later of:

- (a) the Relevant Date; and
- (b) the date on which the Certificate in respect of the Note to be redeemed has been surrendered to the Paying Agent.

7.5.7 Upon final redemption as aforesaid, all unmatured Coupons relating to Bearer Notes or Order Notes, as the case may be, (whether or not surrendered with the relevant Certificate) shall become void and no payment shall be made thereafter in respect of them.

7.5.8 Documents required to be presented and/or surrendered to the Paying Agent in accordance with these Terms and Conditions shall be so presented and/or surrendered at the Specified Office of the Paying Agent specified in the Applicable Pricing Supplement.

7.6 **Payment Day**

Notwithstanding anything to the contrary contained in these Terms and Conditions, if the date for payment of any amount payable in respect of any Note is not a Business Day, then:

- (a) if a Business Day Convention is not specified in the Applicable Pricing Supplement, such date for payment shall be the following Business Day; and
- (b) if a Business Day Convention is specified in the Applicable Pricing Supplement, such date for payment shall be adjusted according to such Business Day Convention and Interest shall accrue to (but exclude), and be paid on, the relevant Interest Payment Date.

7.7 **Interpretation of principal and interest**

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (a) any additional amounts which may be payable with respect to principal under Condition 11 (*Taxation*);

- (b) the Final Redemption Amount of the Notes or the Early Redemption Amount (Tax) of the Notes or the Early Redemption Amount (Regulatory) of the Notes or the Early Termination Amount of the Notes, as the case may be;
- (c) the Optional Redemption Amount(s) (if any) of the Notes;
- (d) in relation to Instalment Notes, the Instalment Amounts;
- (e) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined under Condition 10.6 (*Early redemption of Zero Coupon Notes*)); and
- (f) any premium and any other amounts which may be payable under or in respect of the Notes, but excluding for the avoidance of doubt, interest.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 11 (*Taxation*).

8. EXCHANGE OF TALONS

On or after the Interest Payment Date on which the final Coupon (comprising the Coupon attached to the relevant Certificate relating to the latest Interest Payment Date in respect of that series of Coupons) matures, but not later than the date for prescription (in accordance with Condition 9 (*Prescription*)) of the Talon which may be exchanged for the respective Coupons, the Talon (if any) attached to the relevant Certificate upon issue, may be surrendered at the Specified Office of the Transfer Agent in exchange for further Coupons, including (if such further Coupons do not include Coupons to, and including, the final date for the payment of interest due in respect of the Notes to which they pertain) a further Talon, subject to the provisions of Condition 9 (*Prescription*). Each Talon shall, for the purposes of these Terms and Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon issued relative to such Talon matures.

9. PRESCRIPTION

The Notes, Receipts and Coupons will become void unless presented for payment of principal and interest within a period of 3 years after the Relevant Date therefor, save that any Certificate, Receipt or Coupon constituting a “*bill of exchange or other negotiable instrument*” in accordance with section 11 of the Prescription Act, 1969 will become void unless presented for payment of principal and interest within a period of 6 years from the Relevant Date thereof.

10. REDEMPTION AND PURCHASE

10.1 Scheduled redemption

Unless previously redeemed, or purchased and cancelled, the Unsubordinated Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 8 (*Exchange of Talons*).

10.2 Redemption for tax reasons

- 10.2.1 The Notes in a Series of Notes may be redeemed at the option of the Issuer in whole, but not in part, on or after the First Optional Redemption Date:

- (a) at any time (if neither the provisions applicable to Floating Rate Notes nor the provisions applicable to Indexed Interest Notes are specified in the Applicable Pricing Supplement as being applicable or, if they are, such provisions are not applicable at the time of redemption); or
- (b) on any Interest Payment Date (if the provisions applicable to Floating Rate Notes or Indexed Interest Notes are specified in the Applicable Pricing Supplement as being applicable and are applicable at the time of redemption),

on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) in accordance with Condition 17 (*Notices*) and to the Transfer Agent and the Paying Agent, at their Early Redemption Amount (Tax) together with interest accrued (if any) to (but excluding) the date of redemption, if a Tax Event occurs and is continuing,

provided, however, that no such notice of redemption shall be given earlier than:

- (i) where the Notes may be redeemed at any time, 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts or would not be entitled (or such entitlement is materially reduced) to claim a deduction in respect of computing its taxation liabilities; or
- (ii) where the Notes may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts or would not be entitled (or such entitlement is materially reduced) to claim a deduction in respect of computing its taxation liabilities.

10.2.2 Prior to the publication of any notice of redemption pursuant to Condition 10.2.1, the Issuer shall deliver to the Noteholders in accordance with Condition 17 (*Notices*) (a) a certificate signed by 2 authorised officers of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (b) an opinion of independent legal advisers of recognised standing to the effect that a Tax Event has occurred. Upon the expiry of any such notice as is referred to in this Condition 10.2, the Issuer shall be bound to redeem the Notes in accordance with this Condition 10.2.

10.3 **Redemption at the option of the Issuer (Issuer Call)**

If redemption (as contemplated in this Condition 10) at the option of the Issuer (Call Option) is specified in the Applicable Pricing Supplement as being applicable, the Unsubordinated Notes in a Series of Notes may be redeemed at the option of the Issuer in whole or, if so specified in the Applicable Pricing Supplement, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) together with accrued interest (if any) to such date upon the Issuer giving not less than 15 nor more than 30 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the relevant Notes on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date). Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount in each case as may be specified in the applicable final terms in the Applicable Pricing Supplement. In the case of a partial redemption of Notes, the Notes to be redeemed ("**Redeemed Notes**") will be selected individually by lot, in the case of Redeemed Notes represented by Definitive

Certificates, and in accordance with the rules of the Central Securities Depository (to be reflected in the records of the Central Securities Depository as either a pool factor or a reduction in nominal amount, at their discretion), in the case of Redeemed Notes held in uncertificated form, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the “**Selection Date**”). In the case of Redeemed Notes represented by Definitive Certificates, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 17 (*Notices*) not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Uncertificated Notes will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 10.3 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 17 (*Notices*) at least five days prior to the Selection Date.

10.4 **Redemption at the option of Noteholders (Put Option)**

10.4.1 If the Put Option is specified in the Applicable Pricing Supplement as being applicable, the Issuer shall, at the option of the holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 10.4, the holder of such Note must, give the Issuer not less than 15 nor more than 30 days before the relevant Optional Redemption Date (Put), of the exercise of the Put Option. Registered Notes may be redeemed under this Condition 10.4 in any multiple of their lowest Specified Denomination. It may be that before a Put Option can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the Applicable Pricing Supplement.

10.4.2 To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside the Central Securities Depository, deliver, at the specified office of any Paying Agent (in the case of Bearer Notes) or the Transfer Agent (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Transfer Agent falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Transfer Agent (a “Put Notice”) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition 10.4 and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 14 (*Transfer of Notes*). If this Note is in definitive bearer form, the Put Notice must be accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control.

10.4.3 If this Note is held through the Central Securities Depository to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Paying Agent of such exercise in accordance with the standard procedures of the Central Securities Depository (which may include notice being given on his instruction by the Central Securities Depository or any depository for them to the Paying Agent by electronic means) in a form acceptable to the Central Securities Depository from time to time.

10.4.4 Any Put Notice or other notice given in accordance with the standard procedures of the Central Securities Depository given by a holder of any Note pursuant to this Condition 10.4 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 10.4.

10.5 **No other redemption, substitution or variation**

The Issuer shall not be entitled to redeem, substitute or vary the terms of the Notes otherwise than as provided in Conditions 10.1 (*Scheduled redemption*) to 10.4 (*Redemption at the option of Noteholders (Put Option)*).

10.6 **Early redemption of Zero Coupon Notes**

10.6.1 Unless otherwise specified in the Applicable Pricing Supplement, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount (the “**Amortised Face Amount**”) equal to the sum of:

- (a) the Reference Price; and
- (b) the product of the Implied Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

10.6.2 Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Applicable Pricing Supplement for the purposes of this Condition 10.6 or, if none is so specified, a Day Count Fraction of Actual/365.

10.7 **Purchase**

The Issuer or any of its subsidiaries may at any time purchase Notes in the open market or otherwise and at any price.

10.8 **Cancellation**

All Notes so redeemed or purchased by the Issuer or any of its subsidiaries may, at its option, be cancelled and may, if cancelled, not be reissued or resold.

11. TAXATION

11.1 All payments of principal or interest in respect of the Notes will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction, unless such withholding or deduction is required by Applicable Law.

11.2 In such event, the Issuer will pay such 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, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note:

- 11.2.1 presented for payment (to the extent presentation is required) in South Africa; or
- 11.2.2 presented for payment or (in the case of Registered Notes) held by or on behalf of a Noteholder, who is liable for such taxes in respect of such Note by reason of it having some connection with a Tax Jurisdiction other than the mere holding of such Note or the receipt of principal or interest in respect thereof; or
- 11.2.3 presented for payment or (in the case of Registered Notes) held by or on behalf of a Noteholder which would not be liable or subject to the withholding or deduction by complying with any statutory requirement or by making a declaration of non-residency or other similar claim for exemption to the relevant tax authority (the effect of which is not to require the disclosure of the identity of the relevant Noteholder); or
- 11.2.4 where (in the case of any payment of principal or interest which is conditional on surrender of the relevant Certificate in accordance with these Terms and Conditions) the relevant Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Noteholder would have been entitled to an additional amount on presenting the Certificate for payment on such thirtieth day assuming that day to have been a Payment Date; or
- 11.2.5 if such withholding or deduction arises through the exercise by revenue authorities of special powers in respect of tax defaulters.

12. EVENTS OF DEFAULT

12.1 *Events of Default relating to Unsubordinated Notes*

This Condition 12.1 only applies to Unsubordinated Notes. If any one or more of the following events (each an Event of Default) shall occur and be continuing with respect to any Unsubordinated Note of the Series:

- (a) if default is made in the payment of any principal or interest due in respect of the Notes of the Series or any of them and the default continues for a period of 7 days in the case of principal and 14 days in the case of interest; or
- (b) if the Issuer fails to perform or observe any of its other obligations under the Terms and Conditions of the Notes of the Series and (except in any case where the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 45 days next following the service by a Noteholder on the Issuer of written notice requiring the same to be remedied; or
- (c) if any indebtedness for borrowed money of the Issuer exceeding in aggregate the Threshold Amount (as defined below) (a) becomes immediately due and payable, and is declared to be so due and payable, prior to its stated maturity, by reason of an event of default (howsoever described) on the part of such party, or (b) is not discharged on its due date (other than any payment default that results solely from (i) wire transfer difficulties, or (ii) an error or omission of an administrative or operational nature provided that the payment is made within 3 business days from the date of such failure to pay, or (iii) any governmental or regulatory restrictions that in the sole opinion of the Issuer

prohibits repayment, or (iv) a liability which such party shall be contesting in good faith, or (v) subject to any grace period applicable to the relevant payment). For the purposes of this Condition 12.1(c), the expression “**Threshold Amount**” means an amount equal to 2% of the shareholder's funds of the Issuer (being its gross assets less its gross liabilities) as determined by reference to its most recent published annual audited financial statements; or

- (d) if any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer or any Material Subsidiary (other than solvent reorganisation of any Material Subsidiary), and any resulting winding up or dissolution process remains undismissed for 45 days save for the purposes of reorganisation, reconstruction, amalgamation, merger or consolidation on terms previously approved by an Extraordinary Resolution or an Extraordinary Written Resolution of the Noteholders; or
- (e) if the Issuer or any Material Subsidiary ceases or threatens to cease to carry on the whole or a substantial part of its business (other than solvent reorganisation of any Material Subsidiary), save for the purposes of reorganisation, reconstruction, amalgamation, merger or consolidation on terms previously approved by an Extraordinary Resolution or an Extraordinary Written Resolution of the Noteholders, or the Issuer or any Material Subsidiary stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts within the meaning of section 131(4) of the Companies Act or is adjudicated or found bankrupt or insolvent in terms of the Insolvency Act, 1936 (the “**Insolvency Act**”); or
- (f) if proceedings are initiated against the Issuer or any Material Subsidiary under any applicable liquidation, insolvency, business rescue, composition, reorganisation, curatorship, or other similar laws or an administrator, business rescue practitioner, manager, curator, administrative receiver or other receiver is appointed in relation to the Issuer or any Material Subsidiary including, without limitation, the following:
 - (i) the Issuer becomes subject to a scheme of arrangement or compromise as envisaged in section 155 of the Companies Act, (other than a scheme of arrangement or compromise the terms of which have been previously approved by an Extraordinary Resolution or an Extraordinary Written Resolution of the Noteholders);
 - (ii) the Issuer is wound-up, liquidated, deregistered or placed under curatorship, business rescue, or a similar process, in any such event whether provisionally or finally and whether voluntarily or compulsorily, or passes a resolution providing for any such event;
 - (iii) the Issuer compromises or attempts to compromise with or defers or attempts to defer payment of debts owing by it to its creditors generally or any significant class of its creditors;
 - (iv) any procedural step is taken by the Issuer (including an application, a proposal or a convening of a meeting) with a view to a compromise or arrangement with any of its creditors generally or any significant class of its creditors;

- (v) the Issuer commits any act which is or, if it were a natural person, would be an act of insolvency as defined in the Insolvency Act;
 - (vi) the Issuer is deemed to be unable to pay its debts in terms section 131(4) of the Companies Act; or
 - (vii) the members or creditors of the Issuer (other than the Noteholders) meet in order to pass a resolution providing for the Issuer to be wound-up, liquidated, deregistered or placed under business rescue or curatorship or a similar process, or any resolution is passed to this effect; or
- (g) an administrative or other receiver, manager, administrator or other similar official is appointed in relation to the Issuer or any Material Subsidiary or, as the case may be, in relation to the whole or a major part of the undertaking or assets of any of the Issuer or any Material Subsidiary, or an encumbrancer takes possession of the whole or a major part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced or sued out on or against the whole or a major part of the undertaking or assets of any of them and in any case (other than the appointment of an administrator) is not discharged or stayed within 45 days,

then any holder of an Unsubordinated Note of the Series may, by written notice to the Issuer, effective upon the date of receipt thereof by the Issuer, declare any Notes held by the holder to be forthwith due and payable whereupon the same shall become forthwith due and payable at its Early Termination Amount, together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

12.2 **Notice of an Event of Default**

If an Event of Default occurs, the Issuer will forthwith upon becoming aware of such Event of Default, give notice thereof in writing to the Transfer Agent, the Calculation Agent, the Debt Sponsor and the Noteholders of that Series and, if any Notes are listed on the Interest Rate Market of the JSE, to the JSE (within one Business Day of becoming aware of the occurrence of an Event of Default), to the Noteholders through SENS and to the Central Securities Depository.

13. **DELIVERY, EXCHANGE AND REPLACEMENT OF CERTIFICATES, RECEIPTS AND COUPONS**

13.1 Upon the issue of Bearer Notes, Order Notes, unlisted Registered Notes or upon notice from a Participant pursuant to Condition 13.3 requesting the exchange or partial exchange of a Beneficial Interest in Notes for a Definitive Certificate(s), the Transfer Agent shall deliver the relevant Definitive Certificate(s) in accordance with the Agency Agreement.

13.2 The holder of a Beneficial Interest in Notes may, in terms of the Applicable Procedures and subject to the relevant provisions of the Financial Markets Act, (or the relevant provisions of any successor legislation), by written notice to the holder's nominated Participant (or, if such holder is a Participant, the Central Securities Depository), request that such Beneficial Interest be exchanged for Notes in definitive form represented by a Certificate (the "**Exchange Notice**"). The Exchange Notice shall specify the name, address and bank account details of the holder of the Beneficial Interest.

- 13.3 The holder's nominated Participant will, following receipt of the Exchange Notice, through the Central Securities Depository, notify the Transfer Agent that it is required to exchange such Beneficial Interest for Notes represented by a Certificate. The Transfer Agent will, as soon as is practicable but within 14 days after receiving such notice, in accordance with the Applicable Procedures, procure that a Certificate is prepared, authenticated and made available for delivery, on a Business Day falling within the aforementioned 14 day period, to the holder of the Beneficial Interest at the Specified Office of the Transfer Agent; provided that joint holders of a Beneficial Interest shall be entitled to receive only one Certificate in respect of that joint holding, and delivery to one of those joint holders shall be delivery to all of them.
- 13.4 In the case of the exchange of a Beneficial Interest in Notes issued in uncertificated form:
- 13.4.1 the Registered Holder, shall, prior to the Exchange Date, surrender (through the Central Securities Depository system) such uncertificated Notes to the Transfer Agent at its Specified Office; and
- 13.4.2 the Transfer Agent will obtain the release of such uncertificated Notes from the Central Securities Depository in accordance with the Applicable Procedures.
- 13.5 A Certificate shall, in relation to a Beneficial Interest:
- 13.5.1 in a Tranche of Notes which is held in the Central Securities Depository, represent that number of Notes as have, in the aggregate, the same aggregate Principal Amount of Notes standing to the account of the holder of such Beneficial Interest; and
- 13.5.2 in any number of Notes issued in uncertificated form of a particular aggregate Principal Amount standing to the account of the holder thereof, represent that number of Notes of that aggregate Principal Amount,
- as the case may be, and shall otherwise be in such form as may be agreed between the Issuer and the Transfer Agent; provided that if such aggregate Principal Amount is equivalent to a fraction of R1 000 000 (or the equivalent thereof in the Specified Currency if the Specified Currency is not Rand) or a fraction of any multiple thereof, such Certificate shall be issued in accordance with, and be governed by, the Applicable Procedures.
- 13.6 Subject always to Applicable Laws and Applicable Procedures, upon the replacement of a Beneficial Interest in Notes with Notes in definitive form represented by a Certificate in accordance with this Condition 13, such Notes (now represented by a Certificate) will cease to be listed on the Financial Exchange and will no longer be lodged in the Central Securities Depository. Notes represented by Certificates will be registered in the Register in the name of the individual Noteholders of such Notes.
- 13.7 Certificates, and any Receipts and/or Coupons in relation to Bearer Notes or Order Notes, shall be provided (whether by way of issue, delivery or exchange) by the Issuer without charge, save as otherwise provided in these Terms and Conditions. Separate costs and expenses relating to the provision of Certificates and/or the transfer of Notes may be levied by other persons, such as a Settlement Agent, under the Applicable Procedures and such costs and expenses shall not be borne by the Issuer. The costs and expenses of delivery of Certificates, Receipts and/or Coupons otherwise than by ordinary post (if any) and, if the Issuer shall so require, taxes or governmental charges

or insurance charges that may be imposed in relation to such mode of delivery shall be borne by the Noteholder.

13.8 Any person becoming entitled to Registered Notes in consequence of the death, sequestration or liquidation of the holder of such Notes may upon producing such evidence that he holds the position in respect of which he proposes to act under this Condition 13 or of his title as the Issuer and the Transfer Agent shall require, be registered himself as the holder of such Notes or, subject to the requirements of the Applicable Procedures and of this Condition 13, may transfer such Notes. The Issuer and the Paying Agent shall be entitled to retain any amount payable upon the Notes to which any person is so entitled until such person shall be registered as aforesaid or shall duly transfer the Notes.

13.9 If any Certificate, Receipt or Coupon is mutilated, defaced, stolen, destroyed or lost it may be replaced at the Specified Office of the Issuer or the Specified Office of the Transfer Agent, on payment by the claimant of such costs and expenses as may be incurred in connection therewith and the provision of such indemnity as the Issuer may reasonably require. Mutilated or defaced Certificates, Receipts or Coupons must be surrendered before replacements will be issued.

14. TRANSFER OF NOTES

14.1 Transfer of Registered Notes

14.1.1 Beneficial Interests in the Notes may be transferred in terms of the Applicable Procedures through the Central Securities Depository.

14.1.2 The Central Securities Depository maintains accounts only for its Participants. Beneficial Interests which are held by Participants (which are also Settlement Agents) may be held directly through the Central Securities Depository. Participants are in turn required to maintain securities accounts for their clients. Beneficial Interests which are not held by Participants may be held by clients of Participants indirectly through such Participants.

14.1.3 Transfers of Beneficial Interests to and from clients of Participants occur, in terms of existing law and practice, by way of electronic book entry in the securities accounts maintained by the Participants for their clients. Transfers of Beneficial Interests among Participants occur through electronic book entry in the central securities accounts maintained by the Central Securities Depository for the Participants. Beneficial Interests may be transferred only in accordance with these Terms and Conditions, and the Applicable Procedures.

14.1.4 In order for any transfer of Registered Notes represented by a Certificate to be recorded in the Register and for the transfer to be recognised by the Issuer, each transfer of a Registered Note:

- (a) must be embodied in a Transfer Form;
- (b) must be signed by the relevant Noteholder and the transferee, or any authorised representatives of that registered Noteholder and/transferee;
- (c) shall only be in the Specified Denomination or a multiple thereof and consequently the Issuer will not recognise any fraction of the Specified Denomination; and

- (d) must be made by way of the delivery of the Transfer Form to the Transfer Agent together with the Certificate in question for cancellation or, if only part of the Notes represented by a Certificate is transferred, a new Certificate for the balance will be delivered to the transferor and the cancelled Certificate will be retained by the Transfer Agent.

14.1.5 The transferor of any Registered Notes represented by a Certificate shall be deemed to remain the owner thereof until the transferee is registered in the Register as the holder thereof.

14.1.6 Before any transfer is registered all relevant transfer taxes (if any) must have been paid and such evidence must be furnished as the Transfer Agent may reasonably require as to the identity and title of the transferor and the transferee.

14.1.7 The Transfer Agent will, within 3 Business Days of receipt by it of a valid Transfer Form (or such longer period as may be required to comply with any applicable taxation or other laws, regulations or Applicable Procedures), authenticate and deliver to the transferee (at the risk of the transferee) a new Certificate in respect of the Notes transferred.

14.1.8 No transfer will be registered while the Register is closed.

14.1.9 In the event of a partial redemption of Notes, the Issuer and the Transfer Agent shall not be required:

- (a) to register the transfer of any Notes during the period beginning on the tenth day before the date of the partial redemption and ending on date of the partial redemption (both inclusive); or
- (b) to register the transfer of any Note, or part of a Note, called for partial redemption.

14.2 **Transfer of Bearer Notes**

Bearer Notes (including rights to Instalment Amounts and/or interest thereon, as applicable) may be transferred by the delivery of the Certificate evidencing such Bearer Note or the relevant Receipt or Coupon relating thereto, as the case may be. Where the last Endorsement on a Certificate evidencing an Order Note or a Receipt or Coupon relating thereto is an Endorsement in Blank, then such Certificate, Receipt or Coupon, as the case may be, shall be treated as evidencing a Bearer Note.

14.3 **Transfer of Order Notes**

Order Notes (including rights to Instalment Amounts and/or interest thereon, as applicable) may be transferred by the Endorsement of the Certificate evidencing such Order Note or Receipt or Coupon relating thereto, as the case may be, by the old Payee and the delivery of such Certificate, Receipt or Coupon to the new Payee.

14.4 **Prohibition on stripping**

Where so specified in the Applicable Pricing Supplement, Bearer Notes or Order Notes which are issued with Receipts and/or Coupons attached and which are redeemable at the option of the Issuer and/or Noteholders shall be issued subject to the condition that the relevant Notes (including rights to Instalment Amounts and/or interest thereon, as applicable) may only be transferred to a single transferee at a time and accordingly that

the various rights in respect of such Notes may not be stripped and transferred to various transferees at different times.

15. REGISTER

15.1 The Register shall:

15.1.1 be kept at the Specified Office of the Transfer Agent or such other person as may be appointed for the time being by the Issuer to maintain the Register;

15.1.2 reflect the number of Notes issued and Outstanding and whether they are Registered Notes, Bearer Notes or Order Notes;

15.1.3 contain the name, address, and bank account details of the Noteholders of Registered Notes;

15.1.4 set out the Principal Amount of the Notes issued to such Noteholders and shall show the date of such issue;

15.1.5 show the serial number of Certificates issued in respect of Notes;

15.1.6 be open for inspection during the normal business hours of the Transfer Agent to any Noteholder or any person authorized in writing by any Noteholder; and

15.1.7 be closed during the Books Closed Period.

15.2 The Transfer Agent will only recognize, as registered holder of a Note, the Noteholder in the Register at 17h00 (South African time) on the relevant Last Day to Register. The Issuer and the Transfer Agent shall not be bound to enter any trust into the Register or to take notice of any or to accede to any trust executed, whether express or implied, to which any Note may be subject.

15.3 The Transfer Agent shall alter the Register in respect of any change of name, address or bank account number of any of the Noteholders of any Registered Notes of which it is notified in accordance with these Terms and Conditions.

16. CALCULATION AGENT, TRANSFER AGENT, PAYING AGENT AND ISSUER AGENT

16.1 Any third party appointed by the Issuer as Calculation Agent, Transfer Agent, Paying Agent and Issuer Agent or otherwise shall act solely as the agents of the Issuer and do not assume any obligation towards or relationship of agency or trust for or with any Noteholders. The Issuer is entitled to vary or terminate the appointment of such agents and/or appoint additional or other agents and/or approve any change in the Specified Office through which any agent acts.

16.2 To the extent that the Issuer acts as the Transfer Agent, Calculation Agent, Issuer Agent or Paying Agent, all references in these Terms and Conditions to:

16.2.1 any action, conduct or functions in such role shall be understood to mean that the Issuer shall perform such action, conduct or function itself; and

16.2.2 requirements for consultation, indemnification by or of, payment by or to, delivery by or to, notice by or to, consent by or to or agreement between the Issuer and such Transfer Agent, Calculation Agent or Paying Agent (as the case may be) shall be disregarded to the extent that the Issuer performs such role.

17. NOTICES

17.1 Notices to Noteholders shall be valid and effective:

17.1.1 in the case of uncertificated Notes listed on the JSE, if delivered to:

- (a) the JSE and electronically published on SENS, or any other similar service, established by the JSE; and
- (b) the Central Securities Depository; or

17.1.2 in the case of unlisted uncertificated Notes, if mailed to the registered addresses of the Noteholders appearing in the Uncertificated Securities Register or, if delivered to the Central Securities Depository (and if required, electronically published on SENS, or any other similar service, established by the JSE); or

17.1.3 in the case of Notes represented by an Individual Certificate (whether evidencing Registered Notes, Bearer Notes or Order Notes) if mailed to the registered addresses of the holders of the Notes appearing in the Register and published, not earlier than 4 calendar days after the date of posting of such notice by registered mail:

- (a) in an English language daily newspaper of general circulation in South Africa; and
- (b) for so long as the Notes are listed on the JSE or such other Financial Exchange, a daily newspaper of general circulation in the city in which the JSE or such other Financial Exchange is situated or any electronic news service of general distribution.

17.2 Any such notice shall be deemed to have been given on the seventh day after the day on which it is mailed, or the day of its publication, as the case may be.

17.3 A notice to be given by any Noteholder to the Issuer shall be in writing and given by lodging (either by hand delivery or posting by registered mail) that notice, together with a certified copy of the relevant Certificate, Coupon or Receipt at the Specified Office of the Transfer Agent. The Issuer may change its Specified Office upon prior written notice to the Noteholders specifying such new address. For so long as any of the Notes are held in uncertificated form, notice may be given by any holder of a Beneficial Interest in Notes to the Issuer via the relevant Settlement Agent in accordance with the Applicable Procedures, in such manner as the Issuer and the relevant Settlement Agent may approve for this purpose. Such notices shall be deemed to have been received by the Issuer, if delivered by hand, on the second Business Day after being hand delivered, or, if sent by registered mail, 7 days after posting.

18. MEETINGS OF NOTEHOLDERS

18.1 Directions of Noteholders

- 18.1.1 The provisions with regard to meetings of Noteholders are set out in this Condition 18.
- 18.1.2 Every director, the secretary of and the attorney to the Issuer and every other person authorised in writing by the Issuer, may attend and speak at a meeting of Noteholders, but will not be entitled to vote, other than as a Noteholder or proxy or duly authorised representative of a Noteholder.
- 18.1.3 A meeting of Noteholders will have power, in addition to all powers specifically conferred elsewhere in the Terms and Conditions:
- (a) by Ordinary Resolution of the Noteholders to give instructions to the Issuer in respect of any matter not covered by the Terms and Conditions (but without derogating from the powers or discretions expressly conferred upon the Issuer by the Terms and Conditions or imposing obligations on the Issuer not imposed or contemplated by the Terms and Conditions or otherwise conflicting with or inconsistent with the provisions of the Terms and Conditions); or
 - (b) by Extraordinary Resolution or an Extraordinary Written Resolution:
 - (i) of the Noteholders to bind all of the Noteholders to any compromise or arrangement; or
 - (ii) of a particular Series of Noteholders to agree to any variation or modification of any rights of that Series of Noteholders.

18.1.4 Unless otherwise specified, resolutions of Noteholders will require an Ordinary Resolution to be passed.

18.2 Convening of meetings

- 18.2.1 The Issuer may at any time convene a meeting of all Noteholders or separate meetings of holders of any Series of Notes (a “**meeting**” or the “**meeting**”).
- 18.2.2 The Issuer will convene (a) a meeting of Noteholders upon the requisition in writing of Noteholders holding not less than 10% of the aggregate Principal Amount of all of the Notes Outstanding or (b) a separate meeting of holders of any Series of Notes upon the requisition in writing of the Noteholders in that Series holding not less than 10% of the aggregate Principal Amount of the Notes Outstanding held by the holders of that Series, as the case may be (a “**requisition notice**”).
- 18.2.3 Whenever the Issuer wishes to convene a meeting, it will forthwith give notice in writing to the Noteholders in the manner prescribed in Condition 17 (*Notices*) of the place, day and hour of the meeting, the nature of the business to be transacted at the meeting and the resolutions to be proposed and considered at the meeting.
- 18.2.4 All meetings of Noteholders will be held in South Africa.

18.3 **Requisition**

18.3.1 A requisition notice will state the nature of the business for which the meeting is to be held and the resolutions to be proposed and considered at the meeting and will be deposited at the Specified Office of the Issuer.

18.3.2 A requisition notice may consist of several documents in like form, each signed by one or more requisitionists.

18.4 **Convening of meetings by requisitionists**

If the Issuer does not convene a meeting to be held within 30 days of the deposit of a requisition notice, the requisitionists may themselves convene the meeting, but the meeting so convened will be held within 90 days from the date of such deposit and will be convened as nearly as possible in the same manner as that in which meetings may be convened by the Issuer. Whenever the requisitionists are about to so convene any such meeting, requisitionists shall forthwith give notice of the meeting to the Issuer.

18.5 **Notice of meeting**

18.5.1 Unless the Noteholders of at least 90% of the aggregate Principal Amount of the Notes Outstanding or Series of Notes Outstanding, as the case may be, agree in writing to a shorter period, at least 21 Business Days' written notice, specifying the place, day and time of the meeting, the nature of the business for which the meeting is to be held and the resolutions to be proposed and considered at the meeting, will be given to each Noteholder and to the Issuer if applicable.

18.5.2 The accidental omission to give such notice to any Noteholder or the Issuer, as the case may be, or the non-receipt of any such notice, will not invalidate the proceedings at a meeting.

18.5.3 For as long as any Notes are listed on the JSE, notices of meetings in respect of such JSE-listed Notes, shall be announced on SENS, which announcement shall state the date that the Issuer has selected to determine which Noteholders recorded in the Register will receive notice of the meeting, and the last date by which proxy forms must be submitted.

18.6 **Quorum**

18.6.1 A quorum at a meeting shall:

- (a) for the purposes of considering an Ordinary Resolution, consist of Noteholders present in person or by proxy and holding in the aggregate not less than one-third of the aggregate Principal Amount of the Notes Outstanding or Series of Notes Outstanding, as the case may be; and
- (b) for the purposes of considering an Extraordinary Resolution or an Extraordinary Written Resolution, consist of Noteholders present in person or by proxy and holding in the aggregate not less than a clear majority (i.e. 50% + 1) of the aggregate Principal Amount of the Notes Outstanding or Series of Notes Outstanding, as the case may be.

18.6.2 No business will be transacted at a meeting of the Noteholders unless a quorum is present at the time when the meeting proceeds to business.

18.6.3 If, within 15 minutes from the time appointed for the meeting, a quorum is not present, the meeting will, if it was convened on the requisition of Noteholders, be dissolved. In every other case the meeting will stand adjourned to the same day in the third week thereafter, at the same time and place, or if that day is not a Business Day, the next succeeding Business Day. If at such adjourned meeting a quorum is not present the Noteholders present in person or by proxy will constitute a quorum for the purpose of considering any resolution, including an Extraordinary Resolution or an Extraordinary Written Resolution.

18.7 **Chairperson**

The chairperson (who may, but need not be, a Noteholder) of the meeting shall be appointed by the Issuer. If the Issuer or the person appointed by the Issuer to preside as chairperson of the meeting is not present within 10 minutes of the time appointed for the holding of the meeting, the Noteholders then present will choose one of their own number to preside as chairman.

18.8 **Adjournment**

18.8.1 Subject to the provisions of this Condition 18, the chairperson may, with the consent of, and will on the direction of, the meeting adjourn the meeting from time to time and from place to place.

18.8.2 No business will be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

18.8.3 At least 14 days' written notice of the place, day and time of an adjourned meeting will be given by the Issuer to each Noteholder. In the case of a meeting adjourned in terms of Condition 18.6.3, the notice will state that the Noteholders present in person or by proxy at the adjourned meeting will constitute a quorum.

18.9 **How questions are decided**

18.9.1 At a meeting, a resolution put to the vote will be decided on a poll.

18.9.2 In the case of an equality of votes, the chairperson will not be entitled to a casting vote in addition to the vote, if any, to which he is entitled.

18.10 **Votes**

Voting shall only take place on a poll and not on a show of hands. On a poll every Noteholder, present in person or by proxy, will be entitled to that proportion of the total votes which the aggregate Principal Amount of the Notes Outstanding held by such Noteholder bears to the aggregate Principal Amount of all of the Notes Outstanding or Series of Notes, as the case may be, held by Noteholders present in person or by proxy at the meeting. In relation to joint Noteholders, the vote may be exercised only by that Noteholder whose name appears first on the Register in the event that more than one of such Noteholders is present, in person or by proxy, at the meeting. The Registered Holder in respect of Uncertificated Notes shall vote at any such meeting on behalf of the holders of Beneficial Interests in such Notes in accordance with the instructions from the holders of Beneficial Interests conveyed in accordance with the Applicable Procedures.

18.11 **Proxies and representatives**

18.11.1 Noteholders present either in person or by proxy may vote on a poll. A Noteholder may by an instrument in writing (a “**proxy form**”) signed by the Noteholder (or his duly authorised agent) or, in the case of a juristic person, signed on its behalf by a duly authorised officer of the juristic person, appoint any person (a “**proxy**” or “**proxies**”) to act on his or its behalf in connection with any meeting or proposed meeting.

18.11.2 A person appointed to act as proxy need not be a Noteholder.

18.11.3 The proxy form will be deposited at the Specified Office of the Issuer or at the Specified Office of the Transfer Agent, as the case may be, not less than 24 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in such proxy proposes to vote.

18.11.4 No proxy form will be valid after the expiration of 6 months from the date named in it as the date of its execution.

18.11.5 Notwithstanding Condition 18.11.4, a proxy form will be valid for any adjourned meeting, unless the contrary is stated thereon. A vote given in accordance with the terms of a proxy form will be valid notwithstanding the previous death or incapacity of the principal or revocation or amendment of the proxy form or of any of the Noteholder’s instructions pursuant to which the proxy form was executed or of the authority under which the proxy form was executed or the transfer of Notes in respect of which the proxy was given, provided that no intimation in writing of such death, incapacity, revocation or amendment shall have been received by the Issuer at its Specified Office or the Transfer Agent at its Specified Office, as the case may be, more than, and that the transfer has been given effect to less than, 12 hours before the commencement of the meeting or adjourned meeting at which the proxy is to be used.

18.11.6 Any Noteholder which is a juristic person may authorise any person to act as its representative in connection with any meeting or proposed meeting of Noteholders by resolution of the directors or other governing body of the juristic person. Any reference in the Terms and Conditions to a Noteholder present in person includes the duly authorised representative of a Noteholder which is a juristic person.

18.12 **Minutes**

18.12.1 The Issuer will cause minutes of all resolutions and proceedings of meetings to be duly entered in the minute books of the Issuer.

18.12.2 Any such minutes as aforesaid, if purporting to be signed by the chairperson of the meeting at which such resolutions were passed or proceedings held or by the chairperson of the next succeeding meeting, will be receivable in evidence without any further proof, and until the contrary is proved, a meeting of Noteholders or Series of Noteholders, as the case may be, in respect of the proceedings of which minutes have been so made will be deemed to have been duly held and convened and all resolutions passed thereat, or proceedings held, to have been duly passed and held.

18.13 **Written Resolutions**

A resolution in writing submitted to Noteholders or Noteholders of a Series, as the case may be, entitled to exercise voting rights in relation to the resolution, and signed (either in terms of the actual written resolution, or by way of signing a proxy form) by the requisite majority of Noteholders or Noteholders of a Series, as the case may be, shall

be as valid and effective as if it had been passed at a meeting duly convened and constituted and shall be deemed (unless a statement to the contrary is made in that resolution) to have been passed on the last day on which that resolution is signed by any one or more of the Noteholders or Noteholders of a Series, as the case may be. That resolution may consist of two or more documents in the same form each of which is signed by one or more of the Noteholders or Noteholders of a Series, as the case may be.

19. AMENDMENT OF THESE CONDITIONS

19.1 The Issuer may effect, without the consent of any Noteholder or any Noteholders of the relevant Series of Notes, as the case may be, any amendment to these Terms and Conditions:

19.1.1 which is of a technical nature, made to correct a manifest error or to comply with mandatory provisions of the law of South Africa; or

19.1.2 which does not affect the Unsubordinated Notes in issue,

provided that the Issuer shall provide the amended Terms and Conditions or the supplement to these Terms and Conditions to the JSE immediately after the amendment is made and release an announcement on SENS providing a summary of the amendments and where the amended or modified Terms and Conditions or supplement to the Terms and Conditions will be available for inspection.

19.2 Save as provided in Condition 19.1 and subject to Condition 19.3, no amendment, variation or modification of these Terms and Conditions may be effected or be of any force or effect unless approved by an Extraordinary Resolution or an Extraordinary Written Resolution of the Noteholders or the Noteholders of the relevant Tranche or Series of Notes, as the case may be.

19.3 If any amendment, variation or modification of these Terms and Conditions does not fall within the provisions of Condition 19.1 then, in the case of any Tranche of Notes listed on the Interest Rate Market of the JSE:

19.3.1 the Issuer must first, prior to submitting the proposed amended Terms and Conditions or the proposed supplement to these Terms and Conditions to the Noteholders or the Noteholders of the relevant Tranche or Series of Notes, as the case may be, for approval, obtain conditional formal approval of the proposed amended Terms and Conditions or the proposed supplement to these Terms and Conditions from the JSE in accordance with the JSE Debt Listings Requirements;

19.3.2 subsequent to receiving the conditional formal approval from the JSE contemplated by Condition 19.3.1, the Issuer shall send a notice, together with the proposed amended Terms and Conditions or proposed supplement to these Terms and Conditions, to all of the Noteholders or the Noteholders of the relevant Tranche or Series of Notes, as the case may be, in accordance with Condition 17 (*Notices*) incorporating the proposed amendments and requesting approval of the amendments from the Noteholders or the Noteholders of the relevant Tranche or Series of Notes, as the case may be, by way of an Extraordinary Resolution or an Extraordinary Written Resolution;

- 19.3.3 if such approval is requested to be given:
- (a) by way of an Extraordinary Resolution, a proxy form shall be sent, together with the notice convening the meeting at which the Extraordinary Resolution is proposed to be passed, to each person entitled to vote at such meeting and who has elected to receive such documents;
 - (b) by way of an Extraordinary Written Resolution, the notice to all of the Noteholders or the Noteholders of the relevant Tranche or Series of Unsubordinated Notes, as the case may be, must include the proposed resolution, any restrictions on voting in terms of these Terms and Conditions, the last date on which a Noteholder may submit its vote, in writing, on the proposed resolution (provided that such date shall be no later than the 20th Business Day after the notice was distributed to all of the Noteholders or the Noteholders of the relevant Tranche or Series of Unsubordinated Notes, as the case may be) and the address where the vote must be submitted;
- 19.3.4 for the purpose of the resolutions above wherein any votes are to be excluded from the passing of that resolution, any proxy given by a Noteholder to the holder of such an excluded vote shall be excluded from voting for the purposes of that resolution; or
- 19.3.5 the Issuer must release an announcement on SENS with details concerning the date, time and venue of the meeting of all of the Noteholders or the Noteholders of the relevant Tranche or Series of Notes, as the case may be, within 24 hours after the notice of the meeting has been distributed to the relevant Noteholder, and, in the case of written resolutions, the Issuer must release an announcement on SENS with details of the written resolutions being proposed within 24 hours after the notification of the proposed written resolutions have been distributed to the relevant Noteholders. In either instance, if the notification to the relevant Noteholders was distributed via a SENS announcement, a separate announcement is not required in terms of this Condition 19.3.5;
- 19.3.6 if approval from the relevant Noteholders or the Noteholders of the relevant Tranche or Series of Notes, as the case may be, is obtained, confirmation of such approval and the signed amendment of these Terms and Conditions or the signed supplement to these Terms and Conditions shall be submitted to the JSE by or on behalf of the Issuer and the Issuer shall also provide a letter to the JSE confirming that the signed amendment of these Terms and Conditions or the signed supplement to the Terms and Conditions is identical, other than in minor respects, to the draft conditionally formally approved by the JSE;
- 19.3.7 within 48 hours after the meeting or the responses from the relevant Noteholders on the proposed written resolution have been obtained, a SENS announcement shall be released by the Issuer containing the details of the voting results in respect of the proposed resolution/s and the announcement shall include the following:
- (a) the proposed resolution/s;

- (b) the Notes voted in person or by proxy disclosed as a number and a percentage (in relation to the total Principal Amount of the relevant Tranche or Series of Notes or the total Principal Amount of all of the Notes, as the case may be); and
- (c) the votes abstained disclosed as a percentage (in relation to the total Principal Amount of the relevant Tranche or Series of Notes or the total Principal Amount of all of the Notes, as the case may be) and the votes carried (i) for and (ii) against each resolution, disclosed as a percentage (in relation to the total Principal Amount of the relevant Tranche or Series of Notes or the total Principal Amount of all of the Notes, as the case may be); and

19.3.8 the amendment of these Terms and Conditions or the supplement to these Terms and Conditions must be available for inspection for at least 2 (two) Business Days before the listing of any Note on the Interest Rate Market of the JSE by the Issuer.

19.4 No amendment to the Terms and Conditions (or applicable Terms and Conditions) may be effected unless such amendment or modification complies with the applicable provisions of the JSE Debt Listings Requirements or such other Financial Exchange, as the case may be.

19.5 Any such modification of these Terms and Conditions made pursuant to this Condition 19 shall be binding on all of the Noteholders or the Noteholders of the relevant Tranche or Series of Notes, as the case may be, and any such amendment shall be notified to all of the Noteholders or the Noteholders of the relevant Tranche or Series of Notes, as the case may be, in accordance with Condition 17 (*Notices*) and to the Financial Exchange as soon as practicable thereafter.

20. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders to create and issue further Notes having terms and conditions the same as any of the other Notes issued under the Programme or the same in all respects save for the amount and date of the first payment of interest thereon, the Issue Price, the Issue Date and the Interest Commencement Date, so that the further Notes shall be consolidated to form a single Series with the Outstanding Notes.

21. GOVERNING LAW

Unless otherwise specified in the Applicable Pricing Supplement, the provisions of the Programme Memorandum and the Notes are governed by, and shall be construed in accordance with, the laws of South Africa in force from time to time.

22. NEGATIVE PLEDGE

This Condition 22 shall apply only to Unsubordinated Notes. For as long as any Unsubordinated Notes remain Outstanding, the Issuer will ensure that no Relevant Indebtedness (as defined below) of the Issuer will be secured by any Security Interest (as defined below) upon, or with respect to, any of the present or future business, undertaking, assets or revenues (including any uncalled capital) of the Issuer unless the Issuer, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:

- (a) all amounts payable by it under the Unsubordinated Notes are secured by the Security Interest equally and rateably with the Relevant Indebtedness; or
- (b) such other Security Interest or guarantee or other arrangement (whether or not it includes the giving of a Security Interest) is provided as is approved by an Extraordinary Resolution or an Extraordinary Written Resolution of the Noteholders.

The Issuer shall be entitled but not obliged, to form, or procure the formation of, a trust or trusts or appoint, or procure the appointment of, an agent or agents to hold any such rights of security for the benefit or on behalf of such Noteholders.


For the purposes of this Condition 22:

“**Relevant Indebtedness**” means any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities which are for the time being quoted, listed or ordinarily dealt in on any stock exchange, over the counter or other securities market and having a maturity in excess of one year.

Notwithstanding the above, Relevant Indebtedness does not include any transactions entered into between the Issuer and the central bank in the jurisdiction in which the Issuer operates, pursuant to which the Issuer provides any Security Interest to such central bank.

“**Security Interest**” any mortgage, charge, lien, pledge or other security interest, but excluding any such security interest arising by operation of law or under the standard or usual business condition of any person or entity with which the Issuer or the relevant Material Subsidiary maintains a business relationship in the ordinary course of business.

ABSA BANK LIMITED

By: 
 Name: Deon RAJU

By: 
 Name: Jason Quim

Capacity: Authorised Signatory

Capacity: Authorised Signatory

Date: 15 November 2019

Date: 15 November 2019

PRO FORMA APPLICABLE PRICING SUPPLEMENT OF THE TIER 2 NOTES

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Tier 2 Notes issued under the Programme:

**Absa Bank Limited**

(Incorporated with limited liability in South Africa under registration number 1986/004794/06)

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] with Stock Code []

Under its ZAR90,000,000,000 Domestic Medium Term Note Programme

This document constitutes the Applicable Pricing Supplement relating to the issue of the Tranche of Notes described in this Applicable Pricing Supplement.

This Applicable Pricing Supplement must be read in conjunction with the Programme Memorandum issued by Absa Bank Limited dated 15 November 2019, as amended. To the extent that there is any conflict or inconsistency between the contents of this Applicable Pricing Supplement and the Programme Memorandum, the provisions of this Applicable Pricing Supplement shall prevail.

Any capitalised terms not defined in this Applicable Pricing Supplement shall have the meanings ascribed to them in the Tier 2 Terms and Conditions. References in this Applicable Pricing Supplement to the Tier 2 Terms and Conditions are to the section of the Programme Memorandum “*Terms and Conditions of the Tier 2 Notes*”. References to any Condition in this Applicable Pricing Supplement are to that Condition of the Tier 2 Terms and Conditions.

DESCRIPTION OF THE NOTES

1.	Issuer	Absa Bank Limited
2.	Status of Notes	Subordinated Notes : Tier 2 Notes
3.	(a) Tranche Number	[]
	(b) Series Number	[]
4.	Aggregate Principal Amount	[]
5.	Interest/Payment Basis	[Fixed Rate/Floating Rate/Zero Coupon/Indexe d Interest/Indexe d Redemption Amount/]
6.	Form of Notes	[Registered Notes]

- | | | |
|-----|--|--|
| 7. | Security | Unsecured |
| 8. | Automatic/Optional Conversion from one Interest/Payment Basis to another | [insert details including date for conversion] |
| 9. | Issue Date | [] |
| 10. | Business Centre | [] |
| 11. | Additional Business Centre | [] |
| 12. | Principal Amount | [] |
| 13. | Specified Denomination | [] |
| 14. | Issue Price | [] |
| 15. | Interest Commencement Date | [] |
| 16. | Maturity Date | [] |
| 17. | Specified Currency | [] |
| 18. | Applicable Business Day Convention | [Floating Rate Business Day/Following Business Day/Modified Following Business Day/Preceding Business Day/other convention – insert details] |
| 19. | Calculation Agent | [] |
| 20. | Specified Office of the Calculation Agent | [] |
| 21. | Paying Agent | [] |
| 22. | Specified Office of the Paying Agent | [] |
| 23. | Transfer Agent | [] |
| 24. | Specified Office of the Transfer Agent | [] |
| 25. | Settlement Agent | [] |
| 26. | Specified Office of the Settlement Agent | [] |
| 27. | Issuer Agent | [] |
| 28. | Specified Office of the Issuer Agent | [] |
| 29. | Final Redemption Amount | [] |
| | FIXED RATE NOTES | [Applicable] / [Not Applicable] |
| 30. | Fixed Rate Note Provisions | |
| | (a) Fixed Interest Rate | [] per cent, per annum |

- (b) Interest Payment Date(s) Means [●], [●], [●] and [●], in each year until the Maturity Date, commencing on [●] and, subject to the terms hereof, ending on [●] or, if such day is not a Business Day, the Business Day on which the interest will be paid, as determined in accordance with the applicable Business Day Convention (as specified in this Applicable Pricing Supplement)
- (c) Interest Period(s) Each period commencing on (and including) an Interest Payment Date and ending on (but excluding) the following Interest Payment Date; provided that the first Interest Period will commence on (and include) the Interest Commencement Date and end on (but exclude) [the following Interest Payment Date] / [state specific Interest Payment Date] (each Interest Payment Date as adjusted in accordance with the applicable Business Day Convention)
- (d) Initial Broken Amount []
- (e) Final Broken Amount []
- (f) Interest Rate Determination Date(s) Means [●], [●], [●] and [●], in each year until the Maturity Date, with the first Interest Determination Date being [●]
- (g) Day Count Fraction []
- (h) Any other terms relating to the particular method of calculating interest []

FLOATING RATE NOTES

[Applicable] / [Not Applicable]

31. Floating Rate Note Provisions

- (a) Interest Payment Date(s) Means [●], [●], [●] and [●], in each year until the Maturity Date, commencing on [●] and, subject to the terms hereof, ending on [●] or, if such day is not a Business Day, the Business Day on which the interest will be paid, as determined in accordance with the applicable Business Day Convention (as specified in this Applicable Pricing Supplement)
- (b) Interest Period(s) Each period commencing on (and including) an Interest Payment Date and ending on (but excluding) the following

Interest Payment Date; provided that the first Interest Period will commence on (and include) the Interest Commencement Date and end on (but exclude) [the following Interest Payment Date] / [state specific Interest Payment Date] (each Interest Payment Date as adjusted in accordance with the applicable Business Day Convention)

- (c) Definitions of Business Day (if different from that set out in Condition 1 (*Interpretation*) of the Terms and Conditions) []
 - (d) Minimum Interest Rate [] per cent
 - (e) Maximum Interest Rate [] per cent
 - (f) Other terms relating to the method of calculating interest (e.g., Day Count Fraction, rounding up provision, if different from Condition 6 (*Interest*) of the Terms and Conditions) []
32. Manner in which the Interest Rate is to be determined [ISDA Determination/Screen Rate Determination/other (insert details)]
33. Margin [(+/-) • per cent to be added to/subtracted from the relevant (ISDA Rate/Reference Rate)]
34. If ISDA Determination
- (a) Floating Rate []
 - (b) Floating Rate Option []
 - (c) Designated Maturity []
 - (d) Reset Date(s) []
35. If Screen Determination
- (a) Reference Rate (including relevant period by reference to which the Interest Rate is to be calculated) [e.g. ZAR-JIBAR-SAFEX]
 - (b) Interest Rate Determination Date(s) Means [●], [●], [●] and [●], in each year until the Maturity Date, with the first Interest Determination Date being [●]
 - (c) Relevant Screen Page and Reference Code []

36. If Interest Rate to be calculated otherwise than by reference to the previous 2 subparagraphs, insert basis for determining Interest Rate/Margin/Fall back provisions []
37. If different from the Calculation Agent, agent responsible for calculating amount of principal and interest []

MIXED RATE NOTES [Applicable] / [Not Applicable]

38. Mixed Rate Note Provisions:

Period(s) during which the interest rate for the Mixed Rate Notes will be (as applicable) that for: []

- (a) Fixed Rate Notes []
- (b) Floating Rate Notes []
- (c) Indexed Notes []

INDEXED NOTES [Applicable] / [Not Applicable]

39. Indexed Notes Provisions

(a) Type of Indexed Notes [Indexed Interest Notes/Indexed Redemption Amount Notes]

- (b) Index/Formula by reference to which Interest Amount/Final Redemption Amount is to be determined
- Name of Index: []
- Index Code: []
- Index Currency: []
- Index Sponsor: []
- Index Calculator: []

The Index ground rules document is available at [www.\[\]](http://www.[])

Any change to the Index methodology will be published on SENS and communicated to the JSE. All other changes as detailed in the ground rules document will be published on the Index Calculator's website, [www.\[\]](http://www.[])

(c) Index of Indices [Yes/No]

(If yes, complete the below information for each underlying index)

- [Underlying Indices: []]
- The Index Level is published [daily/monthly] on www.[]
- (d) Manner in which the Interest Amount/Final Redemption Amount is to be determined []
- The Index Level is published [daily/monthly] on www.[]
- (e) Initial Index Level []
- (f) Interest Period Each period commencing on (and including) an Interest Payment Date and ending on (but excluding) the following Interest Payment Date; provided that the first Interest Period will commence on (and include) the Interest Commencement Date and end on (but exclude) [the following Interest Payment Date] / [state specific Interest Payment Date] (each Interest Payment Date as adjusted in accordance with the applicable Business Day Convention)
- (g) Interest Payment Date(s) Means [●], [●], [●] and [●], in each year until the Maturity Date, commencing on [●] and, subject to the terms hereof, ending on [●] or, if such day is not a Business Day, the Business Day on which the interest will be paid, as determined in accordance with the applicable Business Day Convention (as specified in this Applicable Pricing Supplement)
- (h) Interest Rate Determination Date(s) Means [●], [●], [●] and [●], in each year until the Maturity Date, with the first Interest Determination Date being [●]
- (i) If different from the Calculation Agent, agent responsible for calculating amount of principal and interest []
- (j) Provisions where calculation by reference to Index and/or Formula is impossible or impracticable []

OTHER NOTES

[Applicable] / [Not Applicable]

40. If the Tier 2 Notes are not Fixed Rate Notes, Floating Rate Notes, Mixed Rate Notes, or Indexed Notes if the Tier 2 Notes are a combination of any of the foregoing, set []

out the relevant description and any additional Terms and Conditions relating to such Tier 2 Notes

PROVISIONS REGARDING REDEMPTION

41. Prior consent of Prudential Authority required for any redemption prior to the Maturity Date [Yes]
42. Redemption at the option of the Issuer (Call Option): if yes: [Yes/No]
- (a) First Optional Redemption Date (Call) []
- (b) Optional Redemption Date(s) (Call) []
- (c) Optional Redemption Amount(s) (Call) and method, if any, of calculation of such amount(s) []
- (d) Minimum period of notice (if different to Condition 11.4 (*Redemption at the option of the Issuer (Issuer Call)*) of the Terms and Conditions) []
- (e) If redeemable in part: []
- Minimum Redemption Amount(s) []
- Higher Redemption Amount(s)
- (f) Approval(s) of Prudential Authority [Applicable]
- (g) Other terms applicable on Redemption []
43. Early Redemption Amount(s) []
- (a) Early Redemption Amount (Regulatory) [Principal Amount plus accrued interest (if any) to the date fixed for redemption]
- (b) Early Redemption Amount (Tax) [Principal Amount plus accrued interest (if any) to the date fixed for redemption]
- (c) Early Termination Amount []
44. Do the Tier 2 Terms and Conditions or the provisions of this Applicable Pricing Supplement provide for automatic redemption of the Notes upon the occurrence of a trigger event(s)? If yes: [Yes]/[No]
- [Early Redemption Date of the Note will be a minimum of 5 (five) Business Days after the date on which the Trigger Event occurred and such Early Redemption Date

will be announced on SENS one Business Day after the Trigger Event occurred.]]

(a) Trigger Event(s) []

(b) Early Redemption Date []

NON-VIABILITY LOSS ABSORPTION

45. Conversion upon the occurrence of a Non-Viability Trigger Event [Applicable] / [Not applicable]

If applicable: [Note: If not applicable, delete items (a) to (d)]

(a) Conversion Price []

(b) Conversion Record Date if different from the Tier 2 Terms and Conditions []

(c) Conversion Date if different from the Tier 2 Terms and Conditions []/[Not Applicable]

(d) Time period for the delivery of the Conversion Notice if different from Condition [9] (*Loss Absorption Following a Non-Viability Trigger Event in respect of Tier 2 Notes*) []

46. Write-off upon the occurrence of a Non-Viability Trigger Event [Yes/No] [Note: Insert mechanics, if relevant]

47. Option to dis-apply Non-Viability Loss Absorption Condition pursuant to Condition [9] (*Loss Absorption Following a Non-Viability Trigger Event in respect of Tier 2 Notes*) [Applicable]/[Not applicable]

GENERAL

48. Additional selling restrictions []

49. Additional terms or special conditions [] / [Not applicable]

50. (a) International Securities Identification Number (ISIN) []

(b) Stock Code []

51. Financial Exchange []

52. Clearing System [Strate Proprietary Limited]

53. Method of distribution []

54. If syndicated, names of managers
55. Receipts attached? If yes, number of Receipts attached [Yes/No]
[]
56. Coupons attached? If yes, number of Coupons attached [Yes/No]
[]
57. Talons attached? If yes, number of Talons attached [Yes/No]
[]
58. Credit Rating assigned to [the Issuer] / [the Programme] / [the Notes] (if any), date of such rating and date for review of such rating []
59. Rating Agency (if any) []
60. Stripping of Receipts and/or Coupons prohibited as provided in Condition 15.4 (*Prohibition on stripping*) of the Terms and Conditions? [Yes/No]
61. Issuer rating and date of issue []
62. Governing law (if the laws of South Africa are not applicable) [] / [Not Applicable]
63. Other Banking Jurisdiction []
64. Last Day to Register, which shall mean that the “Books Closed Period” (during which the Register will be closed) will be from each Last Day to Register to the applicable Payment Day until the date of redemption [Not applicable] [By 17h00 on [] or if such day is not a Business Day, the Business Day before each Books Closed Period, in each year until the Maturity Date]
65. Books Closed Period [The Register will be closed from [] to [] and from [] to [] (all dates inclusive) in each year until the Maturity Date.] / []
66. Debt Sponsor []
67. Stabilisation Manager (if any) []
68. Pricing Methodology []
69. Authorised amount of the Programme []
70. Aggregate Outstanding Principal Amount of all Notes in issue on the Issue Date of this Tranche (excluding the current issue and

any other Note(s) issued on the Issue Date)

71. Set out the relevant description of any [] additional/other Terms and Conditions relating to the Tier 2 Notes (including covenants, if any)
72. Material Changes
- The Issuer confirms that as at the date of this Applicable Pricing Supplement, there has been no material change in the financial or trading position of the Issuer and its subsidiaries since the date of the Issuer's latest [audited financial statements/ unaudited interim financial statements], dated []. As at the date of this Applicable Pricing Supplement, there has been no involvement by [], the auditor of the Issuer, in making the aforementioned statement.
73. Shareholders' approval
- The Issuer will not issue and list a Tranche of Tier 2 Notes to which Conversion is applicable unless the Issuer shall have obtained the required shareholders' approval in accordance with the JSE Listings Requirements applicable to the Main Board of the JSE.
74. Exchange control approval [Applicable / Not Applicable]

RESPONSIBILITY

The Issuer certifies that to the best of its knowledge and belief there are no facts that have been omitted from this Programme Memorandum and this Applicable Pricing Supplement which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that this Applicable Pricing Supplement contains all information required by Applicable Law and, in relation to any Tranche of Notes listed on the Interest Rate Market of the JSE, the JSE Debt Listings Requirements. The Issuer accepts full responsibility for the accuracy of the information contained in this Programme Memorandum, this Applicable Pricing Supplement, the annual financial statements and the annual financial report of the Issuer and any amendments or supplements to the aforementioned documents from time to time, except as otherwise stated therein.

The JSE takes no responsibility for the contents of this Programme Memorandum, any Applicable Pricing Supplements, the annual financial statements and/or the annual report of the Issuer (and any amendments or supplements to the aforementioned documents from time to time). The JSE makes no representation as to the accuracy or completeness of any of the foregoing documents and expressly disclaims any liability for any loss arising from or in reliance upon the whole or any part of this Programme Memorandum, any Applicable Pricing Supplements, the annual financial statements and/or the annual report of the Issuer (any amendments or supplements to the aforementioned documents from time to time).

The JSE's approval of the registration of this Programme Memorandum and listing of the Notes is not to be taken in any way as an indication of the merits of the Issuer or of the Notes and that, to the extent permitted by law, the JSE will not be liable for any claim whatsoever.

As at the date of this Applicable Pricing Supplement, the Issuer confirms that the aggregate Principal Amount of all Notes Outstanding under this Programme does not exceed ZAR90,000,000,000, being the maximum aggregate Principal Amount of the Notes that may be issued under the Programme.

Application [is hereby] / [will not be] made to list this issue of Notes on [**insert date**] pursuant to the Absa Bank Limited Domestic Medium Term Note Programme. The Programme was registered with the JSE on [....] 2019.

ABSA BANK LIMITED

By: _____ By: _____

Name: _____ Name: _____

Capacity: Authorised Signatory Capacity: Authorised Signatory

Date: _____ Date: _____

TERMS AND CONDITIONS OF THE TIER 2 NOTES

The following are the Terms and Conditions of the Tier 2 Notes to be issued by the Issuer (the “**Tier 2 Terms and Conditions**”). Tier 2 Notes will be issued in individual Tranches which, together with other Tranches, may form a Series of Tier 2 Notes. Before the Issuer issues any Tranche of Tier 2 Notes, the Issuer shall complete, sign and deliver to the JSE and the Central Securities Depository an Applicable Pricing Supplement, based on the pro forma Applicable Pricing Supplement (included in the Programme Memorandum headed “Pro Forma Applicable Pricing Supplement of the Tier 2 Notes”), setting out details of such Tier 2 Notes. The Applicable Pricing Supplement in relation to any Tranche of Tier 2 Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Tier 2 Terms and Conditions, replace or modify the following Tier 2 Terms and Conditions for the purpose of such Tranche of Tier 2 Notes. The Tier 2 Terms and Conditions set out below and the Applicable Pricing Supplement will be deemed to be incorporated by reference into each Certificate evidencing any Tier 2 Notes.

1. INTERPRETATION

- | | | |
|-----|---|---|
| 1.1 | “ Absa CIB ” | Absa Bank Limited, acting through its Corporate and Investment Banking division; |
| 1.2 | “ Additional Conditions ” | in relation to any issue of Notes, the proceeds of which are intended by the Issuer to qualify as Tier 2 Capital, such conditions, in addition to the conditions specified in the applicable Capital Regulations, as may be prescribed by the Prudential Authority for the proceeds of the issue of such Notes to qualify as Tier 2 Capital, pursuant to the approval granted by the Prudential Authority for the issue of such Notes, as specified in the Applicable Pricing Supplement; |
| 1.3 | “ Additional Tier 1 Capital ” | “ <i>Additional Tier 1 Capital</i> ” as defined in section 1(1) of the Banks Act; |
| 1.4 | “ Additional Tier 1 Capital Regulations ” | shall have the meaning defined in the Additional Tier 1 Terms and Conditions; |
| 1.5 | “ Additional Tier 1 Noteholder ” | shall have the meaning defined in the Additional Tier 1 Terms and Conditions; |
| 1.6 | “ Additional Tier 1 Notes ” | shall have the meaning defined in the Additional Tier 1 Terms and Conditions; |
| 1.7 | “ Additional Tier 1 Terms and Conditions ” | the terms and conditions applicable to Additional Tier 1 Notes issued under the Programme as set out in the section of this Programme Memorandum headed “ <i>Terms and Conditions of the Additional Tier 1 Notes</i> Terms and Conditions of the Tier 2 Notes”; |
| 1.8 | “ Agency Agreement ” | the amended and restated agency agreement dated 15 November 2019 concluded between the Issuer, Issuer Agent, the Paying Agent, the Calculation Agent and |

the Transfer Agent, or a separate agreement between the Issuer and each of the Issuer Agent, the Paying Agent, the Calculation Agent and the Transfer Agent, unless the Issuer itself acts in any of the abovementioned capacities;

- 1.9 **“Applicable Laws”** In relation to a person, means all and any:
- 1.9.1 statutes and subordinate legislation;
 - 1.9.2 regulations, ordinances and directives;
 - 1.9.3 by-laws;
 - 1.9.4 codes of practice, circulars, guidance notices, judgments and decisions of any competent authority; and
 - 1.9.5 other similar provisions, from time to time;
- 1.10 **“Applicable Pricing Supplement”** in relation to a Tranche of Notes, the pricing supplement completed and signed by the Issuer in relation to the issue of that Tranche of Notes, setting out such additional and/or other terms and conditions as are applicable to that Tranche of Notes, based upon the *pro forma* pricing supplement which is set out in the section of the Programme Memorandum headed “*Pro Forma Applicable Pricing Supplement of the Tier 2 Notes*”;
- 1.11 **“Applicable Procedures”** the rules and operating procedures for the time being of the Central Securities Depository, Settlement Agents, the JSE and/or any Financial Exchange, as the case may be;
- 1.12 **“Arranger”** Absa CIB;
- 1.13 **“Assets”** the total amount of the non consolidated gross assets of the Issuer as shown in the latest published audited non consolidated balance sheet of the Issuer, but adjusted for contingencies and subsequent events in such manner as the directors of the Issuer, the auditor of the Issuer or a liquidator, judicial manager, administrator or curator of the Issuer (if applicable) may determine;
- 1.14 **“Banks Act”** the Banks Act, 1990;
- 1.15 **“Bearer”** the bearer of a Certificate evidencing a Bearer Note or of a Receipt or Coupon attached to such Certificate on issue;
- 1.16 **“Bearer Note”** a Note payable to the Bearer thereof, transferable by way of delivery in accordance with Condition 15.2

(*Transfer of Bearer Notes*) and the term “*Bearer Note*” shall include the rights to payment of any interest or principal represented by a Coupon or Receipt (if any) attached on issue to the Certificate evidencing such Bearer Note;

- 1.17 **“Beneficial Interest”** in relation to a Note, an interest as co-owner of an undivided share in an Uncertificated Note, in accordance with the Financial Markets Act;
- 1.18 **“Books Closed Period”** in relation to a Tranche of Notes, the period as specified in the Applicable Pricing Supplement, commencing after the Last Day to Register, during which transfer of the Notes will not be recorded in the Register, or such other shorter period as the Issuer may decide to determine those Noteholders entitled to receive interest or redemption monies;
- 1.19 **“Business Day”** a day (other than a Saturday or Sunday or public holiday within the meaning of the Public Holidays Act, 1994) which is a day on which commercial banks settle ZAR payments in Johannesburg or any Additional Business Centre specified in the Applicable Pricing Supplement save that if the Specified Currency is not ZAR, “*Business Day*” shall mean a day (other than a Saturday or Sunday) which is a day on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the Specified Currency and in each (if any) Additional Business Centre, save further that if the Applicable Pricing Supplement so provides, “*Business Day*” shall include a Saturday;
- 1.20 **“Calculation Agent”** Absa CIB unless the Dealer, or in the case of a syndicated issue, the lead manager, requests the Issuer to appoint or the Issuer elects to appoint, in relation to a particular Tranche or Series of Notes, another entity as Calculation Agent, in which event that other entity shall act, on execution of the Agency Agreement, as a Calculation Agent in respect of that Tranche or Series of Notes;
- 1.21 **“Call Option”** has the meaning given in the Applicable Pricing Supplement;
- 1.22 **“Capital Disqualification Event”** means an event which has, or will be deemed to have, occurred with respect to the Notes if, as a result of a Regulatory Change, the Tier 2 Notes are fully or, to the extent permitted by the Capital Regulations, partially excluded from the Tier 2 Capital of the Issuer on a solo and/or consolidated basis (save where such exclusion is only as a result of any applicable limitation on the amount of such capital or any amortisation of recognition as Tier 2 Capital under the Capital Regulations in the final five years prior to

		maturity of the Tier 2 Notes);
1.23	“Capital Regulations”	at any time, any legislation, regulations, rules, requirements, guidelines and policies relating to capital adequacy then in effect in South Africa in relation to banks registered under the Banks Act and licensed to conduct the business of a bank in South Africa as applied by the Prudential Authority (including the Additional Conditions (if any)) (or if the Issuer becomes domiciled in a jurisdiction other than South Africa, any legislation, regulations, requirements, guidelines and policies relating to capital adequacy then in effect in such other jurisdiction in relation to banks registered in, and licensed to conduct the business of a bank in, such other jurisdiction);
1.24	“Central Securities Depository”	Strate Proprietary Limited (registration number 1998/022242/07), or its nominee, operating in terms of the Financial Markets Act a central securities depository, or any additional or alternate depository approved by the Issuer, the Dealer(s) and the JSE;
1.25	“Certificate”	a Definitive Certificate;
1.26	“Common Equity Tier 1 Capital”	“common equity tier 1 capital” as defined in section 1(1) of the Banks Act;
1.27	“Common Equity Tier 1 Capital Ratio”	with respect to the Issuer, at any time, the ratio of Common Equity Tier 1 of the Issuer as at such time to the risk weighted assets of the Issuer at the same time, expressed as a percentage;
1.28	“Common Equity Tier 1 Capital Securities”	means securities of the Issuer which rank, or are expressed to rank, equally with Common Equity Tier 1 Capital (including, without limitation, the Issuer Ordinary Shares);
1.29	“Companies Act”	the Companies Act, 2008;
1.30	“Controlling Company”	Absa Group Limited (registration number 1986/003934/06) and/or any company which is a “controlling company” in relation to the Issuer as contemplated in the Banks Act;
1.31	“Conversion”	the conversion of Tier 2 Notes into Issuer Ordinary Shares upon the occurrence of a Non-Viability Trigger Event and after the delivery of an Issuer Non-Viability Trigger Event Notice in accordance with Condition 9.2 (<i>Conversion of Tier 2 Notes upon a Non-Viability Trigger Event</i>), and its cognates shall bear the same meaning;
1.32	“Conversion Amount”	has the meaning as defined in Condition 9.2.2 of these Terms and Conditions;

1.33	“Conversion Date”	has the meaning as defined in Condition 9.2.3 of these Terms and Conditions;
1.34	“Conversion Last Day to Trade”	the date which is 5 (five) Business Days prior to a Conversion Record Date;
1.35	“Conversion Price”	in relation to a Tranche of Tier 2 Notes, the conversion price set out, or determined in the manner set out, in the Applicable Pricing Supplement;
1.36	“Conversion Record Date”	the date which is 5 (five) Business Days prior to a Conversion Date or such other date specified in the Applicable Pricing Supplement;
1.37	“Conversion Shares”	has the meaning as defined in Condition 9.2.7 of these Terms and Conditions;
1.38	“Converted”	having undergone the Conversion process set out in Condition 9 (<i>Loss Absorption Following a Non-Viability Trigger Event in respect of Tier 2 Notes</i>) to these Terms and Conditions;
1.39	“Converted Tier 2 Notes”	the Series of Tier 2 Notes which the Prudential Authority requires to be Converted upon the occurrence of a Non-Viability Trigger Event or, as the case may be, the Relevant Part(s) thereof identified by the Prudential Authority;
1.40	“Coupon”	an interest coupon evidencing title to an interest payment in respect of an interest bearing Note which is a Bearer Note or an Order Note, attached on issue to the Certificate evidencing such interest bearing Note and any reference to a Coupon shall, unless the context otherwise requires, be deemed to include a reference to a Talon;
1.41	“Current Principal Amount”	with respect to: <ul style="list-style-type: none"> 1.41.1 the Tier 2 Notes or a Tier 2 Note (as the context requires), the principal amount thereof, calculated on the basis of the Principal Amount, as such amount may be reduced, on one or more occasions, pursuant to a Conversion or Write-off (as applicable) following the occurrence of a Non-Viability Trigger Event; or 1.41.2 any other Loss Absorbing Instrument, the principal amount thereof (or amount analogous to a principal amount), calculated on an analogous basis to the calculation of the Current Principal Amount of the Tier 2 Notes;

1.42	“Dealer”	Absa CIB and/or any other additional Dealer appointed under the Programme from time to time, which appointment may be for a specific issue or on an ongoing basis, subject to the Issuer’s right to terminate the appointment of any Dealer;
1.43	“Definitive Certificate”	means: <ul style="list-style-type: none"> 1.43.1 in respect of Registered Notes: a Note in the definitive registered form of a single certificate and, a certificate exchanged for a Beneficial Interest in the Notes in accordance with Condition 15 (<i>Transfer of Notes</i>) and any further certificate issued in consequence of a transfer thereof; 1.43.2 in respect of Bearer Notes: a Note in the definitive bearer form of a single Certificate together with Coupons and/or Receipts, if applicable; or 1.43.3 in respect of Order Notes: a Note in the definitive order form of a single Certificate together with Coupons and/or Receipts, if applicable;
1.44	“Deposit”	means a “deposit” as defined in section 1(1) of the Banks Act;
1.45	“Depositor”	means any person having a claim against the Issuer in respect of a Deposit;
1.46	“Early Redemption Amount (Regulatory)”	in respect of each Note in a Tranche of Subordinated Notes, its Principal Amount (or the relevant part thereof) plus accrued interest (if any) to the date fixed for redemption or such other amount as may be specified in, or determined in accordance with, the Applicable Pricing Supplement, as the case may be;
1.47	“Early Redemption Amount (Tax)”	in respect of each Note in a Tranche of Notes (other than a Tranche of Zero Coupon Notes), its Principal Amount (or the relevant part thereof) or such other amount as may be specified in, or determined in accordance with, the Applicable Pricing Supplement, as the case may be, and, in respect of a Zero Coupon Note, the amount calculated in accordance with Condition 11.8 (<i>Early redemption of Zero Coupon Notes</i>) or such other amount as may be specified in, or determined in accordance with, the Applicable Pricing Supplement, as the case may be;
1.48	“Early Termination Amount”	in respect of each Note in a Tranche of Notes (other than a Tranche of Zero Coupon Notes), its Principal

		Amount (or the relevant part thereof) or such other amount as may be specified in, or determined in accordance with, the Applicable Pricing Supplement, as the case may be, and, in respect of a Zero Coupon Note, the amount calculated in accordance with Condition 11.8 (<i>Early redemption of Zero Coupon Notes</i>) or such other amount as may be specified in, or determined in accordance with, the Applicable Pricing Supplement, as the case may be;
1.49	“Eligible Capital”	Notes that are treated by the Prudential Authority for inclusion in the Tier 2 Capital of the Issuer or the Controlling Company on a solo and/or consolidated basis, in accordance with the Capital Regulations;
1.50	“Endorsement”	an “indorsement”, <i>mutatis mutandis</i> , within the meaning of the Bills of Exchange Act, 1964;
1.51	“Endorsement in Blank”	an Endorsement which specifies no named Payee;
1.52	“Event of Default”	any of the events described in Condition 13 (<i>Events of Default</i>);
1.53	“Exchangeable Notes”	Notes which may be redeemed by the Issuer in the manner indicated in the Applicable Pricing Supplement by the delivery to the Noteholders of cash or of so many of the Exchange Securities as is determined in accordance with the Applicable Pricing Supplement;
1.54	“Exchange Period”	in respect of Exchangeable Notes to which the Noteholders’ Exchange Right applies (as indicated in the Applicable Pricing Supplement), the period indicated in the Applicable Pricing Supplement during which such right may be exercised;
1.55	“Exchange Price”	the value indicated in the Applicable Pricing Supplement according to which the number of Exchange Securities which may be delivered in redemption of an Exchangeable Note will be determined;
1.56	“Exchange Securities”	the securities indicated in the Applicable Pricing Supplement which may be delivered by the Issuer in redemption of Exchangeable Notes to the value of the Exchange Price;
1.57	“Extraordinary Resolution”	a resolution passed at a properly constituted meeting of Noteholders or Noteholders of the relevant Series of Notes, as the case may be, by a majority consisting of not less than 66,67% of the votes cast at a poll by Noteholders or Noteholders of the relevant Series, as the case may be, present in person or by proxy;

1.58	“Extraordinary Written Resolution“	a resolution passed other than at a meeting of Noteholders or Noteholders of the relevant Series of Notes, with the written consent of the Noteholders holding not less than 66.67% of the Principal Amount of the Notes or of the Notes in that relevant Series of Notes, as the case may be, for the time being Outstanding. A resolution of Noteholders or members of the relevant class of Noteholders shall state the date that the Issuer selected to determine which Noteholders recorded in the Register will receive notice of the written resolution;
1.59	“Final Redemption Amount”	in respect of any Note, its Principal Amount or such other amount as may be specified in, or determined in accordance with, the Applicable Pricing Supplement, upon final redemption thereof;
1.60	“Financial Exchange”	the JSE or any other financial exchange(s) on which any Notes may be listed;
1.61	“Financial Markets Act”	the Financial Markets Act, 2012;
1.62	“First Call Date”	in relation to a Tranche of Additional Tier 1 Notes, the date which is 5 (five) years and 1 (one) day after the Issue Date;
1.63	“First Optional Redemption Date (Call)”	has the meaning given in the Applicable Pricing Supplement and is subject to the First Call Date;
1.64	“Fixed Interest Rate”	the rate or rates of interest applicable to Fixed Rate Notes, as specified in the Applicable Pricing Supplement;
1.65	“Fixed Rate Notes”	Notes which will bear interest at the Fixed Interest Rate, as specified in the Applicable Pricing Supplement;
1.66	“Floating Rate Notes”	Notes which will bear interest at a floating Interest Rate, as specified in the Applicable Pricing Supplement;
1.67	“General Terms and Conditions”	the terms and conditions applicable to Notes (other than Tier 2 Notes and Additional Tier 1 Notes) issued under the Programme as set out in the section of this Programme Memorandum headed “ <i>Terms and Conditions of the Unsubordinated Notes</i> ”;
1.68	“Group”	the Issuer and its consolidated subsidiaries taken as a whole;
1.69	“Income Tax Act”	the Income Tax Act, 1962;
1.70	“Implied Yield”	the yield accruing on the Issue Price of Zero Coupon Notes, as specified in the Applicable Pricing

		Supplement;
1.71	“Independent Investment Bank”	the independent investment bank or financial institution of international repute selected and appointed by the Issuer (at the Issuer’s expense) for the purposes of performing one or more of the functions expressed to be performed by such independent investment bank or financial institution under these Terms and Conditions;
1.72	“Indexed Interest Notes”	Notes in respect of which the Interest Amount is calculated by reference to such index and/or formula, as specified in the Applicable Pricing Supplement;
1.73	“Indexed Note”	an Indexed Interest Note and/or an Indexed Redemption Amount Note, as applicable;
1.74	“Indexed Redemption Amount Notes”	Notes in respect of which the Final Redemption Amount is calculated by reference to an index and/or a formula, as specified in the Applicable Pricing Supplement;
1.75	“Individual Certificate”	<p>1.75.1 in respect of Registered Notes: a Note in the definitive registered form of a single certificate and, in respect of Registered Notes, being a certificate exchanged for a Beneficial Interest in accordance with Condition 14 (<i>Delivery, Exchange and Replacement of Certificates, Receipts and Coupons</i>) and any further certificate issued in consequence of a transfer thereof;</p> <p>1.75.2 in respect of Bearer Notes: a Note in the definitive bearer form of a single certificate together with Coupons and/or Receipts, if applicable; or</p> <p>1.75.3 in respect of Order Notes: a Note in the definitive order form of a single certificate together with Coupons and/or Receipts, if applicable;</p>
1.76	“Instalment Amount”	the amount expressed as a percentage of the Principal Amount of an Instalment Note, being an instalment of principal (other than the final instalment) on an Instalment Note;
1.77	“Instalment Notes”	Notes redeemable in Instalment Amounts by the Issuer on an amortised basis on different Instalment Dates, as indicated in the Applicable Pricing Supplement;

1.78	“Interest Amount”	the amount of interest payable in respect of each Principal Amount of Fixed Rate Notes, Floating Rate Notes and Indexed Notes, as determined in accordance with Conditions 6.1 (<i>Interest on Fixed Rate Notes</i>), 6.2 (<i>Interest on Floating Rate Notes</i>), 6.2F (<i>Determination of Interest Rate and calculation of Interest Amount</i>) and 6.4 (<i>Indexed Notes</i>) respectively;
1.79	“Interest Commencement Date”	the first date from which interest on the Notes, other than Zero Coupon Notes, will accrue, as specified in the Applicable Pricing Supplement;
1.80	“Interest Payment Date”	the date(s) specified as such in the Applicable Pricing Supplement, or if no express such date(s) is/are specified in the Applicable Pricing Supplement, each date which occurs after a certain period following the preceding date upon which Interest Amounts are due and payable (such period as specified in the Applicable Pricing Supplement) or, in the case of the first Interest Payment Date, after the Interest Commencement Date;
1.81	“Interest Period”	the period(s) specified as such in the Applicable Pricing Supplement in respect of which interest accrues on Notes other than Zero Coupon Notes, commencing on and including the day of any Interest Payment Date and ending on but excluding the following Interest Payment Date; provided that the first Interest Period shall be from and including the Interest Commencement Date of such Notes to but excluding the first Interest Payment Date thereafter;
1.82	“Interest Rate”	the rate or rates of interest applicable to Notes other than Zero Coupon Notes and Fixed Rate Notes;
1.83	“Interest Rate Market of the JSE”	the separate platform or sub-market of the JSE designated as the “ <i>Interest Rate Market</i> ”, or any other successor market designated by the JSE for the listing of debt securities, and on which debt securities (as defined in the JSE Debt Listings Requirements) may be listed, subject to all Applicable Laws;
1.84	“ISDA”	International Swaps and Derivatives Association, Inc.;
1.85	“ISDA Definitions”	the 2006 ISDA Definitions as published by ISDA (as amended, supplemented, revised or republished from time to time);
1.86	“Issue Date”	has the meaning ascribed thereto in the Applicable Pricing Supplement;
1.87	“Issuer”	Absa Bank Limited (registration number

- 1986/004794/06)), a company with limited liability duly incorporated in accordance with the laws of South Africa, and registered as a bank in accordance with the Banks Act;
- 1.88 **“Issuer Agent”** the Issuer, or such other entity appointed as Issuer Agent by the Issuer from time to time, where such Issuer Agent is appointed for purposes of the debt instrument solution system of the Central Securities Depository;
- 1.89 **“Issuer Ordinary Shares”** the ordinary shares in the share capital of the Issuer;
- 1.90 **“JSE”** means the JSE Limited (Registration Number 2005/022939/06), licensed as an exchange in terms of the Financial Markets Act, or any exchange which operates as a successor exchange to the JSE in terms of the Financial Markets Act;
- 1.91 **“JSE Debt Guarantee Fund Trust”** the Guarantee Fund Trust established and operated by the JSE as a separate Guarantee Fund Trust, in terms of the rules of the JSE, as required by sections 8(1)(h) and 15(2) of the Financial Markets Act or any successor fund;
- 1.92 **“JSE Debt Listing Requirements”** means all listings requirements promulgated by the JSE from time to time for the Interest Rate Market of the JSE;
- 1.93 **“Junior Securities”** in relation to the Tier 2 Notes:
- 1.93.1 any securities issued by the Issuer which qualify (or were intended to qualify at issue) as Common Equity Tier 1 Capital;
- 1.93.2 any securities issued by the Issuer which qualify (or were intended to qualify at issue) as Additional Tier 1 Capital; and
- 1.93.3 any securities issued by, or any other obligations of the Issuer which rank, or are expressed to rank, junior to the Tier 2 Notes on liquidation, winding-up or bankruptcy of the Issuer;
- 1.94 **“Last Day to Register”** with respect to a particular Series of Notes (as reflected in the Applicable Pricing Supplement), means close of business on the Business Day immediately preceding the first day of a Books Closed Period;
- 1.95 **“Loss Absorbing Instrument”** at any time any Other Tier 2 Securities which may have all or some of its principal amount written-off (whether in whole or in part or on a permanent or temporary basis) or converted (whether in whole or in

- part) (in each case in accordance with its conditions or otherwise) on the occurrence or as a result of a Non-Viability Trigger Event;
- 1.96 **“Mandatory Exchange”** if indicated in the Applicable Pricing Supplement, the obligation of the Issuer to redeem Exchangeable Notes on the Maturity Date by delivery of Exchange Securities to the relevant Noteholders of Exchangeable Notes;
- 1.97 **“Margin”** has the meaning ascribed thereto in the Applicable Pricing Supplement;
- 1.98 **“Material Subsidiary”** any subsidiary of the Issuer:
- 1.98.1 whose gross revenues (consolidated in the case of a subsidiary which itself has subsidiaries) represent no less than 10 percent. of the consolidated gross revenues of the Group, all as calculated by reference to the last audited (consolidated or, as the case may be, unconsolidated) accounts of the subsidiary and the latest audited consolidated accounts of the Issuer; or
- 1.98.2 whose total assets (consolidated in the case of a subsidiary which itself has subsidiaries) represent no less than 10 percent. of the consolidated total assets of the Group, all as calculated by reference to the latest audited (consolidated or, as the case may be, unconsolidated) accounts of the subsidiary and the latest audited consolidated accounts of the Issuer; or
- 1.98.3 to which is transferred the whole or substantially the whole of the undertaking and assets of a subsidiary of the Issuer which immediately before the transfer is a Material Subsidiary of the Issuer (whereupon such transferor subsidiary shall cease to be a Material Subsidiary until the next publication of audited consolidated accounts of the Issuer following such transfer),
- provided that*
- (a) in the case of a subsidiary acquired or an entity which becomes a subsidiary after the end of the financial period to which the latest audited consolidated accounts of the

Issuer relate, the reference to the latest audited consolidated accounts for the purposes of the calculation above shall, until audited consolidated accounts of the issuer are published for the financial period in which the acquisition is made or, as the case may be, in which such entity becomes a subsidiary, be deemed to be a reference to the latest consolidated accounts of the Issuer adjusted in such manner as the Issuer shall consider appropriate to consolidate the latest audited accounts of such subsidiary in such accounts; and

- (b) a certificate signed by two directors of the issuer that in their opinion a subsidiary of the issuer is or is not or was or was not at any time or throughout any specified period a Material Subsidiary shall, in the absence of manifest or proven error, be conclusive and binding;

1.99	“Maturity Date”	has the meaning ascribed thereto in the Applicable Pricing Supplement;
1.100	“Maximum Interest Rate”	has the meaning ascribed thereto in the Applicable Pricing Supplement;
1.101	“Mixed Rate Notes”	Notes which will bear interest over respective periods at differing interest rates applicable to any combination of Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes or Indexed Notes, each as indicated in the Applicable Pricing Supplement and as more fully described in Condition 6.3 (<i>Mixed Rate Notes</i>);
1.102	“Non-Redeemable Non-Cumulative Preference Shares”	non-redeemable non-cumulative preference shares in the issued share capital of the Issuer, if any;
1.103	“Non-Viability Loss Absorption Condition”	has the meaning as set out in Condition 9 (<i>Loss Absorption Following a Non-Viability Trigger Event in respect of Tier 2 Notes</i>);
1.104	“Non-Viability Trigger Event”	shall occur when a “trigger event” specified in writing by the Prudential Authority in accordance with the Capital Regulations has occurred, upon which a Series of Tier 2 Notes is required to either be Written-off or Converted into Issuer Ordinary Shares (in

whole or in part), as specified in the Applicable Pricing Supplement, or into ordinary shares in the share capital of the Controlling Company which trigger event shall be in the discretion of the Prudential Authority and shall at minimum be the earlier of:

1.104.1 a decision that a write-off, without which the Issuer or Controlling Company would become non-viable, is necessary as determined by the Prudential Authority; or

1.104.2 the decision to make a public sector injection of capital, or equivalent support, without which the Issuer or Controlling Company would have become non-viable, as determined by the Prudential Authority.

- 1.105 **“Non-Viability Trigger Event Notice”** has the meaning as set out in Condition 9.1.2;
- 1.106 **“Noteholders”** the holders of the Notes who are recorded as the Registered Holders of the Registered Notes (in the Register or the Uncertificated Securities Register) and/or the Bearers of the Bearer Notes and/or the Payees of the Order Notes;
- 1.107 **“Noteholders’ Exchange Right”** if indicated in the Applicable Pricing Supplement, the right of Noteholders of Exchangeable Notes to elect to receive delivery of the Exchange Securities in lieu of cash from the Issuer upon redemption of such Notes;
- 1.108 **“Notes”** the notes issued or to be issued by the Issuer under the Programme;
- 1.109 **“Optional Redemption Amount (Call)”** in respect of any Note, its Principal Amount or such other amount as may be specified in, or determined in accordance with, the Applicable Pricing Supplement;
- 1.110 **“Optional Redemption Date (Call)”** has the meaning given in the Applicable Pricing Supplement;
- 1.111 **“Ordinary Resolution”** a resolution passed at a properly constituted meeting of Noteholders or Noteholders of the relevant Series of Notes, as the case may be, by a majority of the votes cast at a poll by Noteholders or Noteholders of the relevant Series of Notes, as the case may be, present in person or by proxy;
- 1.112 **“Ordinary Shares”** ordinary shares in the issued share capital of the Issuer;

- 1.113 **“Other Tier 2 Securities”** in relation to the Tier 2 Notes, any obligations or securities of the Issuer (other than the Tier 2 Notes):
- 1.113.1 which upon issue qualified (or were intended to qualify) as Tier 2 Capital; or
 - 1.113.2 which otherwise rank (or are expressed to rank) on a liquidation, bankruptcy or winding-up of the Issuer *pari passu* with the Tier 2 Notes or with other obligations or securities falling within Condition 1.113.1;
- 1.114 **“Outstanding”** in relation to the Notes, all the Notes issued other than:
- 1.114.1 those which have been redeemed in full;
 - 1.114.2 those in respect of which the date for redemption in accordance with the General Terms and Conditions, these Terms and Conditions or the Additional Tier 1 Terms and Conditions has occurred and the redemption monies (including all interest (if any) accrued thereon to the date for such redemption and any interest (if any) payable under the General Terms and Conditions, these Terms and Conditions or the Additional Tier 1 Terms and Conditions after such date) remain available for payment against presentation of Certificates;
 - 1.114.3 those which have been purchased and cancelled as provided in Condition 10.7 (*Purchase*) of the General Terms and Conditions, Condition 11.9 (*Purchase*) of these Terms and Conditions or Condition 11.8 (*Purchase*) of the Additional Tier 1 Terms and Conditions;
 - 1.114.4 those which have become prescribed under Condition 9 (*Prescription*) of the General Terms and Conditions, Condition 10 (*Prescription*) of these Terms and Conditions or Condition 10 (*Prescription*) of the Additional Tier 1 Terms and Conditions;
 - 1.114.5 Notes represented by those mutilated or defaced Certificates which have been surrendered in exchange for replacement Certificates pursuant to 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 these Terms and Conditions or Condition 14 (*Delivery, Exchange and Replacement of Certificates*) of the Additional Tier 1 Terms and Conditions;

1.114.6 (for the purpose only of determining how many Notes are Outstanding and without prejudice to their status for any other purpose) those Notes represented by Certificates alleged to have been lost, stolen or destroyed and in respect of which replacement Certificates have been issued pursuant to 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 these Terms and Conditions or Condition 14 (*Delivery, Exchange and Replacement of Certificates*) of the Additional Tier 1 Terms and Conditions,

provided that for each of the following purposes, namely:

- (a) the right to attend and vote at any meeting of the Noteholders; and
- (b) the determination of how many and which Notes are for the time being Outstanding for the purposes of Conditions 19 (*Meetings of Noteholders*) and 20 (*Amendment of these Conditions*) of these Terms and Conditions,

all:

- (i) Notes (if any) which are for the time being held by the Issuer (subject to any applicable law) or by any person for the benefit of the Issuer and not cancelled (unless and until ceasing to be so held); and
- (ii) Receipts and Coupons,

shall be deemed not to be Outstanding;

1.115 **“Participants”**

a person that holds in custody and administers securities or an interest in securities and that has been

		accepted by the Central Securities Depository as a participant in terms of the Financial Markets Act;
1.116	“Partly Paid Notes”	Notes which are issued with the Issue Price partly paid and which Issue Price is paid up fully by the Noteholder in instalments (as indicated in the Applicable Pricing Supplement);
1.117	“Payee”	a person reflected (either as the subscriber or by way of Endorsement) as the payee on a Certificate evidencing an Order Note or a Receipt or Coupon attached thereto on issue and to whom such Certificate, Receipt or Coupon (as the case may be) has been delivered;
1.118	“Paying Agent”	Absa CIB, unless the Issuer elects to appoint, in relation to a particular Tranche or Series of Notes, another entity as Paying Agent, in which event that other entity shall act as a Paying Agent in respect of that Tranche or Series of Notes;
1.119	“Payment Day”	any day which is a Business Day and upon which a payment is due by the Issuer in respect of any Notes;
1.120	“Principal Amount”	the nominal amount of each Note specified on the Certificate evidencing such Note;
1.121	“Programme”	the ZAR90,000,000,000 Domestic Medium Term Note Programme under which the Issuer may from time to time issue Notes;
1.122	“Programme Memorandum”	this document dated 15 November 2019, as amended and/or supplemented from time to time;
1.123	“Prudential Authority”	the Prudential Authority in accordance with the Banks Act (previously the Registrar of Banks);
1.124	“Qualifying Tier 2 Capital Securities”	securities whether debt, equity or otherwise, issued by the Issuer that: <ul style="list-style-type: none"> 1.124.1 have terms not materially less favourable to a holder of the Tier 2 Notes than the terms of the current Tier 2 Notes (as reasonably determined by the Issuer, and provided that a certification to such effect of 2 Directors of the Issuer and an opinion to such effect of an Independent Investment Bank shall have been delivered to the Issuer prior to the issue of the relevant securities and is so stated in the certificate) provided that they shall (a) include a ranking at least equal to that of the Tier 2 Notes, (b) have the same interest, dividend or distribution rate or rate of return and Interest Payment Dates

- from time to time applying to the Tier 2 Notes, (c) be issued in an amount at least equal to the total number of Notes multiplied by the Specified Denomination and (d) comply with the then current requirements of the SARB in relation to Tier 2 Capital; and
- 1.124.2 are listed on the JSE, or any other internationally recognised exchange, if the current Tier 2 Notes are listed;
- 1.125 **“Rating Agency”** means any rating agency(ies) as is/are appointed by the Issuer to provide a credit rating from time to time and as specified in the Applicable Pricing Supplement;
- 1.126 **“Receipt”** a receipt evidencing title to payment of an Instalment Amount payable on an Instalment Note which is a Bearer Note or Order Note, attached upon issue to the Certificate evidencing such Instalment Note;
- 1.127 **“Redemption Amount”** as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Early Redemption Amount (Regulatory), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the Applicable Pricing Supplement;
- 1.128 **“Redemption Date”** each date on which any Notes are to be redeemed, partially or finally, as the case may be, in terms of the Terms and Conditions;
- 1.129 **“Reference Rate”** has the meaning ascribed thereto in the Applicable Pricing Supplement;
- 1.130 **“Register”** the register maintained by the Transfer Agent in terms of Condition 16 (*Register*);
- 1.131 **“Registered Holder”** means:
- 1.131.1 in respect of Registered Notes held in uncertificated form in the Central Securities Depository, the person whose name is entered into the Uncertificated Securities Register as the holder of such Registered Notes in a Tranche of Notes; and
- 1.131.2 in respect of Registered Notes represented by an Individual Certificate, the person whose name is entered into the Register as the holder of such Registered

Notes in a Tranche of Notes;

- 1.132 **“Registered Note”** a Note issued in registered form and transferable in accordance with Condition 15.1 (*Transfer of Registered Notes*);
- 1.133 **“Regulatory Change”** a change in, or amendment to, the Capital Regulations or any change in the application of or official or generally published guidance or interpretation of the Capital Regulations, which change or amendment becomes, or would become, effective on or after the Issue Date of the first Tranche of Notes of the relevant Series;
- 1.134 **“Relevant Date”** in respect of any payment relating to the Notes, the date on which such payment first becomes due, except that, in relation to monies payable to the Central Securities Depository in accordance with these Terms and Conditions, it means the first date on which: (a) the full amount of such monies have been received by the Central Securities Depository; (b) such monies are available for payment to the holders of Beneficial Interests; and (c) notice to that effect has been duly given to such holders in accordance with the Applicable Procedures;
- 1.135 **“Relevant Part”** in relation to a Series of Tier 2 Notes, the portion of the aggregate Current Principal Amount of that Series of Tier 2 Notes which the Prudential Authority requires to be Converted or Written-off (as applicable) upon the occurrence of a Non-Viability Trigger Event whether expressed as a value, a percentage or otherwise, as determined and notified to the Issuer by the Prudential Authority;
- 1.136 **“Relevant Screen Page”** has the meaning ascribed thereto in the Applicable Pricing Supplement;
- 1.137 **“Representative”** a person duly authorised to act on behalf of a Noteholder, who may be regarded by the Issuer, the Transfer Agent and the Paying Agent (acting in good faith) as being duly authorised based upon the tacit or express representation thereof by such person, in the absence of express notice to the contrary from such Noteholder;
- 1.138 **“SARB”** the South African Reserve Bank;
- 1.139 **“Screen Rate Determination”** has the meaning ascribed thereto in the Applicable Pricing Supplement;
- 1.140 **“SENS”** the Stock Exchange News Service established by the JSE;
- 1.141 **“Senior Creditors”** means creditors of the Issuer;

		1.141.1	who are unsubordinated creditors of the Issuer; or
		1.141.2	(other than the holders of Qualifying Additional Tier 1 Capital Securities, Additional Tier 1 Notes, Tier 2 Notes or Qualifying Tier 2 Capital Securities) whose claims are subordinated (whether only in the event of a dissolution, liquidation or winding up of the Issuer or otherwise) to the claims of unsubordinated creditors of the Issuer
1.142	“Series”		a Tranche of Notes together with any further Tranche or Tranches of Notes which are: (a) expressed to be consolidated and form a single series; and (b) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices;
1.143	“Settlement Agents”		means those Participants which are authorised by the Central Securities Depository or any other licensed central securities depository from time to time, in terms of the relevant Applicable Procedures, as settlement agents to perform electronic settlement of funds and scrip on behalf of market participants;
1.144	“Solvent Reconstruction”		the event where an order is made or an effective resolution is passed for the winding-up of the Issuer, other than under or in connection with a scheme of amalgamation or reconstruction not involving a bankruptcy or insolvency where the obligations of the Issuer in relation to the outstanding Notes are assumed by the successor entity to which all, or substantially all, of the property, assets and undertaking of the Issuer are transferred or where an arrangement with similar effect not involving bankruptcy or insolvency is implemented;
1.145	“South Africa”		the Republic of South Africa;
1.146	“Specified Currency”		in relation to a Tranche of Notes, subject to Applicable Laws and in the case of Notes listed on the JSE, subject to the rules and applicable listings requirements of the JSE, has the meaning given in the Applicable Pricing Supplement relating to that Tranche;
1.147	“Specified Denomination”		has the meaning given in the Applicable Pricing Supplement;
1.148	“Specified Office”		in relation to each of the Issuer, the Calculation Agent, Paying Agent and the Transfer Agent, the address of the office specified in respect of such

entity at the end of the Programme Memorandum, or such other address as is notified by such entity (or, where applicable, a successor to such entity) to the Noteholders in accordance with the Terms and Conditions, as the case may be;

- 1.149 **“Statutory Loss Absorption Regime”** any legal, statutory or regulatory regime or requirement implemented in South Africa which provides the Prudential Authority with the power to implement principal loss absorption measures in respect of capital instruments (such as Tier 2 Capital), including, but not limited to, any such regime or requirement which is implemented pursuant to Basel III;
- 1.150 **“Talon”** a talon entitling the holder to receive further Coupons in relation to an interest bearing Bearer Note or Order Note, if indicated in the Applicable Pricing Supplement, attached to the Certificate evidencing such interest bearing Note;
- 1.151 **“Tax Event”** an event where, (a) as a result of a Tax Law Change: (i) the Issuer has paid or will or would on the next Interest Payment Date be required to pay additional amounts as provided or referred to in Condition 12 (*Taxation*); or (ii) in respect of the Issuer’s obligation to make any payment of interest on the next following Interest Payment Date or any subsequent Interest Payment Date, the Issuer would not be entitled to claim a deduction in respect of computing its taxation liabilities in South Africa, or such entitlement is materially reduced or (b) other than as a result of a Tax Law Change, the Issuer’s treatment of the interest payable by it on the Notes as a tax deductible expense for South African income tax purposes as reflected on the tax returns (including provisional tax returns) filed (or to be filed) by the Issuer is not accepted by the South African Revenue Service, and in each case the Issuer cannot avoid the foregoing in connection with the Notes by taking measures reasonably available to it (such reasonable measures to exclude any requirement to instigate litigation in respect of any decision or determination of the South African Revenue Service that any such interest does not constitute a tax deductible expense);
- 1.152 **“Tax Jurisdiction”** South Africa or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction in which payments by the Issuer become subject to tax;
- 1.153 **“Tax Law Change”** a change in or proposed change in, or amendment or proposed amendment to, the laws or regulations of South Africa, or any political subdivision or any

		authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), whether or not having retrospective effect, which change or amendment is announced on or after the Issue Date;
1.154	“Terms and Conditions”	the terms and conditions incorporated in this section headed <i>“Terms and Conditions of the Tier 2 Notes”</i> and in accordance with which the Tier 2 Notes will be issued;
1.155	“Tier 2 Capital”	<i>“Tier 2 Capital”</i> as defined in section 1(1) of the Banks Act;
1.156	“Tier 2 Capital Regulations”	Regulation 38(12) of the <i>“Regulations Relating to Banks”</i> promulgated under the Banks Act and such other provisions of the Capital Regulations with which Tier 2 Notes must comply in order for the proceeds of the issue of such Notes to qualify as Tier 2 Capital;
1.157	“Tier 2 Noteholder”	a Registered Holder of a Tier 2 Note;
1.158	“Tier 2 Notes”	Notes specified as such in the Applicable Pricing Supplement and complying with the Tier 2 Capital Regulations;
1.159	“Tranche”	in relation to any particular Series, all Notes which are identical in all respects (including as to listing);
1.160	“Transfer Agent”	Absa CIB, unless the Issuer elects to appoint, in relation to a particular Tranche or Series of Notes, another entity as Transfer Agent, in which event that other entity shall act as Transfer Agent in respect of that Tranche or Series of Notes;
1.161	“Transfer Form”	the written form for the transfer of a Registered Note, in the form approved by the Transfer Agent, and signed by the transferor and transferee;
1.162	“Trigger Event”	an event specified as a “trigger event” by the Prudential Authority, or any successive authority, in accordance with the Capital Regulations;
1.163	“Uncertificated Notes”	a Note which is uncertificated as contemplated in Section 33 of the Financial Markets Act;
1.164	“Uncertificated Securities Register”	has the meaning ascribed thereto in the Financial Markets Act (as read together with the Companies Act);
1.165	“Write-off”	in respect of Tier 2 Notes: <ul style="list-style-type: none"> 1.165.1 the Tier 2 Notes shall be cancelled (in the

case of a Write-off in whole) or written-down in part on a pro rata basis (in the case of a Write-off in part), in accordance with the Capital Regulations and as determined by the Prudential Authority; and

- 1.165.2 all rights of any Tier 2 Noteholder for payment of any amounts under or in respect of the Tier 2 Notes shall, as the case may be, be cancelled or written off pro rata among the Tier 2 Noteholders and, in each case, not restored under any circumstances, irrespective of whether such amounts have become due and payable prior to the date of the Non-Viability Trigger Event Notice and even if the Non-Viability Trigger Event has ceased;
- 1.166 “**ZAR**” the lawful currency of South Africa, being South African Rand, or any successor currency;
- 1.167 “**ZAR-JIBAR-SAFEX**” the mid-market rate for deposits in ZAR for a period of the Designated Maturity which appears on the Reuters Screen SAFEX Page as at 12h00, South African time, on the relevant date, or any successor rate; and
- 1.168 “**Zero Coupon Notes**” Notes which will be offered and sold at a discount to their Principal Amount or at par and will not bear interest other than in the case of late payment.
- 1.169 In these Terms and Conditions, unless inconsistent with the context, any reference to:
- 1.169.1 one gender include a reference to the others;
 - 1.169.2 the singular includes the plural and *vice versa*;
 - 1.169.3 natural persons include juristic persons and vice versa;
 - 1.169.4 a **subsidiary** or **holding company** shall be interpreted in accordance with section 1 of the Companies Act;
 - 1.169.5 any agreement or instrument is a reference to that agreement or instrument as amended, supplemented, varied, novated, restated or replaced from time to time, and **amended** or **amendment** will be construed accordingly;
 - 1.169.6 a provision of law is a reference to that provision as amended or re-enacted, and includes any subordinate legislation;
 - 1.169.7 a **regulation** includes any regulation, rule, official directive, request or guideline (whether or not having the force of law but, if not having the force of law, being of a type with which any person to which it applies is accustomed to comply) of any governmental, inter-governmental or

- supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;
- 1.169.8 **assets** includes present and future properties, revenues and rights of every description;
- 1.169.9 **disposal** means a sale, transfer, grant, lease or other disposal (whether voluntary or involuntary);
- 1.169.10 **indebtedness** includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;
- 1.169.11 an **authorisation** includes an authorisation, consent, approval, resolution, licence, exemption, filing, registration or notarisation;
- 1.169.12 a default being **continuing** means that it has not been remedied or waived;
- 1.169.13 a party or any other person includes that person's permitted successor, transferee, cessionary and/or delegate; and
- 1.169.14 a time of day is a reference to South African time.
- 1.170 If any provision in a definition is a substantive provision conferring rights or imposing obligations on any party, effect must be given to it as if it were a substantive provision in the body of the agreement, notwithstanding that it is contained in the interpretation clause.
- 1.171 Headings are inserted for the sake of convenience only and do not in any way affect the interpretation of these Terms and Conditions.
- 1.172 The use of the word **including** followed by specific examples will not be construed as limiting the meaning of the general wording preceding it, and the *eiusdem generis* rule must not be applied in the interpretation of such general wording or such specific examples.
- 1.173 The rule of construction that an agreement is to be interpreted against the party responsible for the drafting or preparation thereof must not be used in the interpretation of these Terms and Conditions.
- 1.174 These Terms and Conditions apply only to Tier 2 Notes. The General Terms and Conditions and the Additional Tier 1 Terms and Conditions shall not apply to Tier 2 Notes.
- 2. ISSUE**
- 2.1 Subject to the prior consent of the Prudential Authority (to the extent required by Applicable Laws), Notes may be issued by the Issuer at any time and from time to time (without the consent of the Noteholder) in Tranches pursuant to the Programme. A Tranche of Notes may, together with a further Tranche or Tranches, form a Series of Notes issued under the Programme.
- 2.2 The Applicable Pricing Supplement for each Tranche of Notes is incorporated in these Terms and Conditions for the purposes of those Notes and supplements these Terms and Conditions. The Applicable Pricing Supplement may specify other terms and

conditions (which may replace, modify or supplement these Terms and Conditions), in which event such other terms and conditions shall, to the extent so specified in the Applicable Pricing Supplement or to the extent inconsistent with these Terms and Conditions, replace, modify or supplement these Terms and Conditions for the purpose of such Tranche of Notes.

- 2.3 The Issuer may issue listed or unlisted Registered Notes. Unlisted Registered Notes are not regulated by the JSE. Listed Registered Notes will be listed on the Interest Rate Market on the JSE and/or on such other further Financial Exchange/s as may be determined by the Issuer and the relevant Dealer/s, subject to Applicable laws. The Applicable Pricing Supplement will specify whether or not a Tranche of Registered Notes will be listed and, if so, on which Financial Exchange.
- 2.4 The holders of Registered Notes that are not listed on the Interest Rate Market of the JSE will have no recourse against the JSE.
- 2.5 The Noteholders are deemed to have notice of, and are entitled to the benefit of, and are subject to, all the provisions of the Applicable Pricing Supplement.

3. FORM AND DENOMINATION

3.1 General

- 3.1.1 Notes will be issued as Registered Notes, Bearer Notes or Order Notes.
- 3.1.2 All payments in relation to the Notes will be made in the Specified Currency.
- 3.1.3 Each Note shall be a Subordinated Note, as indicated in the Applicable Pricing Supplement.
- 3.1.4 Each Subordinated Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Indexed Interest Note, an Indexed Redemption Amount Note, a Mixed Rate Note or a combination of any of the foregoing or such other types of Note as may be determined by the Issuer, as indicated in the Applicable Pricing Supplement.
- 3.1.5 Notes will be issued in such denominations as may be determined by the Issuer and as specified in the Applicable Pricing Supplement, provided that the Notes shall not be issued in denominations of less than ZAR1,000,000.

3.2 Registered Notes

- 3.2.1 The Notes in a Tranche of Registered Notes will be issued in (a) the form of Definitive Certificates registered in the name, and for the account of, the relevant Noteholder or (b) uncertificated form, and held in the Central Securities Depository in terms of the Financial Markets Act, and registered in the name, and for the account of, the Registered Holder. The Central Securities Depository will hold the Notes subject to the Financial Markets Act and the Applicable Procedures.
- 3.2.2 An owner of a Beneficial Interest in the Notes shall be entitled to exchange such Beneficial Interest for a Definitive Certificate in accordance with Condition 14 (*Delivery, Exchange and Replacement of Certificates, Receipts and Coupons*).

3.3 **Bearer Notes and Order Notes**

Bearer Notes or Order Notes will be evidenced by Definitive Certificates. Bearer Notes or Order Notes, other than Zero Coupon Notes, may have Coupons and (if indicated in the Applicable Pricing Supplement), Talons attached to the Certificate on issue. Instalment Notes which are Bearer Notes or Order Notes may have Receipts attached to the Certificate on issue.

4. **TITLE**

4.1 **Registered Notes**

4.1.1 Subject as set out below, title to Registered Notes will pass upon registration of transfer in the Register or in the Uncertificated Securities Register in accordance with Condition 15.1 (*Transfer of Registered Notes*).

4.1.2 The Issuer, the Transfer Agent and the Paying Agent shall recognise a Registered Holder as the sole and absolute owner of the Notes registered in that Registered Holder's name in the Register (notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) and shall not be bound to enter any trust in the Register or to take notice of or to accede to the execution of any trust, express, implied or constructive, to which any Note may be subject.

4.1.3 Each person recorded in the Uncertificated Securities Register as a registered Noteholder of a particular Tranche of uncertificated Registered Notes will be treated by the Issuer, the Transfer Agent and the Paying Agent as the holder of that aggregate Nominal Amount of such uncertificated Registered Notes for all purposes.

4.1.4 Beneficial Interests which are held by Participants will be held directly through the Central Securities Depository, and the Central Securities Depository will hold such Beneficial Interests, on behalf of such Participants, through the central securities accounts maintained by the Central Securities Depository for such Participants.

4.1.5 Beneficial Interests which are held by clients of Participants will be held indirectly through such Participants, and such Participants will hold such Beneficial Interests, on behalf of such clients, through the securities accounts maintained by such Participants for such clients. The clients of Participants may include the holders of Beneficial Interests or their custodians. The clients of Participants, as the holders of Beneficial Interests or as custodians for such holders, may exercise their rights in respect of the Notes held by them in the Central Securities Depository only through their Participants.

4.1.6 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.

4.1.7 Beneficial Interests may be transferred only in accordance with the Applicable Procedures.

4.1.8 Any reference in these Terms and Conditions to the relevant Participant shall, in respect of Beneficial Interests, be a reference to the Participant appointed to act as such by a holder of such Beneficial Interest.

4.2 **Bearer Notes**

- 4.2.1 Title to Bearer Notes (including rights to Instalment Amounts and/or interest thereon, as applicable) will pass by delivery of the Certificate evidencing such Note or of the Receipt and/or Coupon relating thereto, as the case may be, in accordance with Condition 15.2 (*Transfer of Bearer Notes*). The Issuer, the Transfer Agent and the Paying Agent may deem and treat the Bearer of any such Certificate, Receipt or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes.
- 4.2.2 Title to Bearer Notes is subject to the Bearer obtaining the exemption from the National Treasury in respect of the prohibition on dealing in bearer securities as set out in regulation 15 of the Exchange Control Regulations.

4.3 **Order Notes**

- 4.3.1 Title to Order Notes (including rights to Instalment Amounts and/or interest thereon, as applicable) will initially pass by Endorsement and delivery of the Certificate evidencing such Note or of the Receipt and/or Coupon relating thereto, as the case may be, in accordance with Condition 15.3 (*Transfer of Order Notes*) Any Certificate evidencing an Order Note or such Receipt or Coupon upon which the last Endorsement is an Endorsement in Blank shall be treated as a Bearer Note, for so long as it is not subject to further Endorsement.
- 4.3.2 The Issuer, the Transfer Agent and the Paying Agent may deem and treat the person who from the face of the Certificate, Receipt or Coupon relating to an Order Note appears to be the Payee thereof as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or notice of any previous loss or theft thereof) for all purposes and payment to such person or their Representative shall discharge the Issuer from all liability to the Payee in relation to such Certificate, Receipt or Coupon, as the case may be, even if such Endorsement has been forged or made without authority.
- 4.3.3 Provided the Issuer pays any amount due upon presentation and surrender of a Certificate evidencing an Order Note, or any Receipt or Coupon attached thereto on issue, in good faith, it shall not be incumbent upon the Issuer or the Transfer Agent to determine or prove that the Endorsement of the Payee making such Endorsement was made by or under the authority of the person whose Endorsement it purports to be.

5. **STATUS**

5.1 **Status of the Tier 2 Notes**

- 5.1.1 *Application:* This Condition 5.1 applies only to Tier 2 Notes.
- 5.1.2 *Status of the Tier 2 Notes:* The Tier 2 Notes constitute direct, unsecured and, in accordance with Condition 5.1.3 (*Subordination*), subordinated obligations of the Issuer and rank *pari passu* without any preference or priority among themselves and (save for those that have been accorded by law preferential rights):
- (a) *pari passu* with Other Tier 2 Securities (or any other securities that are deemed under the Capital Regulations to qualify as Tier 2 Notes) and (save for those that have been accorded preferential rights by law) at least *pari passu* with all other claims of creditors of the Issuer which rank or are expressed to rank (or

are deemed under the Capital Regulations to rank) *pari passu* with the Tier 2 Notes;

- (b) senior to Common Equity Tier 1 Capital Securities and the obligations of the Issuer under any Junior Securities; and
- (c) junior to the present and/or future claims of Senior Creditors.

5.1.3 *Subordination*: The claims of Tier 2 Noteholders entitled to be paid amounts due in respect of the Tier 2 Notes (including any damages or other amounts (if payable)) are subordinated to the claims of Depositors and Senior Creditors and, accordingly, in the event of the dissolution of the Issuer or if the Issuer is placed into liquidation or is wound-up (in each case other than pursuant to a Solvent Reconstruction):

- (a) notwithstanding that any Tier 2 Noteholder shall have proved a claim for any amount in respect of the Tier 2 Notes, in the event of the dissolution, liquidation or winding-up of the Issuer, no such amount shall be paid to that Tier 2 Noteholder; and
- (b) no amount due under the Tier 2 Notes shall be eligible for set-off, counterclaim, abatement or other similar remedy which a Tier 2 Noteholder might otherwise have under the laws of any jurisdiction in respect of the Tier 2 Notes nor shall any amount due under the Tier 2 Notes be payable to any Tier 2 Noteholder,

in each case, until the claims of Depositors and Senior Creditors which are admissible in any such dissolution, liquidation, or winding-up have been paid or discharged in full.

5.1.4 *Set-off*: Subject to Applicable Laws, no Tier 2 Noteholder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer under or in connection with the Tier 2 Notes and each Tier 2 Noteholder shall, by virtue of being the holder of any Tier 2 Notes, be deemed to have waived all such rights of set-off, compensation or retention. Notwithstanding the preceding sentence, if any of the amounts owing to any Tier 2 Noteholder by the Issuer is discharged by set-off (whether by operation of law or otherwise), such Tier 2 Noteholder shall, unless such payment is prohibited by law, immediately pay an amount equal to the amount of such discharge to the Issuer or, in the event of its winding up or administration, the liquidator or administrator, as appropriate, of the Issuer for payment to the Depositors and Senior Creditors in respect of amounts owing to them by the Issuer, and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Issuer, or the liquidator or administrator, as appropriate, of the Issuer (as the case may be), for payment to the Depositors and Senior Creditors in respect of amounts owing to them by the Issuer and accordingly any such discharge shall be deemed not to have taken place.

5.2 **Write-off or Conversion of Tier 2 Notes**

The Applicable Pricing Supplement of a Tranche of Tier 2 Notes shall specify whether:

- (a) Conversion upon the occurrence of a Non-Viability Trigger Event; or
- (b) Write-off upon the occurrence of a Non-Viability Trigger Event,

will apply to that Tranche of Tier 2 Notes.

5.3 **Capital Regulations and Additional Conditions**

In order for the proceeds of the issuance of the Notes to qualify as Tier 2 Capital, Tier 2 Notes must comply with the applicable Capital Regulations (including the Additional Conditions (if any) prescribed by the Prudential Authority in respect of a particular Tranche of Tier 2 Notes). The Issuer will specify in the Applicable Pricing Supplement whether any issue of Notes is an issue of Tier 2 Notes the proceeds of which are intended to qualify as Tier 2 Capital. The Additional Conditions (if any) prescribed by the Prudential Authority in respect of Subordinated Notes will be specified in the Applicable Pricing Supplement or a supplement to the Programme Memorandum.

6. **INTEREST**

6.1 **Interest on Fixed Rate Notes**

6.1.1 Unless otherwise specified in the Applicable Pricing Supplement, interest on Fixed Rate Notes will be paid on a 6-monthly basis, on the Interest Payment Dates.

6.1.2 Each Fixed Rate Note bears interest on its Principal Amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date to (but excluding) the Maturity Date at the rate(s) per annum equal to the Fixed Interest Rate. Such interest shall fall due for payment in arrear on the Interest Payment Date(s) in each year and on the Maturity Date if such date does not fall on an Interest Payment Date. The first payment of interest will be made on the Interest Payment Date following the Interest Commencement Date.

6.1.3 The Calculation Agent will calculate the Interest Amount payable in respect of each Tranche of Fixed Rate Notes for each Interest Period. Unless stated otherwise in the Applicable Pricing Supplement, the Interest Amount for half yearly interest payments shall be calculated by multiplying the Interest Rate by the Principal Amount (or, if it is a Partly Paid Note, the amount paid up) of the Fixed Rate Note and then dividing such product by 2 (the resultant sum will be rounded to the nearest smallest denomination of the Specified Currency, half of any such denomination being rounded upwards), provided that:

- (a) if an Initial Broken Amount is specified in the Applicable Pricing Supplement, then the first Interest Amount shall equal such Initial Broken Amount; and
- (b) if a Final Broken Amount is specified in the Applicable Pricing Supplement, then the final Interest Amount shall equal such Final Broken Amount.

Save as provided in the preceding paragraphs, interest will be calculated in accordance with the Interest Period as specified in the Applicable Pricing Supplement for the Fixed Rate Notes, however in any other instance, such interest shall be calculated by applying the Fixed Rate of Interest to each Specified Denomination, multiplying such product by the applicable Day Count Fraction, as specified in the Applicable Pricing Supplement, and rounding the resultant figure to the nearest Sub-unit of the relevant Specified Currency, half such Sub-unit being rounded upwards or otherwise in accordance with the applicable market convention.

6.2 Interest on Floating Rate Notes

A. Interest Rate

The Interest Rate payable from time to time in respect of the Floating Rate Notes will be determined:

- (a) on the basis of ISDA Determination; or
- (b) on the basis of Screen Rate Determination; or
- (c) on such other basis as may be determined by the Issuer,

all as specified in the Applicable Pricing Supplement.

B. ISDA Determination

Where ISDA Determination is specified in the Applicable Pricing Supplement as the manner in which the Interest Rate is to be determined, the Interest Rate for each Interest Period will be the relevant ISDA Rate (as defined below) plus or minus (as indicated in the Applicable Pricing Supplement) the Margin (if any).

For the purposes of this Condition 6.2B:

“**ISDA Rate**” for an Interest Period means a rate equal to the Floating Rate that would be determined by such agent as is specified in the Applicable Pricing Supplement under a notional interest rate swap transaction if that agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (a) the Floating Rate Option is as specified in the Applicable Pricing Supplement;
- (b) the Designated Maturity is the period specified in the Applicable Pricing Supplement; and
- (c) the relevant Reset Date is either: (i) if the applicable Floating Rate Option is based on the ZAR-JIBAR-SAFEX on the first day of that Interest Period; or (ii) in any other case, as specified in the Applicable Pricing Supplement.

“**Floating Rate**”, “**Floating Rate Option**”, “**Designated Maturity**” and “**Reset Date**” have the meanings given to those expressions in the ISDA Definitions.

When this Condition 6.2B applies, in respect of each Interest Period such agent as is specified in the Applicable Pricing Supplement will be deemed to have discharged its obligations under Condition 6.2F (*Determination of Interest Rate and calculation of Interest Amount*) in respect of the determination of the Interest Rate if it has determined the Interest Rate in respect of such Interest Period in the manner provided in this Condition 6.2B.

C. *Screen Rate Determination*

Where Screen Rate Determination is specified in the Applicable Pricing Supplement as the manner in which the Interest Rate is to be determined, the Interest Rate for each Interest Period will, subject as provided below, be either:

- (a) the offered quotation (if there is only one quotation on the Relevant Screen Page); or
- (b) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations (if there is more than one quotation on the Relevant Screen Page) and subject to adjustment in terms of the JSE's approved methodology,

for the Reference Rate(s) which appears or appear as the case may be, on the Relevant Screen Page as at 12h00 (South African time) on the Interest Determination Date in question, plus or minus (as indicated in the Applicable Pricing Supplement) the Margin (if any), all as determined by the Calculation Agent. If 5 or more such offered quotations are available on the Relevant Screen Page the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by such agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if, in the case of paragraph (a) above, no such offered quotation appears or, in the case of paragraph (b) above, fewer than 3 such offered quotations appear, in each case at the time specified in the preceding paragraph, the Calculation Agent shall request the principal Johannesburg office of each of the Reference Banks (as defined below) to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately 12h00 (South African time) on the Interest Determination Date in question. If 2 or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Interest Rate for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0,000005 being rounded upwards) of such offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Calculation Agent.

If the Interest Rate cannot be determined by applying the provisions of the preceding paragraphs of this Condition 6.2C, the Interest Rate for the relevant Interest Period shall be the rate per annum which the Calculation Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0,000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any 2 or more of them, at which such banks offered, at approximately 12h00 (South African time) on the relevant Interest Determination Date, in respect of deposits in an amount approximately equal to the Principal Amount of the Notes of the relevant Series, for a period equal to that which would have been used for the Reference Rate, to Reference Banks in the Johannesburg inter-bank market plus or minus (as appropriate) the Margin (if any). If fewer than 2 of the Reference Banks provide the Calculation Agent with such offered rates, the Interest Rate for the relevant Interest Period will be determined by the Calculation Agent as the arithmetic mean (rounded as provided above) of the rates for deposits in an amount

approximately equal to the Principal Amount of the Notes of the relevant Series, for a period equal to that which would have been used for the Reference Rate, quoted at approximately 12h00 (South African time) on the relevant Interest Determination Date, by 4 leading banks in Johannesburg (selected by the Calculation Agent and approved by the Issuer) plus or minus (as appropriate) the Margin (if any). If the Interest Rate cannot be determined in accordance with the foregoing provisions of this Condition 6.2C, the Interest Rate shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period).

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the Applicable Pricing Supplement as being other than the ZAR-JIBAR-SAFEX rate, the Interest Rate in respect of such Notes will be determined, in the manner provided above, or as may be provided in the Applicable Pricing Supplement.

“**Reference Banks**” means for the purposes of this Condition 6.2C the 4 leading banks in the South African inter-bank market selected by the Calculation Agent and approved by the Issuer.

D. *Minimum and/or Maximum Interest Rate*

If the Applicable Pricing Supplement specifies a Minimum Interest Rate for any Interest Period, then the Interest Rate for such Interest Period shall in no event be less than such Minimum Interest Rate and/or if it specifies a Maximum Interest Rate for any Interest Period, then the Interest Rate for such Interest Period shall in no event be greater than such Maximum Interest Rate.

E. *Interest Payment Dates*

Each Floating Rate Note bears interest on its Principal Amount (or, if it is a Partly Paid Note, on the amount paid up) from (and including) the Interest Commencement Date up to (but excluding) the Maturity Date at the rate equal to the Interest Rate. Such interest shall fall due for payment in arrears on the Interest Payment Date(s).

F. *Determination of Interest Rate and calculation of Interest Amount*

The Calculation Agent will, in the case of Floating Rate Notes, at or as soon as practicable after each time at which the Interest Rate is to be determined, determine the Interest Rate and calculate the Interest Amount for the relevant Interest Period. Unless stated otherwise in the Applicable Pricing Supplement, each Interest Amount shall be calculated by multiplying the Interest Rate by the Principal Amount (or, if it is a Partly Paid Note, on the amount paid up), then multiplying the product by the applicable Day Count Fraction and rounding the resultant product to the nearest smallest denomination of the Specified Currency, half of any such denomination being rounded upwards.

“**Day Count Fraction**” means, in respect of the calculation of the Interest Amount for any Interest Period:

- (a) if “**Actual/365**” is specified in the Applicable Pricing Supplement, the actual number of elapsed days (including the first day and excluding the last day of such Interest Period) in the Interest Period divided by 365; or
- (b) such other calculation method as is specified in the Applicable Pricing Supplement.

G. *Notification of Interest Rate and Interest Amount*

The Calculation Agent (or such other agent as is specified in the Applicable Pricing Supplement) will cause the Interest Rate and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Paying Agent, the Transfer Agent, the Noteholders in respect of any Floating Rate Notes which are Bearer Notes or Order Notes, any Financial Exchange on which the relevant Floating Rate Notes are for the time being listed or settled and any central securities depository in which Certificates in respect of the notes are immobilised, as soon as possible after their determination but not later than the 4th Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to the Issuer, the Paying Agent, the Transfer Agent, the Noteholders in respect of any Floating Rate Notes which are Bearer Notes or Order Notes, each Financial Exchange on which the relevant Floating Rate Notes are for the time being listed or settled and any central securities depository in which Certificates in respect of the Notes are immobilised.

H. *Certificates to be Final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 6.2 by the Calculation Agent shall, in the absence of wilful deceit, bad faith, manifest error or dispute as set out hereunder, be binding on the Issuer, the Calculation Agent, and all Noteholders, and no liability to the Issuer or the Noteholders shall attach to the Transfer Agent, the Calculation Agent or the Paying Agent (as the case may be) in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions. Where the Issuer acts as the Calculation Agent and in the event that Noteholders holding not less than 25% in aggregate Principal Amount of the Notes for the time being Outstanding, deliver to the Issuer a written notice of objection to any determination made by the Issuer within 5 Business Days of notification of the Interest Rate and Interest Amount in accordance with Condition 6.2G (*Notification of Interest Rate and Interest Amount*), such determination shall not be regarded as final and upon such notification, the Issuer shall request the chief executive officer for the time being of the JSE to appoint an independent third party to make such determination. Such independent third party shall make such determination promptly as an expert and not as an arbitrator and their determination, in the absence of wilful deceit, bad faith or manifest error, shall be binding on the Issuer and all Noteholders, and no liability to the Issuer or the Noteholders shall attach to such third party in connection with the exercise or non-exercise by them of their powers, duties and discretions pursuant to

such provisions. The costs of procuring and effecting such determination shall be borne by the Issuer in the event that the determination of such third party differs from that of the Issuer as Calculation Agent and shall be borne by the Noteholders disputing such determination by the Issuer in the event that the determination of such third party confirms that of the Issuer as Calculation Agent.

6.3 **Mixed Rate Notes**

The Interest Rate payable from time to time on Mixed Rate Notes shall be the Interest Rate payable on any combination of Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes or Indexed Notes for respective periods, each as specified in the Applicable Pricing Supplement. During each such applicable period, the interest rate on the Mixed Rate Notes shall be determined and fall due for payment on the basis that such Mixed Rate Notes are Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes or Indexed Notes, as the case may be.

6.4 **Indexed Notes**

In the case of Indexed Notes, if the Interest Rate or Final Redemption Amount falls to be determined by reference to an index and/or a formula, such rate or amount payable in respect of each Interest Period shall be determined in the manner specified in the Applicable Pricing Supplement. Any interest payable shall fall due for payment on the Interest Payment Date(s).

6.5 **Partly Paid Notes**

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue on the paid-up Principal Amount of such Notes and otherwise as specified in the Applicable Pricing Supplement.

6.6 **Accrual of Interest**

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date of its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue at the SAFEX Overnight Deposit Rate (to be found on the Reuters Screen SAFEY page as at 12h00 (South African time) on the presentation date, or any successor rate) until whichever is the earlier of:

- (a) the date on which all amounts due in respect of such Note have been paid; and
- (b) the date on which the full amount of the monies payable has been received by the Paying Agent and notice to that effect has been given to Noteholders in accordance with Condition 18 (*Notices*).

In the event that the SAFEX Overnight Deposit Rate is not ascertainable from the relevant screen page at the time contemplated above, the Calculation Agent shall follow the procedure contemplated in Condition 6.2C (*Screen Rate Determination*) to ascertain a rate.

6.7 Notes listed on the JSE

The amount of any interest payable in respect of the Notes in terms of this Condition 6 will be announced on SENS at least 3 (three) Business Days before the relevant Interest Payment Date.

6.8 Business Day Convention

If any Interest Payment Date (or other date) which is specified in the Applicable Pricing Supplement to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (a) the “**Floating Rate Business Day Convention**”, such Interest Payment Date (or other date) shall in any case where Interest Periods are specified in accordance with Condition 6.2E (*Interest Payment Dates*), be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event: (i) such Interest Payment Date (or other date) shall be brought forward to the first preceding Business Day; and (ii) each subsequent Interest Payment Date (or other date) shall be the last Business Day in the month which falls the number of months or other period specified as the Interest Period in the Applicable Pricing Supplement after the preceding applicable Interest Payment Date (or other date) has occurred; or
- (b) the “**Following Business Day Convention**”, such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day; or
- (c) the “**Modified Following Business Day Convention**”, such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date (or other such date) shall be brought forward to the first preceding Business Day; or
- (d) the “**Preceding Business Day Convention**”, such Interest Payment Date (or other date) shall be brought forward to the first preceding Business Day.

6.9 General

6.9.1 Calculation of other Amounts

If the Applicable Pricing Supplement specifies that any other amount, rate, index and/or formula in relation to a Tranche of Notes is to be calculated by the Calculation Agent, the Calculation Agent will soon as practicable after the time or times at which any such amount, rate, index and or formula is to be determined, calculate the relevant amount, rate, index and/or formula in the manner specified in the Applicable Pricing Supplement.

6.9.2 Fall-back Rate of Interest

Unless otherwise specified in the relevant Applicable Pricing Supplement, if the Calculation Agent is unable to determine a rate (or, as the case may be, the arithmetic mean of rates) in accordance with the above provisions of this Condition 6, the Interest Rate applicable to the relevant Tranche of Notes during the relevant Interest Period will be the Interest Rate applicable to the relevant Tranche of Notes during the immediately

preceding Interest Period (with adjustment for any change in the Margin, Maximum Interest Rate or Minimum Interest Rate).

6.9.3 **Certificates to be final**

All communications, notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 6 by the Calculation Agent will (in the absence of willful default, bad faith or manifest error) be binding of the Issuer and the Noteholders and (subject as aforesaid) no liability to the Issuer or the Noteholders will attach to the Calculation Agent in connection with the exercise or no-exercise by it of its powers, duties and discretions pursuant of this Condition 6.

7. **PAYMENTS**

7.1 **Registered Notes**

7.1.1 Payments of interest and principal in respect of Uncertificated Notes will be made to the Registered Holder of such Notes, which in turn will transfer such funds, via the Participants, to the holders of Beneficial Interests. Each of the persons reflected in the records of the Central Securities Depository or the relevant Participants, as the case may be, as the holders of Beneficial Interests 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 Registered Holder of the relevant 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 such Beneficial Interests. Payments of interest and principal in respect of Uncertificated Notes shall be recorded by the 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.

7.1.2 Payments of interest and principal in respect of Notes represented by Definitive Certificates shall be made to the person reflected as the Registered Holder of the Definitive Certificate in the Register on the Last Day to Register.

7.2 **Bearer Notes**

7.2.1 Payments of interest in respect of Bearer Notes will be made to the Bearer only against presentation and surrender by the Bearer or its Representative of the relevant Coupon or (in respect of interest bearing Bearer Notes issued without Coupons) only against presentation by the Bearer or its Representative of the relevant Certificate.

7.2.2 Payments of Instalment Amounts in respect of Bearer Notes will be made to the Bearer only following presentation and surrender by the Bearer or its Representative of the relevant Receipt. Payments of the final instalment of principal in respect of Bearer Notes which are Instalment Notes, or of the principal of all other Bearer Notes will be made to the Bearer only following presentation and surrender by the Bearer or its Representative of the Certificate evidencing such Bearer Notes.

7.2.3 Upon presentation and/or surrender as aforesaid, the Bearer or its Representative shall be required to nominate in writing to the Paying Agent a bank account within South Africa (or any Other Banking Jurisdiction specified in the Applicable Pricing Supplement) into which the relevant payment must be made and provide details of its

address (being an address within South Africa or any Other Banking Jurisdiction specified in the Applicable Pricing Supplement).

7.3 **Order Notes**

7.3.1 Payments of interest in respect of Order Notes will be made to the Payee only following presentation and surrender by the Payee or its Representative of the relevant Coupon or (in respect of interest bearing Order Notes issued without Coupons) only against presentation by the Payee or its Representative of the relevant Certificate.

7.3.2 Payments of Instalment Amounts in respect of Order Notes will be made to the Noteholder only following presentation and surrender by the Payee or its Representative of the relevant Receipt. Payments of the final instalment of principal in respect of Order Notes which are Instalment Notes, or of the principal of all other Order Notes will be made to the Payee only following presentation and surrender by the Payee or its Representative of the Certificate evidencing such Order Notes.

7.3.3 Upon presentation and/or surrender as aforesaid, the Payee or its Representative shall be required to nominate in writing to the Paying Agent a bank account within South Africa (or any Other Banking Jurisdiction specified in the Applicable Pricing Supplement) into which the relevant payment must be made and provide details of its address (being an address within South Africa or any Other Banking Jurisdiction specified in the Applicable Pricing Supplement).

7.4 **Method of Payment**

7.4.1 Payments of interest and principal will be made in the Specified Currency by electronic funds transfer.

7.4.2 If the Issuer is prevented or restricted directly or indirectly from making any payment by electronic funds transfer in accordance with the preceding paragraph (whether by reason of strike, lockout, fire, explosion, floods, riot, war, accident, act of God, embargo, legislation, shortage of or breakdown in facilities, civil commotion, unrest or disturbances, cessation of labour, Government interference or control or any other cause or contingency beyond the control of the Issuer), the Issuer shall make such payment by cheque (or by such number of cheques as may be required in accordance with applicable banking law and practice). Such payments by cheque shall be sent by post to:

(a) the address of the Noteholder of Registered Notes as set forth in the Register or, in the case of joint Noteholders of Registered Notes, the address set forth in the Register of that one of them who is first named in the Register in respect of that Note; or

(b) the address nominated by the Bearer or the Payee in respect of Bearer Notes or Order Notes, as the case may be, upon surrender in accordance with Condition 7.2 (*Bearer Notes*) or Condition 7.3 (*Order Notes*), as the case may be.

7.4.3 Each such cheque shall be made payable to the relevant Noteholder or, in the case of joint Noteholders of Registered Notes, the first one of them named in the Register. Cheques may be posted by ordinary post, provided that neither the Issuer nor the Paying Agent shall be responsible for any loss in transmission and the postal authorities shall be deemed to be the agent of the Noteholders for the purposes of all cheques posted in terms of this Condition 7.4.

- 7.4.4 In the case of joint Noteholders of Registered Notes payment by electronic funds transfer will be made to the account of the Noteholder first named in the Register. Payment by electronic transfer to the Noteholder first named in the Register shall discharge the Issuer of its relevant payment obligations under the Notes.
- 7.4.5 Payments will be subject in all cases to any taxation or other laws, directives and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*).
- 7.5 **Surrender of Certificates and Coupons**
- 7.5.1 On or before the Last Day to Register prior to any Redemption Date of a Registered Note (including a Redemption Date relating to redemption in part), the holder of a Certificate, in respect of a Note to be redeemed (in part or in whole, as the case may be) shall deliver to the Transfer Agent the Certificates to be redeemed. This will enable the Transfer Agent to endorse the partial redemption thereon or, in the case of final redemption, to cancel the relevant Certificates.
- 7.5.2 In the case of the Uncertificated Notes, redemptions in part will be handled in accordance with the Applicable Procedures.
- 7.5.3 Should the holder of a Certificate refuse or fail to surrender the Certificate for endorsement or cancellation on or before a Redemption Date, the amount payable to him in respect of such redemption, including any accrued interest, shall be retained by the Paying Agent for such Noteholder, at the latter's risk, until the Noteholder surrenders the necessary Certificate, and interest shall cease to accrue to such Noteholder from the Redemption Date in respect of the amount redeemed.
- 7.5.4 Payments of interest in respect of Bearer Notes or Order Notes shall be made in accordance with Condition 7.4 (*Method of Payment*) only following surrender of the relevant Coupon (if any) to the Paying Agent.
- 7.5.5 Payments of Instalment Amounts in respect of Instalment Notes which are Bearer Notes or Order Notes shall be made by the Issuer in accordance with Condition 7.4 (*Method of Payment*) only following surrender of the relevant Receipt to the Paying Agent.
- 7.5.6 No payment in respect of the final redemption of a Bearer Note or Order Note shall be made until the later of:
- (a) the Relevant Date; and
 - (b) the date on which the Certificate in respect of the Note to be redeemed has been surrendered to the Paying Agent.
- 7.5.7 Upon final redemption as aforesaid, all unmatured Coupons relating to Bearer Notes or Order Notes, as the case may be, (whether or not surrendered with the relevant Certificate) shall become void and no payment shall be made thereafter in respect of them.
- 7.5.8 Documents required to be presented and/or surrendered to the Paying Agent in accordance with these Terms and Conditions shall be so presented and/or surrendered at the Specified Office of the Paying Agent specified in the Applicable Pricing Supplement.

7.6 **Payment Day**

Notwithstanding anything to the contrary contained in these Terms and Conditions, if the date for payment of any amount payable in respect of any Note is not a Business Day, then:

- (a) if a Business Day Convention is not specified in the Applicable Pricing Supplement, such date for payment shall be the following Business Day; and
- (b) if a Business Day Convention is specified in the Applicable Pricing Supplement, such date for payment shall be adjusted according to such Business Day Convention and Interest shall accrue to and be paid on, the relevant Interest Payment Date.

7.7 **Interpretation of principal and interest**

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (a) any additional amounts which may be payable with respect to principal under Condition 12 (*Taxation*);
- (b) the Final Redemption Amount of the Notes or the Early Redemption Amount (Tax) of the Notes or the Early Redemption Amount (Regulatory) of the Notes or the Early Termination Amount of the Notes, as the case may be;
- (c) the Optional Redemption Amount(s) (if any) of the Notes;
- (d) in relation to Instalment Notes, the Instalment Amounts;
- (e) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined under Condition 11.8 (*Early redemption of Zero Coupon Notes*)); and
- (f) any premium and any other amounts which may be payable under or in respect of the Notes, but excluding for the avoidance of doubt, interest.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 12 (*Taxation*).

8. **EXCHANGE OF TALONS**

On or after the Interest Payment Date on which the final Coupon (comprising the Coupon attached to the relevant Certificate relating to the latest Interest Payment Date in respect of that series of Coupons) matures, but not later than the date for prescription (in accordance with Condition 9 (*Loss Absorption Following a Non-Viability Trigger Event in respect of Tier 2 Notes*)) of the Talon which may be exchanged for the respective Coupons, the Talon (if any) attached to the relevant Certificate upon issue, may be surrendered at the Specified Office of the Transfer Agent in exchange for further Coupons, including (if such further Coupons do not include Coupons to, and including, the final date for the payment of interest due in respect of the Notes to which they pertain) a further Talon, subject to the provisions of Condition 9 (*Loss Absorption Following a Non-Viability Trigger Event in respect of Tier 2 Notes*). Each Talon shall, for the purposes of these Terms and Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon issued relative to such Talon matures.

9. LOSS ABSORPTION FOLLOWING A NON-VIABILITY TRIGGER EVENT IN RESPECT OF TIER 2 NOTES

This Condition 9 (other than Condition 9.4 (*Disapplication of Non-Viability Loss Absorption Condition*)) is referred to as the “**Non-Viability Loss Absorption Condition**” in these Terms and Conditions.

9.1 Non-Viability Trigger Event

9.1.1 Whether a Non-Viability Trigger Event has occurred at any time shall be determined by the Prudential Authority or any agent appointed for such purpose by the Prudential Authority, and such determination shall be binding on the Noteholders.

9.1.2 Upon the occurrence of a Non-Viability Trigger Event, the Issuer will notify the Tier 2 Noteholders (a “**Non-Viability Trigger Event Notice**”) in accordance with Condition 18 (*Notices*) and subsequently either convert or write-off the Tier 2 Notes (or the Relevant Part thereof, as the case may be), in accordance with the Capital Regulations and Condition 9.2 (*Conversion of Tier 2 Notes upon a Non-Viability Trigger Event*) or Condition 9.3 (*Write-off of Tier 2 Notes upon a Non-Viability Trigger Event*) (as applicable). Any delay in delivery or failure to deliver a Non-Viability Trigger Event Notice shall not affect the validity of any Conversion or Write-off or the timing of any Conversion or Write-off.

9.2 Conversion of Tier 2 Notes upon a Non-Viability Trigger Event

9.2.1 This Condition 9.2 applies only to Tier 2 Notes to which Conversion is specified as applicable in the Applicable Pricing Supplement.

9.2.2 Upon the occurrence of a Non-Viability Trigger Event, the Issuer will Convert the Current Principal Amount of the Tier 2 Notes (or the Relevant Part thereof) into Issuer Ordinary Shares, in accordance with the Capital Regulations, by such amount (the “**Conversion Amount**”) as the Prudential Authority shall require; provided that:

- (a) a Conversion of the Tier 2 Notes need only occur up until the point where the Issuer is deemed by the Prudential Authority to be viable again, as specified in writing by the Prudential Authority; and
- (b) the Tier 2 Notes shall be Converted in whole, or in part, on a pro rata basis with other Loss Absorbing Instruments.

9.2.3 Any such Conversion shall take place on such date selected by the Issuer in consultation with the Prudential Authority (the “**Conversion Date**”) but no later than 30 (thirty) days following the occurrence of the Non-Viability Trigger Event unless:

- (a) in accordance with the Capital Regulations, the Prudential Authority has agreed with the Issuer in writing that the Current Principal Amount (or the Relevant Part thereof) of the Tier 2 Notes may be Converted after a longer period, in which case, the Conversion Date shall be such date as agreed with the Prudential Authority; or
- (b) the Issuer, using its best efforts, is unable to complete the Conversion within the aforesaid 30-day period as a result of the need to comply with any Applicable Laws, regulations or written instructions of the Prudential Authority (including but not limited to the time required to interface and consult with the Prudential Authority), in which case the Conversion Date shall

be a date as soon as reasonably possible after the end of the aforesaid 30-day period.

9.2.4 A Conversion may occur on more than one occasion following the occurrence of a Non-Viability Trigger Event and the Tier 2 Notes may be Converted on more than one occasion.

9.2.5 To the extent that the Conversion or Write-off of any Loss Absorbing Instruments is not effective for any reason:

- (a) the ineffectiveness of any such conversion or write-off shall not prejudice the requirement to effect a Conversion of the Tier 2 Notes; and
- (b) the conversion or write-off of any Loss Absorbing Instrument which is not effective shall not be taken into account in determining the Conversion Amount of the Tier 2 Notes.

9.2.6 If a Conversion of any Tier 2 Notes will take place pursuant to the occurrence of a Non-Viability Trigger Event specified in the Non-Viability Trigger Event Notice, the Issuer shall deliver a further written notice (the “**Conversion Notice**”) to the Tier 2 Noteholders in accordance with Condition 18 (*Notices*) which specifies:

- (a) the Conversion Price;
- (b) the Conversion Record Date;
- (c) the Conversion Date;
- (d) the number of Conversion Shares to be issued pursuant to that Conversion; and
- (e) details of the arrangement for the settlement of the Conversion,

within the time period specified in the Applicable Pricing Supplement or failing any time period stipulated therein, as soon as the Conversion Price has been determined and such details are available (such Conversion Notice being delivered at least 5 (five) Business Days prior to the Conversion Date). In this regard, the Issuer is required to do all things which may be necessary to enable such price and details to be determined as soon as is reasonably possible in the circumstances.

9.2.7 On the Conversion Date, in accordance with Applicable Laws, the Capital Regulations and (if applicable) the written instructions received from the Prudential Authority:

- (a) the Issuer shall issue to the relevant Tier 2 Noteholders (as they appear, and into the relevant securities accounts of the Beneficial Interest holders of the Converted Tier 2 Notes recorded as such on the Conversion Record Date (or to the relevant Participant managing such securities account, if such Issuer Ordinary Shares are certificated), or, as the case may be, to the holder of Individual Certificates in respect of Converted Tier 2 Notes as set out in the Register on the Conversion Record Date) such number of Issuer Ordinary Shares (the “**Conversion Shares**”) calculated by dividing the Conversion Amount on the Conversion Date by the Conversion Price;
- (b) the relevant Noteholders shall be deemed to have subscribed for the Conversion Shares for an aggregate subscription price equal to the Conversion Amount (the “**Subscription Price**”);

- (c) the Subscription Price shall be automatically off-set against the Conversion Amount and the aggregate current Principal Amount of the Tier 2 Notes shall be reduced by the Conversion Amount; and
 - (d) the Conversion Shares shall be credited as fully paid and shall be freely transferable and shall have the same rights as, and *pari passu* in all respects with, and be of the same class as, all of the Issuer Ordinary Shares as at the Conversion Date. If the Issuer Ordinary Shares are issued in registered certificated form, the Issuer shall procure that the certificate/s evidencing the relevant number of Issuer Ordinary Shares is/are delivered to each relevant Tier 2 Noteholder.
- 9.2.8 Should all other issued Issuer Ordinary Shares be listed on a Financial Exchange (other than the JSE) at the time the Conversion Shares are issued to the relevant Tier 2 Noteholders pursuant to this Condition 9.2, the Issuer shall procure that such Conversion Shares are, upon issue, likewise listed on that Financial Exchange.
- 9.2.9 If, when calculating the number of Conversion Shares as contemplated in Condition 9.2.7, the number of Issuer Ordinary Shares calculated requires the issue of a fraction of a share to any Person, the number of Issuer Ordinary Shares to be issued will be rounded down to the nearest whole number of Issuer Ordinary Shares to ensure the issue of a whole number of shares to each Person entitled to receive same, and the relevant Tier 2 Noteholders or holders of the Beneficial Interests in the relevant Converted Tier 2 Notes shall only be entitled to receive such whole number of Issuer Ordinary Shares.
- 9.2.10 As soon as reasonably possible after the Conversion Date, the Issuer shall in accordance with Condition 18 (*Notices*) deliver to the relevant Tier 2 Noteholders a notice from the Central Securities Depository confirming that the Conversion Shares have been issued and entered in the relevant Noteholders' respective securities accounts.
- 9.2.11 Any Conversion of Tier 2 Notes or the Relevant Part thereof in accordance with this Condition 9.2 will be final and binding in the absence of manifest error or fraud.
- 9.2.12 Where, at the occurrence of the relevant Non-Viability Trigger Event, the Conversion of the relevant Tranche of Tier 2 Notes pursuant to this Condition 9.2 (a) cannot be undertaken for any reason or (b) is not irrevocable or (c) will not result in an immediate increase in the Common Equity Tier 1 Capital Ratio, then the relevant Tranche of Tier 2 Notes shall, instead of being Converted, be Written-off, at the occurrence of that Non-Viability Trigger Event (at the discretion of the Prudential Authority), *mutatis mutandis* in accordance with the provisions of Condition 9.3 (*Write-off of Tier 2 Notes upon a Non-Viability Trigger Event*).
- 9.2.13 For the avoidance of doubt, following any Conversion of the Tier 2 Notes (or the Relevant Part thereof) the Issuer shall not be obliged to pay compensation in any form to the Tier 2 Noteholders.
- 9.2.14 Any Conversion of the Tier 2 Notes (or the Relevant Part thereof) upon the occurrence of a Non-Viability Trigger Event will not constitute an event of default or any other breach of the Issuer's obligations, or a failure to perform by the Issuer, under these Terms and Conditions and shall not entitle the Noteholders to petition or apply for the liquidation, winding-up or dissolution or similar process of the Issuer.

- 9.2.15 Once a Conversion of all or the Relevant Part of the Current Principal Amount of the Tier 2 Notes has occurred, no Conversion Amount shall be restored under any circumstances (including, without limitation, where the Non-Viability Trigger Event ceases to continue) and the Tier 2 Noteholders will automatically irrevocably lose their rights to receive, and no longer have any rights against the Issuer with respect to, interest accrued on the Tier 2 Notes prior to the Conversion Date and repayment of the Conversion Amount; provided that, if the Tier 2 Notes are Converted in part, interest will continue to accrue on the Current Principal Amount.
- 9.2.16 Upon the occurrence of a Non-Viability Trigger Event, the Issuer will, in respect of listed Tier 2 Notes, forthwith notify the Central Securities Depository, the JSE and/or such other Financial Exchange upon which such Tier 2 Notes are listed, as the case may be, of the occurrence of that Non-Viability Trigger Event and of the Issuer's intention to effect a Conversion of Tier 2 Notes.
- 9.2.17 The Issuer shall at all times (to the extent that it is within the Issuer's control and/or power to do so) obtain and maintain all prior authorisations (including, without limitation, all Issuer shareholder approvals in terms of the Companies Act and the JSE Listings Requirements applicable to the Main Board of the JSE) necessary to ensure the Conversion of the relevant Tranche of Tier 2 Notes pursuant to this Condition 9.2. The Issuer will not issue and list a Tranche of Tier 2 Notes to which Conversion is applicable unless the Issuer shall have obtained the required shareholders' approval in accordance with the JSE Listings Requirements applicable to the Main Board of the JSE.
- 9.3 **Write-off of Tier 2 Notes upon a Non-Viability Trigger Event**
- 9.3.1 This Condition 9.3 applies only to Tier 2 Notes to which Write-off is specified as applicable in the Applicable Pricing Supplement.
- 9.3.2 Upon the occurrence of a Non-Viability Trigger Event, the Issuer will Write-off the Current Principal Amount of the Tier 2 Notes (or the Relevant Part thereof), in accordance with the Capital Regulations, by such amount (the "**Written-off Amount**") as the Prudential Authority shall require; provided that:
- (a) a Write-off of the Tier 2 Notes need only occur up until the point where the Issuer is deemed by the Prudential Authority to be viable again, as specified in writing by the Prudential Authority; and
 - (b) the Tier 2 Notes shall be Written-off in whole, or in part, on a pro rata basis with other Loss Absorbing Instruments.
- 9.3.3 Any such Write-off shall take place on such date selected by the Issuer in consultation with the Prudential Authority (the "**Write-off Date**") but no later than 30 (thirty) days following the occurrence of the Non-Viability Trigger Event unless in accordance with the Capital Regulations, the Prudential Authority has agreed with the Issuer in writing that the Current Principal Amount (or the Relevant Part thereof) of the Tier 2 Notes may be Written-off after a longer period, in which case, the Write-off shall take place on such date as agreed with the Prudential Authority.
- 9.3.4 A Write-off may occur on more than one occasion following the occurrence of a Non-Viability Trigger Event and the Tier 2 Notes may be Written-off on more than one occasion.

- 9.3.5 To the extent that the conversion or write-off of any Loss Absorbing Instruments is not effective for any reason:
- (a) the ineffectiveness of any such conversion or write-off shall not prejudice the requirement to effect a Write-off of the Tier 2 Notes; and
 - (b) the conversion or write-off of any Loss Absorbing Instrument which is not effective shall not be taken into account in determining the Written-off Amount of the Tier 2 Notes.
- 9.3.6 For the avoidance of doubt, in the event that the Applicable Pricing Supplement does not provide for any payment of compensation to the Tier 2 Noteholders following any Write-off of the Tier 2 Notes (or the Relevant Part thereof), the Issuer shall not be obliged to pay compensation in any form to the Tier 2 Noteholders.
- 9.3.7 Any Write-off of the Tier 2 Notes (or the Relevant Part thereof) upon the occurrence of a Non-Viability Trigger Event will not constitute an event of default or any other breach of the Issuer's obligations, or a failure to perform by the Issuer, under these Terms and Conditions and shall not entitle the Tier 2 Noteholders to petition or apply for the liquidation, winding-up or dissolution of the Issuer.
- 9.3.8 Once a Write-off of all or the Relevant Part of the Current Principal Amount of the Tier 2 Notes has occurred, no Written-off Amount shall be restored under any circumstances (including, without limitation, where the Non-Viability Trigger Event ceases to continue) and the Noteholders will automatically irrevocably lose their rights to receive, and no longer have any rights against the Issuer with respect to, interest accrued on the Tier 2 Notes prior to the Write-off Date and repayment of the Written-off Amount; provided that, if the Tier 2 Notes are Written-off in part, interest will continue to accrue on the Current Principal Amount.
- 9.3.9 Upon the occurrence of a Non-Viability Trigger Event, the Issuer will, in respect of listed Tier 2 Notes, forthwith notify the Central Securities Depository, the JSE and/or such other Financial Exchange upon which such Tier 2 Notes are listed, as the case may be, of the occurrence of that Non-Viability Trigger Event and of the Issuer's intention to effect a Write-off of any Series of Tier 2 Notes.
- 9.4 **Disapplication of Non-Viability Loss Absorption Condition**
- 9.4.1 If a Statutory Loss Absorption Regime is implemented in South Africa and the Tier 2 Notes are subject to such Statutory Loss Absorption Regime upon the occurrence of a Non-Viability Trigger Event, then the Issuer shall have the option at any time by written notice (the "**Amendment Notice**") to the Tier 2 Noteholders in accordance with Condition 18 (*Notices*), to elect that the Non-Viability Loss Absorption Condition shall cease to apply and that the Statutory Loss Absorption Regime will apply to the Tier 2 Notes from the date specified in the Amendment Notice (the "**Amendment Date**"), being a date no earlier than the date on which the Statutory Loss Absorption Regime takes effect (the "**Amendment Option**") provided that:
- (a) the Issuer will only elect to dis-apply the Non-Viability Loss Absorption Condition and apply the Statutory Loss Absorption Regime to the Tier 2 Notes from the Amendment Date, if such election does not give rise to a Capital Disqualification Event; and
 - (b) a mandatory application of the Statutory Loss Absorption Regime to the Tier 2 Notes under Applicable Law which results in the Tier 2 Notes being fully or

partially excluded from the Tier 2 Capital of the Issuer on a solo and/or consolidated basis shall be a Capital Disqualification Event.

The election exercised by the Issuer under Condition 9.4.1(a) shall be without prejudice to any other rights the Issuer may have should a different Capital Disqualification Event occur or should the Statutory Loss Absorption Regime not apply regardless of such election.

9.4.2 If:

- (a) the Issuer exercises the Amendment Option; or
- (b) the Statutory Loss Absorption Regime is applied mandatorily to the Tier 2 Notes under Applicable Law,

the Non-Viability Loss Absorption Condition will (in the case of Condition 9.4.2(b), only to the extent required by the Statutory Loss Absorption Regime) cease to apply and the Tier 2 Notes will be subject to such minimum requirements of the Statutory Loss Absorption Regime required to ensure that the Tier 2 Notes continue to qualify as Tier 2 Capital with effect from (in the case of Condition 9.4.2(a)) the Amendment Date and (in the case of Condition 9.4.2(b)) the date on which the Statutory Loss Absorption Regime takes effect. If the Amendment Option is not exercised by the Issuer, (provided that the Statutory Loss Absorption Regime is not applied mandatorily to the Notes) then the Tier 2 Notes will not be subject to the Statutory Loss Absorption Regime and the Non-Viability Loss Absorption Condition will continue to apply to the Tier 2 Notes.

9.4.3 For the avoidance of doubt, if a Non-Viability Trigger Event occurs on or after such date on which the Non-Viability Loss Absorption Condition is dis-applied, the Prudential Authority or the Issuer (following instructions from the Prudential Authority), may take such action in respect of the Tier 2 Notes as is required or permitted by such Statutory Loss Absorption Regime.

9.5 **No Event of Default**

Neither the Write-Off (nor, if applicable, the Conversion of all the Subordinated Notes or relevant portion of the Subordinated Notes, as applicable, nor the failure to pay any unpaid amounts to the relevant Subordinated Noteholders in consequence of the Write-Off (or, if applicable, the Conversion) shall constitute an Event of Default or any other breach of the Issuer's obligations under the relevant Tranche of Subordinated Notes or the applicable Terms and Conditions, and the relevant Subordinated Noteholders will have no claims of whatsoever nature against the Issuer as a result of the Write-Off (or, if applicable, the Conversion).

10. **PRESCRIPTION**

The Notes, Receipts and Coupons will become void unless presented for payment of principal and interest within a period of 3 years after the Relevant Date therefor, save that any Certificate, Receipt or Coupon constituting a "*bill of exchange or other negotiable instrument*" in accordance with section 11 of the Prescription Act, 1969 will become void unless presented for payment of principal and interest within a period of 6 years from the Relevant Date thereof.

11. REDEMPTION AND PURCHASE

11.1 Scheduled redemption

Subject to Condition 11.5 (*Conditions to redemption, substitution or variation of Tier 2 Notes*), unless previously redeemed, or purchased and cancelled, the Tier 2 Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 7 (*Payments*). Subject to the applicable Capital Regulations, Tier 2 Notes shall have a minimum maturity of 5 years and one day, and, accordingly, the Maturity Date specified pursuant to this Condition 11.1 shall comply with this requirement.

11.2 Redemption for tax reasons

11.2.1 The Notes in a Series of Notes may (subject to Condition 11.5 (*Conditions to redemption, substitution or variation of Tier 2 Notes*)) be redeemed at the option of the Issuer in whole, but not in part:

- (a) at any time (if neither the provisions applicable to Floating Rate Notes nor the provisions applicable to Indexed Interest Notes are specified in the Applicable Pricing Supplement as being applicable or, if they are, such provisions are not applicable at the time of redemption); or
- (b) on any Interest Payment Date (if the provisions applicable to Floating Rate Notes or Indexed Interest Notes are specified in the Applicable Pricing Supplement as being applicable and are applicable at the time of redemption),

on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) in accordance with Condition 18 (*Notices*) and to the Transfer Agent and the Paying Agent, at their Early Redemption Amount (Tax) together with interest accrued (if any) to (but excluding) the date of redemption, if a Tax Event occurs and is continuing,

provided, however, that no such notice of redemption shall be given earlier than:

- (i) where the Notes may be redeemed at any time, 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts or would not be entitled (or such entitlement is materially reduced) to claim a deduction in respect of computing its taxation liabilities; or
- (ii) where the Notes may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts or would not be entitled (or such entitlement is materially reduced) to claim a deduction in respect of computing its taxation liabilities.

11.2.2 Prior to the publication of any notice of redemption pursuant to this Condition 11.2, the Issuer shall deliver to the Noteholders in accordance with Condition 18 (*Notices*) (a) a certificate signed by 2 authorised officers of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (b) an opinion of independent legal advisers of recognised standing to the effect that a Tax Event has occurred. Upon the expiry of any such notice as is referred to in this Condition 11.2, the Issuer shall be bound to redeem the Notes in accordance with this Condition 11.2.

11.3 **Redemption following a Capital Disqualification Event**

11.3.1 The Tier 2 Notes in a Series of Notes may (subject to Condition 11.5 (*Conditions to redemption, substitution or variation of Tier 2 Notes*)) be redeemed at the option of the Issuer in whole, but not in part:

- (a) at any time (if neither the provisions applicable to Floating Rate Notes nor the provisions applicable to Indexed Interest Notes are specified in the Applicable Pricing Supplement as being applicable or, if they are, such provisions are not applicable at the time of redemption); or
- (b) on any Interest Payment Date (if the provisions applicable to Floating Rate Notes or the provisions applicable to Indexed Interest Notes are specified in the Applicable Pricing Supplement as being applicable and are applicable at the time of redemption),

on giving not less than 30 nor more than 60 days notice to the Noteholders (which notice shall be irrevocable) in accordance with Condition 18 (*Notices*) and to the Transfer Agent and the Paying Agent, at their Early Redemption Amount (Regulatory), together with interest accrued (if any) to (but excluding) the date fixed for redemption, if a Capital Disqualification Event occurs and is continuing.

11.3.2 Prior to the publication of any notice of redemption pursuant to this Condition 11.3, the Issuer shall deliver to the Noteholders in accordance with Condition 18 (*Notices*) (a) a certificate signed by 2 authorised officers of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (b) unless the Prudential Authority has confirmed to the Issuer that the relevant Notes are excluded from the relevant class of Eligible Capital of the Issuer on a solo and/or a consolidated basis, an opinion of independent advisers of recognised standing to the effect that a Capital Disqualification Event has occurred. Upon the expiry of any such notice as is referred to in this Condition 11.3, the Issuer shall be bound to redeem the Notes in accordance with this Condition 11.3.

11.4 **Redemption at the option of the Issuer (Issuer Call)**

If redemption (as contemplated in this Condition 11.4) at the option of the Issuer (Call Option) is specified in the Applicable Pricing Supplement as being applicable, the Tier 2 Notes in a Series of Notes may (subject to Condition 11.5 (*Conditions to redemption, substitution or variation of Tier 2 Notes*)) in the case of Tier 2 Notes be redeemed at the option of the Issuer in whole or, if so specified in the Applicable Pricing Supplement, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) together with accrued interest (if any) to such date upon the Issuer's giving not less than 15 nor more than 30 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the relevant Notes on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date). Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount in each case as may be specified in the applicable final terms in the Applicable Pricing Supplement. In the case of a partial redemption of Notes, the Notes to be redeemed ("**Redeemed Notes**") will be selected individually by lot, in the case of Redeemed Notes represented by Definitive Certificates, and in accordance with the rules of the Central Securities Depository (to be reflected in the records of the Central Securities Depository as either a pool factor or a reduction in nominal amount, at their discretion), in the case of

Redeemed Notes held in uncertificated form, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the “**Selection Date**”). In the case of Redeemed Notes represented by Definitive Certificates, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 18 (*Notices*) not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Uncertificated Notes will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 11.4 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 18 (*Notices*) at least five days prior to the Selection Date. Neither the First Optional Redemption Date (Call) nor any Optional Redemption Date (Call) shall fall earlier than the First Call Date.

11.5 **Conditions to redemption, substitution or variation of Tier 2 Notes**

11.5.1 Subject to the applicable Capital Regulations, Tier 2 Notes may be redeemed, substituted or varied by the Issuer pursuant to Condition 11.2 (*Redemption for tax reasons*), Condition 11.3 (*Redemption following a Capital Disqualification Event*), Condition 11.4 (*Redemption at the option of the Issuer (Issuer Call)*) or Condition 11.9 (*Purchase*) provided that, for so long as is required by the Capital Regulations:

- (a) Tier 2 Notes may only be redeemed at the option of the Issuer pursuant to Condition 11.2 (*Redemption for tax reasons*), Condition 11.3 (*Redemption following a Capital Disqualification Event*), Condition 11.4 (*Redemption at the option of the Issuer (Issuer Call)*) after a minimum initial period of issue of 5 years from the Issue Date of such Notes, provided that unless the Prudential Authority determines that the Issuer is duly capitalised above the minimum capital requirements after the call option is exercised, the Issuer may not redeem such Tier 2 Notes unless such Tier 2 Notes are replaced by the Issuer with instruments of similar or better quality and the replacement is on conditions that are sustainable for the income capacity of the Issuer;
- (b) the Issuer has notified the Prudential Authority of its intention to redeem, substitute, vary or purchase and cancel, the relevant Tier 2 Notes at least one month (or such other period, longer or shorter, as the Prudential Authority may then require or accept) prior to the date scheduled for such redemption, substitution, variation or purchase and cancellation and written approval of the same has been received from the Prudential Authority;
- (c) such redemption is effected in accordance with conditions (if any) approved by the Prudential Authority in writing; and
- (d) prior to the publication of any notice of redemption, substitution or variation or redemption pursuant to this Condition 11, the Issuer shall deliver to the Paying Agent and the Transfer Agent a certificate signed by two authorised officers stating that the relevant requirement or circumstance giving rise to the right to redeem, substitute or, as appropriate, vary is satisfied and, in the case of a substitution or variation, that the relevant Qualifying Tier 2 Securities have terms not materially less favourable to an investor than the terms of the Tier 2 Notes and will as from the date of such substitution or variation otherwise comply with the requirements of the definition thereof in Condition 1 (*Interpretation*).

11.5.2 Subject to the applicable Capital Regulations, Tier 2 Notes may be redeemed at maturity, provided that, for so long as is required by the Capital Regulations, Tier 2 Notes shall have a minimum maturity of 5 years and one day, and, accordingly, the

Maturity Date specified pursuant to Condition 11.1 (*Scheduled redemption*) shall comply with this requirement.

11.6 Substitution or variation instead of redemption

11.6.1 If a Tax Event or Capital Disqualification Event has occurred and is continuing, then the Issuer may instead of giving notice to redeem, subject to Condition 11.5 (*Conditions to redemption, substitution or variation of Tier 2 Notes*) (but without any requirement for the consent or approval of the Noteholders) and having given not less than 60 nor more than 90 days' notice to the Paying Agent, the Calculation Agent (if any) and, in accordance with Condition 18 (*Notices*), to the Tier 2 Noteholders (which notice shall be irrevocable), substitute at any time all (but not some only) of the relevant Series of Tier 2 Notes for, or vary the terms of the relevant Series of Tier 2 Notes so that they remain, Qualifying Tier 2 Capital Securities, and subject to the following provisions of this Condition 11.6 and subject to the issue of the certificate of the 2 directors referred to in the definition of Qualifying Tier 2 Capital Securities and subject further to the receipt by the Issuer of the opinion of the Independent Investment Bank referred to therein, such substitution or variation shall be effected.

11.6.2 Upon expiry of such notice, the Issuer shall vary the terms of or substitute, as the case may be, the relevant Series of Tier 2 Notes in accordance with this Condition 11.6.

11.6.3 In connection with any substitution or variation in accordance with this Condition 11.6, the Issuer shall comply with the rules of the relevant Financial Exchange on which the Notes are for the time being listed or admitted to trading.

11.7 No other redemption, substitution or variation

The Issuer shall not be entitled to redeem, substitute or vary the terms of the Notes otherwise than as provided in Conditions 11.1 (*Scheduled redemption*) to 11.4 (*Redemption at the option of the Issuer (Issuer Call)*).

11.8 Early redemption of Zero Coupon Notes

Unless otherwise specified in the Applicable Pricing Supplement, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount (the "**Amortised Face Amount**") equal to the sum of:

- (a) the Reference Price; and
- (b) the product of the Implied Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Applicable Pricing Supplement for the purposes of this Condition 11.8 or, if none is so specified, a Day Count Fraction of Actual/365.

11.9 Purchase

Subject to the applicable Capital Regulations and Condition 11.5 (*Conditions to redemption, substitution or variation of Tier 2 Notes*) in the case of Tier 2 Notes, the

Issuer or any of its subsidiaries may at any time purchase Notes in the open market or otherwise and at any price.

11.10 **Cancellation**

All Notes so redeemed or purchased by the Issuer or any of its subsidiaries may, at its option, be cancelled and may, if cancelled, not be reissued or resold.

12. TAXATION

12.1 All payments of principal or interest in respect of the Notes will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction, unless such withholding or deduction is required by Applicable Law.

12.2 In such event, the Issuer will, subject to the Issuer's right to redeem such Notes in terms of Condition 11 (*Redemption and Purchase*), pay such 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, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note:

12.2.1 presented for payment (to the extent presentation is required) in South Africa; or

12.2.2 presented for payment or (in the case of Registered Notes) held by or on behalf of a Noteholder, who is liable for such taxes in respect of such Note by reason of it having some connection with a Tax Jurisdiction other than the mere holding of such Note or the receipt of principal or interest in respect thereof; or

12.2.3 presented for payment or (in the case of Registered Notes) held by or on behalf of a Noteholder which would not be liable or subject to the withholding or deduction by complying with any statutory requirement or by making a declaration of non-residency or other similar claim for exemption to the relevant tax authority (the effect of which is not to require the disclosure of the identity of the relevant Noteholder); or

12.2.4 where (in the case of any payment of principal or interest which is conditional on surrender of the relevant Certificate in accordance with these Terms and Conditions) the relevant Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Noteholder would have been entitled to an additional amount on presenting the Certificate for payment on such thirtieth day assuming that day to have been a Payment Date; or

12.2.5 if such withholding or deduction arises through the exercise by revenue authorities of special powers in respect of tax defaulters.

13. EVENTS OF DEFAULT

13.1 Events of Default relating to Tier 2 Notes

13.1.1 Notwithstanding any of the provisions below in this Condition 13.1, the right to institute winding-up proceedings is limited to circumstances where payment of principal or interest (as the case may be) has become due and payable. If default shall be made in the payment of any principal or interest due on the Tier 2 Notes of the relevant Series for a period of 7 days or more after any date on which the payment of principal is due or 14 days or more after any date on which the payment of interest is due (as the case may be), any Tier 2 Noteholder of that Series may, subject to Condition 5.1.3 (*Subordination*), and subject as provided below, at its discretion and without further notice, institute proceedings for the winding-up of the Issuer and/or prove in any winding-up of the Issuer, but take no other action in respect of that default; provided that no action may be taken by a Tier 2 Noteholder if the Issuer withholds or refuses to make any such payment in order to comply with any law or regulation of any relevant jurisdiction or to comply with any order of a court of competent jurisdiction. Where there is doubt as to the validity or applicability of any such law, regulation or order, the Issuer will not be in default if it acts on the advice given to it during such seven day period or fourteen day period (as the case may be) by independent legal advisers approved by the relevant Tier 2 Noteholders(s).

13.1.2 If any order is made by any competent court or an effective resolution is passed for the winding-up of the Issuer (other than pursuant to a Solvent Reconstruction), each Tier 2 Note may, by written notice to the Issuer and delivered to the Issuer, be declared immediately due and payable, whereupon it shall become immediately due and payable at its Early Termination Amount together with accrued interest (if any) (subject to Condition 5.1.3 (*Subordination*)) without further action or formality.

13.1.3 Without prejudice to Condition 13.1.1 or 13.1.2, if the Issuer breaches any of its obligations under the Tier 2 Notes of the relevant Series (other than any obligation in respect of the payment of principal or interest on such Notes) then each Tier 2 Noteholder may at its discretion and without further notice, bring such proceedings as it may think fit to enforce the obligation in question provided that the Issuer shall not, as a result of the bringing of any such proceedings, be obliged to pay any sum representing or measured by reference to principal or interest on or satisfy any other payment obligation in relation to such Series of Tier 2 Notes sooner than the same would otherwise have been payable by it.

13.2 Notice of an Event of Default

If an Event of Default occurs, the Issuer will forthwith upon becoming aware of such Event of Default, give notice thereof in writing to the Transfer Agent, the Calculation Agent, the Debt Sponsor and the Noteholders of that Series and, if any Notes are listed on the Interest Rate Market of the JSE, to the JSE (within one Business Day of becoming aware of the occurrence of an Event of Default), to the Noteholders through SENS and to the Central Securities Depository.

14. DELIVERY, EXCHANGE AND REPLACEMENT OF CERTIFICATES, RECEIPTS AND COUPONS

14.1 Upon the issue of Bearer Notes, Order Notes, unlisted Registered Notes or upon notice from a Participant pursuant to Condition 14.3 requesting the exchange or partial exchange of a Beneficial Interest in Notes for a Definitive Certificate(s), the Transfer

Agent shall deliver the relevant Definitive Certificate(s) in accordance with the Agency Agreement.

14.2 The holder of a Beneficial Interest in Notes may, in terms of the Applicable Procedures and subject to the Financial Markets Act (or the relevant provisions of any successor legislation), by written notice to the holder's nominated Participant (or, if such holder is a Participant, the Central Securities Depository), request that such Beneficial Interest be exchanged for Notes in definitive form represented by a Certificate (the "**Exchange Notice**"). The Exchange Notice shall specify the name, address and bank account details of the holder of the Beneficial Interest.

14.3 The holder's nominated Participant will, following receipt of the Exchange Notice, through the Central Securities Depository, notify the Transfer Agent that it is required to exchange such Beneficial Interest for Notes represented by an Certificate. The Transfer Agent will, as soon as is practicable but within 14 days after receiving such notice, in accordance with the Applicable Procedures, procure that an Certificate is prepared, authenticated and made available for delivery, on a Business Day falling within the aforementioned 14 day period, to the holder of the Beneficial Interest at the Specified Office of the Transfer Agent; provided that joint holders of a Beneficial Interest shall be entitled to receive only one Certificate in respect of that joint holding, and delivery to one of those joint holders shall be delivery to all of them.

14.4 In the case of the exchange of a Beneficial Interest in Notes issued in uncertificated form:

14.4.1 the Registered Holder, shall, prior to the Exchange Date, surrender (through the Central Securities Depository system) such uncertificated Notes to the Transfer Agent at its Specified Office; and

14.4.2 the Transfer Agent will obtain the release of such uncertificated Notes from the Central Securities Depository in accordance with the Applicable Procedures.

14.5 A Certificate shall, in relation to a Beneficial Interest:

14.5.1 in a Tranche of Notes which is held in the Central Securities Depository, represent that number of Notes as have, in the aggregate, the same aggregate Principal Amount of Notes standing to the account of the holder of such Beneficial Interest; and

14.5.2 in any number of Notes issued in uncertificated form of a particular aggregate Principal Amount standing to the account of the holder thereof, represent that number of Notes of that aggregate Principal Amount,

as the case may be, and shall otherwise be in such form as may be agreed between the Issuer and the Transfer Agent; provided that if such aggregate Principal Amount is equivalent to a fraction of R1 000 000 (or the equivalent thereof in the Specified Currency if the Specified Currency is not Rand) or a fraction of any multiple thereof, such Certificate shall be issued in accordance with, and be governed by, the Applicable Procedures.

14.6 Subject always to Applicable Laws and Applicable Procedures, upon the replacement of a Beneficial Interest in Notes with Notes in definitive form represented by a Certificate in accordance with this Condition 14, such Notes (now represented by a Certificate) will cease to be listed on the Financial Exchange and will no longer be

lodged in the Central Securities Depository. Notes represented by Certificates will be registered in the Register in the name of the individual Noteholders of such Notes.

- 14.7 Certificates, and any Receipts and/or Coupons in relation to Bearer Notes or Order Notes, shall be provided (whether by way of issue, delivery or exchange) by the Issuer without charge, save as otherwise provided in these Terms and Conditions. Separate costs and expenses relating to the provision of Certificates and/or the transfer of Notes may be levied by other persons, such as a Settlement Agent, under the Applicable Procedures and such costs and expenses shall not be borne by the Issuer. The costs and expenses of delivery of Certificates, Receipts and/or Coupons otherwise than by ordinary post (if any) and, if the Issuer shall so require, taxes or governmental charges or insurance charges that may be imposed in relation to such mode of delivery shall be borne by the Noteholder.
- 14.8 Any person becoming entitled to Registered Notes in consequence of the death, sequestration or liquidation of the holder of such Notes may upon producing such evidence that he holds the position in respect of which he proposes to act under this Condition 14 or of his title as the Issuer and the Transfer Agent shall require, be registered himself as the holder of such Notes or, subject to the requirements of the Applicable Procedures and of this Condition 14, may transfer such Notes. The Issuer and the Paying Agent shall be entitled to retain any amount payable upon the Notes to which any person is so entitled until such person shall be registered as aforesaid or shall duly transfer the Notes.
- 14.9 If any Certificate, Receipt or Coupon is mutilated, defaced, stolen, destroyed or lost it may be replaced at the Specified Office of the Issuer or the Specified Office of the Transfer Agent, on payment by the claimant of such costs and expenses as may be incurred in connection therewith and the provision of such indemnity as the Issuer may reasonably require. Mutilated or defaced Certificates, Receipts or Coupons must be surrendered before replacements will be issued.

15. TRANSFER OF NOTES

15.1 Transfer of Registered Notes

- 15.1.1 Beneficial Interests in the Notes may be transferred in terms of the Applicable Procedures through the Central Securities Depository.
- 15.1.2 The Central Securities Depository maintains accounts only for its Participants. Beneficial Interests which are held by Participants (which are also Settlement Agents) may be held directly through the Central Securities Depository. Participants are in turn required to maintain securities accounts for their clients. Beneficial Interests which are not held by Participants may be held by clients of Participants indirectly through such Participants.
- 15.1.3 Transfers of Beneficial Interests to and from clients of Participants occur, in terms of existing law and practice, by way of electronic book entry in the securities accounts maintained by the Participants for their clients. Transfers of Beneficial Interests among Participants occur through electronic book entry in the central securities accounts maintained by the Central Securities Depository for the Participants. Beneficial Interests may be transferred only in accordance with these Terms and Conditions, and the Applicable Procedures.

- 15.1.4 In order for any transfer of Registered Notes represented by a Certificate to be recorded in the Register and for the transfer to be recognised by the Issuer, each transfer of a Registered Note:
- (a) must be embodied in a Transfer Form;
 - (b) must be signed by the relevant Noteholder and the transferee, or any authorised representatives of that registered Noteholder and/transferee;
 - (c) shall only be in the Specified Denomination or a multiple thereof and consequently the Issuer will not recognise any fraction of the Specified Denomination; and
 - (d) must be made by way of the delivery of the Transfer Form to the Transfer Agent together with the Certificate in question for cancellation or, if only part of the Notes represented by a Certificate is transferred, a new Certificate for the balance will be delivered to the transferor and the cancelled Certificate will be retained by the Transfer Agent.
- 15.1.5 The transferor of any Registered Notes represented by a Certificate shall be deemed to remain the owner thereof until the transferee is registered in the Register as the holder thereof.
- 15.1.6 Before any transfer is registered all relevant transfer taxes (if any) must have been paid and such evidence must be furnished as the Transfer Agent may reasonably require as to the identity and title of the transferor and the transferee.
- 15.1.7 The Transfer Agent will, within 3 Business Days of receipt by it of a valid Transfer Form (or such longer period as may be required to comply with any applicable taxation or other laws, regulations or Applicable Procedures), authenticate and deliver to the transferee (at the risk of the transferee) a new Certificate in respect of the Notes transferred.
- 15.1.8 No transfer will be registered while the Register is closed.
- 15.1.9 In the event of a partial redemption of Notes, the Issuer and the Transfer Agent shall not be required:
- (a) to register the transfer of any Notes during the period beginning on the tenth day before the date of the partial redemption and ending on date of the partial redemption (both inclusive); or
 - (b) to register the transfer of any Note, or part of a Note, called for partial redemption.

15.2 **Transfer of Bearer Notes**

Bearer Notes (including rights to Instalment Amounts and/or interest thereon, as applicable) may be transferred by the delivery of the Certificate evidencing such Bearer Note or the relevant Receipt or Coupon relating thereto, as the case may be. Where the last Endorsement on a Certificate evidencing an Order Note or a Receipt or Coupon relating thereto is an Endorsement in Blank, then such Certificate, Receipt or Coupon, as the case may be, shall be treated as evidencing a Bearer Note.

15.3 **Transfer of Order Notes**

Order Notes (including rights to Instalment Amounts and/or interest thereon, as applicable) may be transferred by the Endorsement of the Certificate evidencing such Order Note or Receipt or Coupon relating thereto, as the case may be, by the old Payee and the delivery of such Certificate, Receipt or Coupon to the new Payee.

15.4 **Prohibition on stripping**

Where so specified in the Applicable Pricing Supplement, Bearer Notes or Order Notes which are issued with Receipts and/or Coupons attached and which are redeemable at the option of the Issuer and/or Noteholders shall be issued subject to the condition that the relevant Notes (including rights to Instalment Amounts and/or interest thereon, as applicable) may only be transferred to a single transferee at a time and accordingly that the various rights in respect of such Notes may not be stripped and transferred to various transferees at different times.

16. REGISTER

16.1 The Register shall:

16.1.1 be kept at the Specified Office of the Transfer Agent or such other person as may be appointed for the time being by the Issuer to maintain the Register;

16.1.2 reflect the number of Notes issued and Outstanding and whether they are Registered Notes, Bearer Notes or Order Notes;

16.1.3 contain the name, address, and bank account details of the Noteholders of Registered Notes;

16.1.4 set out the Principal Amount of the Notes issued to such Noteholders and shall show the date of such issue;

16.1.5 show the serial number of Certificates issued in respect of Notes;

16.1.6 be open for inspection during the normal business hours of the Transfer Agent to any Noteholder or any person authorized in writing by any Noteholder; and

16.1.7 be closed during the Books Closed Period.

16.2 The Transfer Agent will only recognize, as registered holder of a Note, the Noteholder in the Register at 17h00 (South African time) on the relevant Last Day to Register. The Issuer and the Transfer Agent shall not be bound to enter any trust into the Register or to take notice of any or to accede to any trust executed, whether express or implied, to which any Note may be subject.

16.3 The Transfer Agent shall alter the Register in respect of any change of name, address or bank account number of any of the Noteholders of any Registered Notes of which it is notified in accordance with these Terms and Conditions.

17. CALCULATION AGENT, TRANSFER AGENT, PAYING AGENT AND ISSUER AGENT

17.1 Any third party appointed by the Issuer as Calculation Agent, Transfer Agent, Paying Agent and Issuer Agent or otherwise shall act solely as the agents of the Issuer and do not assume any obligation towards or relationship of agency or trust for or with any Noteholders. The Issuer is entitled to vary or terminate the appointment of such agents and/or appoint additional or other agents and/or approve any change in the Specified Office through which any agent acts.

17.2 To the extent that the Issuer acts as the Transfer Agent, Calculation Agent, Issuer Agent or Paying Agent, all references in these Terms and Conditions to:

17.2.1 any action, conduct or functions in such role shall be understood to mean that the Issuer shall perform such action, conduct or function itself; and

17.2.2 requirements for consultation, indemnification by or of, payment by or to, delivery by or to, notice by or to, consent by or to or agreement between the Issuer and such Transfer Agent, Calculation Agent or Paying Agent (as the case may be) shall be disregarded to the extent that the Issuer performs such role.

18. NOTICES

18.1 Notices to Noteholders shall be valid and effective:

18.1.1 in the case of uncertificated Notes listed on the JSE, if delivered to:

(a) the JSE and electronically published on SENS, or any other similar service, established by the JSE; and

(b) the Central Securities Depository; or

18.1.2 in the case of unlisted uncertificated Notes, if mailed to the registered addresses of the Noteholders appearing in the Uncertificated Securities Register or, if delivered to the Central Securities Depository (and if required, electronically published on SENS, or any other similar service, established by the JSE); or

18.1.3 in the case of Notes represented by an Individual Certificate (whether evidencing Registered Notes, Bearer Notes or Order Notes) if mailed to the registered addresses of the holders of the Notes appearing in the Register and published, not earlier than 4 calendar days after the date of posting of such notice by registered mail:

(a) in an English language daily newspaper of general circulation in South Africa; and

(b) for so long as the Notes are listed on the JSE or such other Financial Exchange, a daily newspaper of general circulation in the city in which the JSE or such other Financial Exchange is situated or any electronic news service of general distribution.

18.2 Any such notice shall be deemed to have been given on the seventh day after the day on which it is mailed, or the day of its publication, as the case may be.

18.3 A notice to be given by any Noteholder to the Issuer shall be in writing and given by lodging (either by hand delivery or posting by registered mail) that notice, together with a certified copy of the relevant Certificate, Coupon or Receipt at the Specified Office of the Transfer Agent. The Issuer may change its Specified Office upon prior written notice to the Noteholders specifying such new address. For so long as any of the Notes are held in uncertificated form, notice may be given by any holder of a Beneficial Interest in Notes to the Issuer via the relevant Settlement Agent in accordance with the Applicable Procedures, in such manner as the Issuer and the relevant Settlement Agent may approve for this purpose. Such notices shall be deemed to have been received by the Issuer, if delivered by hand, on the second Business Day after being hand delivered, or, if sent by registered mail, 7 days after posting.

19. MEETINGS OF NOTEHOLDERS

19.1 Directions of Noteholders

19.1.1 The provisions with regard to meetings of Noteholders are set out in this Condition 19.

19.1.2 Every director, the secretary of and the attorney to the Issuer and every other person authorised in writing by the Issuer, may attend and speak at a meeting of Noteholders, but will not be entitled to vote, other than as a Noteholder or proxy or duly authorised representative of a Noteholder.

19.1.3 A meeting of Noteholders will have power, in addition to all powers specifically conferred elsewhere in the Terms and Conditions:

- (a) by Ordinary Resolution of the Noteholders to give instructions to the Issuer in respect of any matter not covered by the Terms and Conditions (but without derogating from the powers or discretions expressly conferred upon the Issuer by the Terms and Conditions or imposing obligations on the Issuer not imposed or contemplated by the Terms and Conditions or otherwise conflicting with or inconsistent with the provisions of the Terms and Conditions); or
- (b) by Extraordinary Resolution or an Extraordinary Written Resolution:
 - (i) of the Noteholders to bind all of the Noteholders to any compromise or arrangement; or
 - (ii) of a particular Series of Noteholders to agree to any variation or modification of any rights of that Series of Noteholders.

19.1.4 Unless otherwise specified, resolutions of Noteholders will require an Ordinary Resolution to be passed.

19.2 Convening of meetings

19.2.1 The Issuer may at any time convene a meeting of all Noteholders or separate meetings of holders of any Series of Notes (a “**meeting**” or the “**meeting**”).

19.2.2 The Issuer will convene (a) a meeting of Noteholders upon the requisition in writing of Noteholders holding not less than 10% of the aggregate Principal Amount of all of the Notes Outstanding or (b) a separate meeting of holders of any Series of Notes upon the requisition in writing of the Noteholders in that Series holding not less than 10% of the aggregate Principal Amount of the Notes Outstanding held by the holders of that Series, as the case may be (a “**requisition notice**”).

19.2.3 Whenever the Issuer wishes to convene a meeting, it will forthwith give notice in writing to the Noteholders in the manner prescribed in Condition 18 (*Notices*) of the place, day and hour of the meeting, the nature of the business to be transacted at the meeting and the resolutions to be proposed and considered at the meeting.

19.2.4 All meetings of Noteholders will be held in South Africa.

19.3 **Requisition**

19.3.1 A requisition notice will state the nature of the business for which the meeting is to be held and the resolutions to be proposed and considered at the meeting and will be deposited at the Specified Office of the Issuer.

19.3.2 A requisition notice may consist of several documents in like form, each signed by one or more requisitionists.

19.4 **Convening of meetings by requisitionists**

If the Issuer does not convene a meeting to be held within 30 days of the deposit of a requisition notice, the requisitionists may themselves convene the meeting, but the meeting so convened will be held within 90 days from the date of such deposit and will be convened as nearly as possible in the same manner as that in which meetings may be convened by the Issuer. Whenever the requisitionists are about to so convene any such meeting, requisitionists shall forthwith give notice of the meeting to the Issuer.

19.5 **Notice of meeting**

19.5.1 Unless the Noteholders of at least 90% of the aggregate Principal Amount of the Notes Outstanding or Series of Notes Outstanding, as the case may be, agree in writing to a shorter period, at least 21 Business Days' written notice, specifying the place, day and time of the meeting, the nature of the business for which the meeting is to be held and the resolutions to be proposed and considered at the meeting, will be given to each Noteholder and to the Issuer if applicable.

19.5.2 The accidental omission to give such notice to any Noteholder or the Issuer, as the case may be, or the non-receipt of any such notice, will not invalidate the proceedings at a meeting.

19.5.3 For as long as any Notes are listed on the JSE, notices of meetings in respect of such JSE-listed Notes, shall be announced on SENS, which announcement shall state the date that the Issuer has selected to determine which Noteholders recorded in the Register will receive notice of the meeting, and the last date by which proxy forms must be submitted.

19.6 **Quorum**

19.6.1 A quorum at a meeting shall:

- (a) for the purposes of considering an Ordinary Resolution, consist of Noteholders present in person or by proxy and holding in the aggregate not less than one-third of the aggregate Principal Amount of the Notes Outstanding or Series of Notes Outstanding, as the case may be; and
- (b) for the purposes of considering an Extraordinary Resolution or an Extraordinary Written Resolution, consist of Noteholders present in person or

by proxy and holding in the aggregate not less than a clear majority (i.e. 50% + 1) of the aggregate Principal Amount of the Notes Outstanding or Series of Notes Outstanding, as the case may be.

19.6.2 No business will be transacted at a meeting of the Noteholders unless a quorum is present at the time when the meeting proceeds to business.

19.6.3 If, within 15 minutes from the time appointed for the meeting, a quorum is not present, the meeting will, if it was convened on the requisition of Noteholders, be dissolved. In every other case the meeting will stand adjourned to the same day in the third week thereafter, at the same time and place, or if that day is not a Business Day, the next succeeding Business Day. If at such adjourned meeting a quorum is not present the Noteholders present in person or by proxy will constitute a quorum for the purpose of considering any resolution, including an Extraordinary Resolution or an Extraordinary Written Resolution.

19.7 **Chairperson**

The chairperson (who may, but need not, be a Noteholder) of the meeting shall be appointed by the Issuer. If the Issuer or the person appointed by the Issuer to preside as chairperson of the meeting is not present within 10 minutes of the time appointed for the holding of the meeting, the Noteholders then present will choose one of their own number to preside as chairman.

19.8 **Adjournment**

19.8.1 Subject to the provisions of this Condition 19, the chairperson may, with the consent of, and will on the direction of, the meeting adjourn the meeting from time to time and from place to place.

19.8.2 No business will be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

19.8.3 At least 14 days' written notice of the place, day and time of an adjourned meeting will be given by the Issuer to each Noteholder. In the case of a meeting adjourned in terms of Condition 19.6.3, the notice will state that the Noteholders present in person or by proxy at the adjourned meeting will constitute a quorum.

19.9 **How questions are decided**

19.9.1 At a meeting, a resolution put to the vote will be decided on a poll.

19.9.2 In the case of an equality of votes, the chairperson will not be entitled to a casting vote in addition to the vote, if any, to which he is entitled.

19.10 **Votes**

Voting shall only take place on a poll and not on a show of hands. On a poll every Noteholder, present in person or by proxy, will be entitled to that proportion of the total votes which the aggregate Principal Amount of the Notes Outstanding held by such Noteholder bears to the aggregate Principal Amount of all of the Notes Outstanding or Series of Notes, as the case may be, held by Noteholders present in person or by proxy at the meeting. In relation to joint Noteholders, the vote may be exercised only by that Noteholder whose name appears first on the Register in the event that more than one of such Noteholders is present, in person or by proxy, at the meeting. The Registered

Holder in respect of Uncertificated Notes shall vote at any such meeting on behalf of the holders of Beneficial Interests in such Notes in accordance with the instructions from the holders of Beneficial Interests conveyed in accordance with the Applicable Procedures.

19.11 **Proxies and representatives**

19.11.1 Noteholders present either in person or by proxy may vote on a poll. A Noteholder may by an instrument in writing (a “**proxy form**”) signed by the Noteholder (or his duly authorised agent) or, in the case of a juristic person, signed on its behalf by a duly authorised officer of the juristic person, appoint any person (a “**proxy**” or “**proxies**”) to act on his or its behalf in connection with any meeting or proposed meeting.

19.11.2 A person appointed to act as proxy need not be a Noteholder.

19.11.3 The proxy form will be deposited at the Specified Office of the Issuer or at the Specified Office of the Transfer Agent, as the case may be, not less than 24 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in such proxy proposes to vote.

19.11.4 No proxy form will be valid after the expiration of 6 months from the date named in it as the date of its execution.

19.11.5 Notwithstanding Condition 19.11.4, a proxy form will be valid for any adjourned meeting, unless the contrary is stated thereon. A vote given in accordance with the terms of a proxy form will be valid notwithstanding the previous death or incapacity of the principal or revocation or amendment of the proxy form or of any of the Noteholder’s instructions pursuant to which the proxy form was executed or of the authority under which the proxy form was executed or the transfer of Notes in respect of which the proxy was given, provided that no intimation in writing of such death, incapacity, revocation or amendment shall have been received by the Issuer at its Specified Office or the Transfer Agent at its Specified Office, as the case may be, more than, and that the transfer has been given effect to less than, 12 hours before the commencement of the meeting or adjourned meeting at which the proxy is to be used.

19.11.6 Any Noteholder which is a juristic person may authorise any person to act as its representative in connection with any meeting or proposed meeting of Noteholders by resolution of the directors or other governing body of the juristic person. Any reference in the Terms and Conditions to a Noteholder present in person includes the duly authorised representative of a Noteholder which is a juristic person.

19.12 **Minutes**

19.12.1 The Issuer will cause minutes of all resolutions and proceedings of meetings to be duly entered in the minute books of the Issuer.

19.12.2 Any such minutes as aforesaid, if purporting to be signed by the chairperson of the meeting at which such resolutions were passed or proceedings held or by the chairperson of the next succeeding meeting, will be receivable in evidence without any further proof, and until the contrary is proved, a meeting of Noteholders or Series of Noteholders, as the case may be, in respect of the proceedings of which minutes have been so made will be deemed to have been duly held and convened and all resolutions passed thereat, or proceedings held, to have been duly passed and held.

19.13 **Written Resolutions**

A resolution in writing submitted to Noteholders or Noteholders of a Series, as the case may be, entitled to exercise voting rights in relation to the resolution, and signed by the requisite majority of Noteholders or Noteholders of a Series, as the case may be, shall be as valid and effective as if it had been passed at a meeting duly convened and constituted and shall be deemed (unless a statement to the contrary is made in that resolution) to have been passed on the last day on which that resolution is signed by any one or more of the Noteholders or Noteholders of a Series, as the case may be. That resolution may consist of two or more documents in the same form each of which is signed by one or more of the Noteholders or Noteholders of a Series, as the case may be.

20. AMENDMENT OF THESE CONDITIONS

20.1 The Issuer may effect, without the consent of any Noteholder or any Noteholders of the relevant Series of Notes, as the case may be, any amendment to these Terms and Conditions:

20.1.1 which is of a technical nature, made to correct a manifest error or to comply with mandatory provisions of the law of South Africa; or

20.1.2 which does not affect the Tier 2 Notes in issue,

provided that the Issuer shall provide the amended Terms and Conditions or the supplement to these Terms and Conditions to the JSE immediately after the amendment is made and release an announcement on SENS providing a summary of the amendments and where the amended or modified Terms and Conditions or supplement to the Terms and Conditions will be available for inspection.

20.2 Save as provided in Condition 20.1 and subject to Condition 20.3, no amendment, variation or modification of these Terms and Conditions may be effected or be of any force or effect unless approved by an Extraordinary Resolution or an Extraordinary Written Resolution of the Noteholders or the Noteholders of the relevant Tranche or Series of Notes, as the case may be.

20.3 If any amendment, variation or modification of these Terms and Conditions does not fall within the provisions of Condition 20.1 then, in the case of any Tranche of Notes listed on the Interest Rate Market of the JSE:

20.3.1 the Issuer must first, prior to submitting the proposed amended Terms and Conditions or the proposed supplement to these Terms and Conditions to the Noteholders or the Noteholders of the relevant Tranche or Series of Notes, as the case may be, for approval, obtain conditional formal approval of the proposed amended Terms and Conditions or the proposed supplement to these Terms and Conditions from the JSE in accordance with the JSE Debt Listings Requirements;

20.3.2 subsequent to receiving the conditional formal approval from the JSE contemplated by Condition 20.3.1, the Issuer shall send a notice, together with the proposed amended Terms and Conditions or proposed supplement to these Terms and Conditions, to all of the Noteholders or the Noteholders of the relevant Tranche or Series of Notes, as the case may be, in accordance with Condition 18 (*Notices*) incorporating the proposed amendments and requesting approval of the amendments from the

Noteholders or the Noteholders of the relevant Tranche or Series of Notes, as the case may be, by way of an Extraordinary Resolution or an Extraordinary Written Resolution;

- 20.3.3 if such approval is requested to be given:
- (a) by way of an Extraordinary Resolution, a proxy form shall be sent, together with the notice convening the meeting at which the Extraordinary Resolution is proposed to be passed, to each person entitled to vote at such meeting and who has elected to receive such documents; or
 - (b) by way of an Extraordinary Written Resolution, the notice to all of the Noteholders or the Noteholders of the relevant Tranche or Series of Notes, as the case may be, must include the proposed resolution, any restrictions on voting in terms of these Terms and Conditions, the last date on which a Noteholder may submit its vote, in writing, on the proposed resolution (provided that such date shall be no later than the 20th Business Day after the notice was distributed to all of the Noteholders or the Noteholders of the relevant Tranche or Series of Notes, as the case may be,) and the address where the vote must be submitted;
- 20.3.4 for the purpose of the resolutions above wherein any votes are to be excluded from the passing of that resolution, any proxy given by a Noteholder to the holder of such an excluded vote shall be excluded from voting for the purposes of that resolution;
- 20.3.5 the Issuer must release an announcement on SENS with details concerning the date, time and venue of the meeting of all of the Noteholders or the Noteholders of the relevant Tranche or Series of Notes, as the case may be, within 24 hours after the notice of the meeting has been distributed to the relevant Noteholder, and, in the case of written resolutions, the Issuer must release an announcement on SENS with details of the written resolutions being proposed within 24 hours after the notification of the proposed written resolutions have been distributed to the relevant Noteholders. In either instance, if the notification to the relevant Noteholders was distributed via a SENS announcement, a separate announcement is not required in terms of this Condition 20.3.5;
- 20.3.6 if approval from all of the Noteholders or the Noteholders of the relevant Tranche or Series of Notes, as the case may be, is obtained, confirmation of such approval and the signed amendment of these Terms and Conditions or the signed supplement to these Terms and Conditions shall be submitted to the JSE by or on behalf of the Issuer and the Issuer shall also provide a letter to the JSE confirming that the signed amendment of these Terms and Conditions or the signed supplement to the Terms and Conditions is identical, other than in minor respects, to the draft conditionally formally approved by the JSE;
- 20.3.7 within 48 hours after the meeting or the responses from the relevant Noteholders on the proposed written resolution have been obtained, a SENS announcement shall be released by the Issuer containing the details of the voting results in respect of the proposed resolution/s and the announcement shall include the following:

- (a) the proposed resolution/s;
- (b) the Notes voted in person or by proxy disclosed as a number and a percentage (in relation to the total Principal Amount of the relevant Tranche or Series of Notes or the total Principal Amount of all of the Notes, as the case may be); and
- (c) the votes abstained disclosed as a percentage (in relation to the total Principal Amount of the relevant Tranche or Series of Notes or the total Principal Amount of all of the Notes, as the case may be) and the votes carried (i) for and (ii) against each resolution, disclosed as a percentage (in relation to the total Principal Amount of the relevant Tranche or Series of Notes or the total Principal Amount of all of the Notes, as the case may be); and

20.3.8 the amendment of these Terms and Conditions or the supplement to these Terms and Conditions must be available for inspection for at least 2 (two) Business Days before the listing of any Note on the Interest Rate Market of the JSE by the Issuer.

20.4 No amendment to the Terms and Conditions (or applicable Terms and Conditions) may be effected unless such amendment or modification complies with the applicable provisions of the JSE Debt Listings Requirements or such other Financial Exchange, as the case may be.

20.5 Any such modification of these Terms and Conditions made pursuant to this Condition 20 shall be binding on all of the Noteholders or the Noteholders of the relevant Tranche or Series of Notes, as the case may be, and any such amendment shall be notified to all of the Noteholders or the Noteholders of the relevant Tranche or Series of Notes, as the case may be, in accordance with Condition 18 (*Notices*) and to the Financial Exchange as soon as practicable thereafter.


21. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders to create and issue further Notes having terms and conditions the same as any of the other Notes issued under the Programme or the same in all respects save for the amount and date of the first payment of interest thereon, the Issue Price, the Issue Date and the Interest Commencement Date, so that the further Notes shall be consolidated to form a single Series with the Outstanding Notes.

22. GOVERNING LAW

Unless otherwise specified in the Applicable Pricing Supplement, the provisions of the Programme Memorandum and the Notes are governed by, and shall be construed in accordance with, the laws of South Africa in force from time to time.

ABSA BANK LIMITED

By: 

Name: Deon RAJU

Capacity: Authorised Signatory

Date: 15 November 2019

By: 

Name: Jason Quin

Capacity: Authorised Signatory

Date: 15 November 2019

PRO FORMA APPLICABLE PRICING SUPPLEMENT OF THE ADDITIONAL TIER 1 NOTES

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Additional Tier 1 Notes issued under the Programme:



Absa Bank Limited

(Incorporated with limited liability in South Africa under registration number 1986/004794/06)

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] with Stock Code []

Under its ZAR90,000,000,000 Domestic Medium Term Note Programme

This document constitutes the Applicable Pricing Supplement relating to the issue of the Tranche of Notes described in this Applicable Pricing Supplement.

This Applicable Pricing Supplement must be read in conjunction with the Programme Memorandum issued by Absa Bank Limited dated 15 November 2019, as amended. To the extent that there is any conflict or inconsistency between the contents of this Applicable Pricing Supplement and the Programme Memorandum, the provisions of this Applicable Pricing Supplement shall prevail.

Any capitalised terms not defined in this Applicable Pricing Supplement shall have the meanings ascribed to them in the Additional Tier 1 Terms and Conditions. References in this Applicable Pricing Supplement to the Additional Tier 1 Terms and Conditions are to the section of the Programme Memorandum “*Terms and Conditions of the Additional Tier 1 Notes*”. References to any Condition in this Applicable Pricing Supplement are to that Condition of the Additional Tier 1 Terms and Conditions.

DESCRIPTION OF THE NOTES

1.	Issuer	Absa Bank Limited
2.	Status of Notes	Subordinated Notes : Additional Tier 1 Notes
3.	(a) Tranche Number	[]
	(b) Series Number	[]
4.	Aggregate Principal Amount	[]
5.	Interest/Payment Basis	[Fixed Rate/Floating Rate/Mixed Rate]
6.	Form of Notes	[Registered Notes]

- | | | |
|-----|--|--|
| 7. | Security | Unsecured |
| 8. | Automatic/Optional Conversion from one Interest/Payment Basis to another | [insert details including date for conversion] |
| 9. | Issue Date | [] |
| 10. | Business Centre | [] |
| 11. | Additional Business Centre | [] |
| 12. | Principal Amount | [] |
| 13. | Specified Denomination | [] |
| 14. | Issue Price | [] |
| 15. | Interest Commencement Date | [] |
| 16. | Specified Currency | [] |
| 17. | Applicable Business Day Convention | [Floating Rate Business Day/Following Business Day/Modified Following Business Day/Preceding Business Day/other convention – insert details] |
| 18. | Calculation Agent | [] |
| 19. | Specified Office of the Calculation Agent | [] |
| 20. | Paying Agent | [] |
| 21. | Specified Office of the Paying Agent | [] |
| 22. | Transfer Agent | [] |
| 23. | Specified Office of the Transfer Agent | [] |
| 24. | Settlement Agent | [] |
| 25. | Specified Office of the Settlement Agent | [] |
| 26. | Redemption Amount | [] |

FIXED RATE NOTES

[Applicable] / [Not Applicable]

- | | | |
|-----|------------------------------|---|
| 27. | Fixed Rate Note Provisions | |
| | (a) Fixed Interest Rate | [] per cent, per annum |
| | (b) Interest Payment Date(s) | Means [●], [●], [●] and [●], in each year, commencing on [●] or, if such day is not a Business Day, the Business Day on which the interest will be paid, as determined in accordance with the |

applicable Business Day Convention (as specified in this Applicable Pricing Supplement)

- (c) Interest Period Each period commencing on (and including) an Interest Payment Date and ending on (but excluding) the following Interest Payment Date; provided that the first Interest Period will commence on (and include) the Interest Commencement Date and end on (but exclude) [the following Interest Payment Date] / [state specific Interest Payment Date] (each Interest Payment Date as adjusted in accordance with the applicable Business Day Convention)
- (d) Initial Broken Amount []
- (e) Final Broken Amount []
- (f) Interest Rate Determination Date(s) Means [●], [●], [●] and [●], in each year, with the first Interest Determination Date being [●]
- (g) Day Count Fraction []
- (h) Any other terms relating to the particular method of calculating interest []

FLOATING RATE NOTES

[Applicable] / [Not Applicable]

28. Floating Rate Note Provisions:

- (a) Interest Payment Date(s) Means [●], [●], [●] and [●], in each year, commencing on [●] or, if such day is not a Business Day, the Business Day on which the interest will be paid, as determined in accordance with the applicable Business Day Convention (as specified in this Applicable Pricing Supplement)
- (b) Interest Period(s) Each period commencing on (and including) an Interest Payment Date and ending on (but excluding) the following Interest Payment Date; provided that the first Interest Period will commence on (and include) the Interest Commencement Date and end on (but exclude) [the following Interest Payment Date] / [state specific Interest Payment Date] (each Interest Payment Date as adjusted in accordance with the applicable Business

Day Convention)

- (c) Definitions of Business Day (if different from that set out in Condition 1 (*Interpretation*) of the Terms and Conditions) []
- (d) Minimum Interest Rate [] per cent
- (e) Maximum Interest Rate [] per cent
- (f) Other terms relating to the method of calculating interest (e.g., Day Count Fraction, rounding up provision, if different from Condition 7 (*Interest*) of the Terms and Conditions) []
29. Manner in which the Interest Rate is to be determined [ISDA Determination/Screen Rate Determination/other (insert details)]
30. Margin [(+/-) • per cent to be added to/subtracted from the relevant (ISDA Rate/Reference Rate)]
31. If ISDA Determination
- (a) Floating Rate []
- (b) Floating Rate Option []
- (c) Designated Maturity []
- (d) Reset Date(s) []
32. If Screen Determination
- (a) Reference Rate (including relevant period by reference to which the Interest Rate is to be calculated) [e.g. ZAR-JIBAR-SAFEX]
- (b) Interest Rate Determination Date(s) Means [●], [●], [●] and [●], in each year, with the first Interest Determination Date being [●]
- (c) Relevant Screen Page and Reference Code []
33. If Interest Rate to be calculated otherwise than by reference to the previous 2 subparagraphs, insert basis for determining Interest Rate/Margin/Fall back provisions []
34. If different from the Calculation Agent, agent responsible for calculating amount of principal and interest []

INDEXED NOTES

[Applicable] / [Not Applicable]

35. Indexed Notes Provisions

[Not Applicable] [Applicable. This item 35 is subject to Condition 6 (*Interest Payments on the Additional Tier 1 Notes*) of the Additional Tier 1 Terms and Conditions.]

(a) Type of Indexed Notes

[Indexed Interest Notes/Indexed Redemption Amount Notes]

(b) Index/Formula by reference to which Interest Amount/Final Redemption Amount is to be determined

Name of Index: []

Index Code: []

Index Currency: []

Index Sponsor: []

Index Calculator: []

The Index ground rules document is available at www.[]

Any change to the Index methodology will be published on SENS and communicated to the JSE. All other changes as detailed in the ground rules document will be published on the Index Calculator's website, www.[]

(c) Index of Indices

[Yes/No]

(If yes, complete the below information for each underlying index)

[Underlying Indices: []

The Index Level is published [daily/monthly] on www.[]

(d) Manner in which the Interest Amount/Final Redemption Amount is to be determined

[]

The Index Level is published [daily/monthly] on www.[]

(e) Initial Index Level

[]

(f) Interest Period

Each period commencing on (and including) an Interest Payment Date and ending on (but excluding) the following Interest Payment Date; provided that the first Interest Period will commence on (and include) the Interest Commencement

Date and end on (but exclude) [the following Interest Payment Date] / [state specific Interest Payment Date] (each Interest Payment Date as adjusted in accordance with the applicable Business Day Convention)

- (g) Interest Payment Date(s) Means [●], [●], [●] and [●], in each year, commencing on [●] or, if such day is not a Business Day, the Business Day on which the interest will be paid, as determined in accordance with the applicable Business Day Convention (as specified in this Applicable Pricing Supplement)
- (h) Interest Rate Determination Date(s) Means [●], [●], [●] and [●], in each year, with the first Interest Determination Date being [●]
- (i) If different from the Calculation Agent, agent responsible for calculating amount of principal and interest []
- (j) Provisions where calculation by reference to Index and/or Formula is impossible or impracticable []

MIXED RATE NOTES

[Applicable] / [Not Applicable]

- 36. Period(s) during which the interest rate for the Mixed Rate Notes will be (as applicable) that for: []
 - (a) Fixed Rate Notes []
 - (b) Floating Rate Notes []
 - (c) Indexed Notes []

OTHER ADDITIONAL TIER 1 NOTES

[Applicable] / [Not Applicable]

- 37. If the Additional Tier 1 Notes are not Fixed Rate Notes, Floating Rate Notes, or Mixed Rate Notes, or if the Additional Tier 1 Notes are a combination of any of the foregoing, set out the relevant description and any additional Terms and Conditions relating to such Additional Tier 1 Notes []

PROVISIONS REGARDING REDEMPTION

- 38. Prior consent of Prudential Authority required for any redemption Yes

39. Redemption at the option of the Issuer (Call Option): if yes: [Yes/No]
- (a) First Optional Redemption Date (Call) []
 - (b) Optional Redemption Date(s) (Call) []
 - (c) Optional Redemption Amount(s) (Call) and method, if any, of calculation of such amount(s) []
 - (d) Minimum period of notice (if different to Condition 11.4 (*Redemption at the option of the Issuer (Issuer Call)*) of the Terms and Conditions) []
 - (e) If redeemable in part:
 - Minimum Redemption Amount(s) []
 - Higher Redemption Amount(s) []
 - (f) Approval(s) of Prudential Authority Applicable
 - (g) Other terms applicable on Redemption []
40. Early Redemption Amount(s) []
- (a) Early Redemption Amount (Regulatory) [Principal Amount plus accrued interest (if any) to the date fixed for redemption]
 - (b) Early Redemption Amount (Tax) [Principal Amount plus accrued interest (if any) to the date fixed for redemption]
 - (c) Early Termination Amount []
41. Do the Additional Tier 1 Terms and Conditions or the provisions of this Applicable Pricing Supplement provide for automatic redemption of the Notes upon the occurrence of a trigger event(s)? If yes: [Yes]/[No]
- [Early Redemption Date of the Note will be a minimum of 5 (five) Business Days after the date on which the trigger Event occurred and such Early Redemption Date will be announced on SENS one Business Day after the trigger Event occurred.]
- (a) Trigger event(s) []
 - (b) Early Redemption Date []

NON-VIABILITY LOSS ABSORPTION

42. Conversion upon the occurrence of a Non- [Applicable]/[Not applicable]

Viability Trigger Event

- If applicable: [Note: If not applicable, delete items (a) to (d)]
- (a) Conversion Price [•]
 - (b) Conversion Record Date if different from the Additional Tier 1 Terms and Conditions [•]
 - (c) Conversion Date if different from the Additional Tier 1 Terms and Conditions [•]/[Not Applicable]
 - (d) Time period for the delivery of the Conversion Notice if different from Condition 9.2.6 [•]
43. Write-off upon the occurrence of a Non-Viability Trigger Event [Yes/No] [Note: Insert mechanics, if relevant]
44. Option to dis-apply Non-Viability Loss Absorption Condition pursuant to Condition 9.4 (*Disapplication of Non-Viability Loss Absorption Condition*) [Applicable]/[Not Applicable]

GENERAL

45. Additional selling restrictions []
46. Additional terms or special conditions [] / [Not Applicable]
47. (a) International Securities Identification Number (ISIN) []
- (b) Stock Code []
48. Financial Exchange []
49. Clearing System [Strate Proprietary Limited]
50. Method of distribution []
51. If syndicated, names of managers
52. Credit Rating assigned to [the Issuer] / [the Programme] / [the Notes] (if any), date of such rating and date for review of such rating []
53. Issuer rating and date of issue []
54. Governing law (if the laws of South Africa are not applicable) [] / [Not Applicable]
55. Other Banking Jurisdiction []

56. Last Day to Register, which shall mean that the “Books Closed Period” (during which the Register will be closed) will be from each Last Day to Register to the applicable Payment Day until the date of redemption [Not applicable] [By 17h00 on [] or if such day is not a Business Day, the Business Day before each Books Closed Period, in each year]]
57. Books Closed Period [The Register will be closed from [] to [] and from [] to [] (all dates inclusive) in each year]
58. Debt Sponsor []
59. Stabilisation Manager (if any) []
60. Pricing Methodology []
61. Authorised amount of the Programme []
62. Aggregate Outstanding Principal Amount of all Additional Tier 1 Notes in issue on the Issue Date of this Tranche (excluding the current issue and any other Note(s) issued on the Issue Date) []
63. Set out the relevant description of any additional/other Terms and Conditions relating to the Notes (including covenants, if any) []
64. Material Changes The Issuer confirms that as at the date of this Applicable Pricing Supplement, there has been no material change in the financial or trading position of the Issuer and its subsidiaries since the date of the Issuer’s latest [audited financial statements/ unaudited interim financial statements], dated []. As at the date of this Applicable Pricing Supplement, there has been no involvement by [], the auditor of the Issuer, in making the aforementioned statement.
66. Shareholders’ approval The Issuer will not issue and list a Tranche of Additional Tier 1 Notes to which Conversion is applicable unless the Issuer shall have obtained the required shareholders' approval in accordance with the JSE Listings Requirements applicable to the Main Board of the JSE.
67. Exchange control approval [Applicable / Not Applicable]

RESPONSIBILITY

The Issuer certifies that to the best of its knowledge and belief there are no facts that have been omitted from this Programme Memorandum and this Applicable Pricing Supplement which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that this Applicable Pricing Supplement contains all information required by Applicable Law and, in relation to any Tranche of Notes listed on the Interest Rate Market of the JSE, the JSE Debt Listings Requirements. The Issuer accepts full responsibility for the accuracy of the information contained in this Programme Memorandum, this Applicable Pricing Supplement, the annual financial statements and the annual financial report of the Issuer and any amendments or supplements to the aforementioned documents from time to time, except as otherwise stated therein.

The JSE takes no responsibility for the contents of this Programme Memorandum, any Applicable Pricing Supplements, the annual financial statements and/or the annual report of the Issuer (and any amendments or supplements to the aforementioned documents from time to time). The JSE makes no representation as to the accuracy or completeness of any of the foregoing documents and expressly disclaims any liability for any loss arising from or in reliance upon the whole or any part of this Programme Memorandum, any Applicable Pricing Supplements, the annual financial statements and/or the annual report of the Issuer (any amendments or supplements to the aforementioned documents from time to time).

The JSE's approval of the registration of this Programme Memorandum and listing of the Notes is not to be taken in any way as an indication of the merits of the Issuer or of the Notes and that, to the extent permitted by law, the JSE will not be liable for any claim whatsoever.

As at the date of this Applicable Pricing Supplement, the Issuer confirms that the aggregate Principal Amount of all Notes Outstanding under this Programme does not exceed ZAR90,000,000,000, being the maximum aggregate Principal Amount of the Notes that may be issued under the Programme.

Application [is hereby] / [will not be] made to list this issue of Notes on **[insert date]** pursuant to the Absa Bank Limited Domestic Medium Term Note Programme. The Programme was registered with the JSE on [...] 2019.

ABSA BANK LIMITED

By: _____ By: _____

Name: _____ Name: _____

Capacity: Authorised Signatory Capacity: Authorised Signatory

Date: _____ Date: _____

TERMS AND CONDITIONS OF THE ADDITIONAL TIER 1 NOTES

The following are the Terms and Conditions of the Additional Tier 1 Notes to be issued by the Issuer (the “**Additional Tier 1 Terms and Conditions**”). Additional Tier 1 Notes will be issued in individual Tranches which, together with other Tranches, may form a Series of Additional Tier 1 Notes. Before the Issuer issues any Tranche of Additional Tier 1 Notes, the Issuer shall complete, sign and deliver to the JSE and the Central Securities Depository an Applicable Pricing Supplement, based on the pro forma Applicable Pricing Supplement (included in the section of the Programme Memorandum headed “Pro Forma Applicable Pricing Supplement of the Additional Tier 1 Notes”), setting out details of such Additional Tier 1 Notes. The Applicable Pricing Supplement in relation to any Tranche of Additional Tier 1 Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Additional Tier 1 Terms and Conditions, replace or modify the following Additional Tier 1 Terms and Conditions for the purpose of such Tranche of Additional Tier 1 Notes. The Additional Tier 1 Terms and Conditions set out below and the Applicable Pricing Supplement will be deemed to be incorporated by reference into each Certificate evidencing any Notes.

1. INTERPRETATION

- | | | |
|-----|--|---|
| 1.1 | “ Absa CIB ” | Absa Bank Limited, acting through its Corporate and Investment Banking division; |
| 1.2 | “ Additional Tier 1 Capital ” | “ <i>Additional Tier 1 Capital</i> ” as defined in section 1(1) of the Banks Act; |
| 1.3 | “ Additional Tier 1 Capital Regulations ” | Regulation 38(11)(b) of the “ <i>Regulations Relating to Banks</i> ” promulgated under the Banks Act and such other provisions of the Capital Regulations with which Additional Tier 1 Notes must comply in order for the proceeds of the issue of such Notes to qualify as Additional Tier 1 Capital; |
| 1.4 | “ Additional Tier 1 Notes ” | Notes specified as such in the Applicable Pricing Supplement and complying with the Additional Tier 1 Capital Regulations; |
| 1.5 | “ Additional Conditions ” | in relation to any issue of Additional Tier 1 Notes, the proceeds of which are intended by the Issuer to qualify as Additional Tier 1 Capital, such conditions, in addition to the conditions specified in the applicable Capital Regulations, as may be prescribed by the Prudential Authority for the proceeds of the issue of such Notes to qualify as Additional Tier 1 Capital, pursuant to the approval granted by the Prudential Authority for the issue of such Notes, as specified in the Applicable Pricing Supplement; |
| 1.6 | “ Agency Agreement ” | the amended and restated agency agreement dated 15 November 2019 concluded between |

the Issuer, Issuer Agent, the Paying Agent, the Calculation Agent and the Transfer Agent, or a separate agreement between the Issuer and each of the Issuer Agent, the Paying Agent, the Calculation Agent and the Transfer Agent, unless the Issuer itself acts in any of the abovementioned capacities;

- 1.7 **“Applicable Laws”** in relation to a person, means all and any:
- 1.7.1 statutes and subordinate legislation;
 - 1.7.2 regulations, ordinances and directives;
 - 1.7.3 by-laws;
 - 1.7.4 codes of practice, circulars, guidance notices, judgments and decisions of any competent authority; and
 - 1.7.5 other similar provisions, from time to time;
- 1.8 **“Applicable Pricing Supplement”** in relation to a Tranche of Additional Tier 1 Notes, the pricing supplement completed and signed by the Issuer in relation to the issue of that Tranche of Additional Tier 1 Notes, setting out such additional and/or other terms and conditions as are applicable to that Tranche of Additional Tier 1 Notes, based upon the *pro forma* applicable pricing supplement which is set out in the section of the Programme Memorandum headed “*Pro Forma Applicable Pricing Supplement of the Additional Tier 1 Notes*”;
- 1.9 **“Applicable Procedures”** the rules and operating procedures for the time being of the Central Securities Depository, Settlement Agents, the JSE and/or any Financial Exchange, as the case may be;
- 1.10 **“Arranger”** Absa CIB;
- 1.11 **“Assets”** the total amount of the non consolidated gross assets of the Issuer as shown in the latest published audited non consolidated balance sheet of the Issuer, but adjusted for contingencies and subsequent events in such manner as the directors of the Issuer, the auditor of the Issuer or a liquidator, judicial manager, administrator or curator of the Issuer (if applicable) may determine;

1.12	“Banks Act”	the Banks Act, 1990;
1.13	“Beneficial Interest”	in relation to an Additional Tier 1 Note, an interest as co-owner of an undivided share in an Uncertificated Note, in accordance with the Financial Markets Act;
1.14	“Books Closed Period”	in relation to a Tranche of Additional Tier 1 Notes, the period, as specified in the Applicable Pricing Supplement, commencing after the Last Day to Register, during which transfer of the Notes will not be recorded in the Register, or such other shorter period as the Issuer may decide to determine those Noteholders entitled to receive interest or redemption monies;
1.15	“Business Day”	a day (other than a Saturday or Sunday or public holiday within the meaning of the Public Holidays Act, 1994) which is a day on which commercial banks settle ZAR payments in Johannesburg or any Additional Business Centre specified in the Applicable Pricing Supplement save that if the Specified Currency is not ZAR, “ <i>Business Day</i> ” shall mean a day (other than a Saturday or Sunday) which is a day on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the Specified Currency and in each (if any) Additional Business Centre, save further that if the Applicable Pricing Supplement so provides, “ <i>Business Day</i> ” shall include a Saturday;
1.16	“Calculation Agent”	Absa CIB unless the Dealer, or in the case of a syndicated issue, the lead manager, requests the Issuer to appoint or the Issuer elects to appoint, in relation to a particular Tranche or Series of Additional Tier 1 Notes, another entity as Calculation Agent, in which event that other entity shall act, on execution of the Agency Agreement, as a Calculation Agent in respect of that Tranche or Series of Additional Tier 1 Notes;
1.17	“Call Option”	has the meaning given in the Applicable Pricing Supplement;
1.18	“Capital Disqualification Event”	is an event which will be deemed to have occurred with respect to the Additional Tier 1 Notes of any Series if, as a result of a Regulatory Change, the Additional Tier 1 Notes of that Series are fully, or to the extent permitted by the Capital Regulations, partially, excluded from Additional Tier 1 Capital of the

		Issuer on a solo and/or consolidated basis (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital);
1.19	“Capital Regulations”	at any time, any legislation, regulations, rules, requirements, guidelines and policies relating to capital adequacy then in effect in South Africa in relation to banks registered under the Banks Act and licensed to conduct the business of a bank in South Africa as applied by the Prudential Authority (including the Additional Conditions (if any)) (or if the Issuer becomes domiciled in a jurisdiction other than South Africa, any legislation, regulations, requirements, guidelines and policies relating to capital adequacy then in effect in such other jurisdiction in relation to banks registered in, and licensed to conduct the business of a bank in, such other jurisdiction);
1.20	“Central Securities Depository”	Strate Proprietary Limited (registration number 1998/022242/07), or its nominee, operating in terms of the Financial Markets Act a central securities depository, or any additional or alternate depository approved by the Issuer, the Dealer(s) and the JSE;
1.21	“Certificate”	a Definitive Certificate;
1.22	“Common Equity Tier 1 Capital”	<i>“common equity tier 1 capital”</i> as defined in section 1(1) of the Banks Act;
1.23	“Common Equity Tier 1 Capital Ratio”	with respect to the Issuer, at any time, the ratio of Common Equity Tier 1 of the Issuer as at such time to the risk weighted assets of the Issuer at the same time, expressed as a percentage;
1.24	“Controlling Company”	Absa Group Limited (registration number 1986/003934/06) and/or any company which is a <i>“controlling company”</i> in relation to the Issuer as contemplated in the Banks Act;
1.25	“Conversion”	the conversion of Additional Tier 1 Notes into Issuer Ordinary Shares upon the occurrence of a Non-Viability Trigger Event and after the delivery of an Issuer Non-Viability Trigger Event Notice in accordance with Condition 9.2 (<i>Conversion of Additional Tier 1 Notes upon a Non-Viability Trigger Event</i>), and its cognates shall bear the same meaning;
1.26	“Conversion Amount”	has the meaning as set out in Condition 9.2.2 of these Terms and Conditions;

1.27	“Conversion Date”	has the meaning as set out in Condition 9.2.3 of these Terms and Conditions;
1.28	“Conversion Last Day to Trade”	the date which is 5 (five) Business Days prior to a Conversion Record Date;
1.29	“Conversion Price”	in relation to a Tranche of Additional Tier 1 Notes, the conversion price set out, or determined in the manner set out, in the Applicable Pricing Supplement;
1.30	“Conversion Record Date”	the date which is 5 (five) Business Days prior to a Conversion Date or such other date specified in the Applicable Pricing Supplement;
1.31	“Conversion Shares”	has the meaning as set out in Condition 9.2.7 of these Terms and Conditions;
1.32	“Companies Act”	the Companies Act, 2008;
1.33	“Converted”	having undergone the Conversion process set out in Condition 9 (<i>Loss Absorption Following a Non-Viability Trigger Event</i>) to these Terms and Conditions;
1.34	“Converted Additional Tier 1 Notes”	the Series of Additional Tier 1 Notes which the Prudential Authority requires to be Converted upon the occurrence of a Non-Viability Trigger Event or, as the case may be, the Relevant Part thereof identified by the Prudential Authority;
1.35	“Current Principal Amount”	with respect to: <ul style="list-style-type: none"> 1.35.1 the Additional Tier 1 Notes or an Additional Tier 1 Note (as the context requires), the principal amount thereof, calculated on the basis of the Principal Amount, as such amount may be reduced, on one or more occasions, pursuant to a Conversion or Write-off (as applicable) following the occurrence of a Non-Viability Trigger Event; or 1.35.2 any other Loss Absorbing Instrument, the principal amount thereof (or amount analogous to a principal amount), calculated on an analogous basis to the calculation of the Current Principal Amount of the Additional Tier 1 Notes;
1.36	“Dealer”	Absa CIB and/or any other additional Dealer

appointed under the Programme from time to time, which appointment may be for a specific issue or on an ongoing basis, subject to the Issuer's right to terminate the appointment of any Dealer;

- 1.37 **“Definitive Certificate”** means, in respect of Registered Notes: an Additional Tier 1 Note in the definitive registered form of a single certificate and, a certificate exchanged for a Beneficial Interest in the Additional Tier 1 Notes in accordance with Condition 15 (*Transfer of Notes*) and any further certificate issued in consequence of a transfer thereof;
- 1.38 **“Deposit”** means a “deposit” as defined in section 1(1) of the Banks Act;
- 1.39 **“Depositor”** means any person having a claim against the Issuer in respect of a Deposit;
- 1.40 **“Early Redemption Amount (Regulatory)”** in respect of each Additional Tier 1 Note in a Tranche of Additional Tier 1 Notes, its Principal Amount (or the relevant part thereof) plus accrued interest (if any) to the date fixed for redemption or such other amount as may be specified in, or determined in accordance with, the Applicable Pricing Supplement, as the case may be;
- 1.41 **“Eligible Capital”** Notes that are treated by the Prudential Authority for inclusion in the Additional Tier 1 Capital of the Issuer or the Controlling Company on a solo and/or consolidated basis, in accordance with the Capital Regulations;
- 1.42 **“Endorsement”** an “indorsement”, *mutatis mutandis*, within the meaning of the Bills of Exchange Act, 1964;
- 1.43 **“Event of Default”** any of the events described in Condition 13 (*Events of Default*), the occurrence of which shall be signified by a Noteholder's ability to institute proceedings against the Issuer;
- 1.44 **“Extraordinary Resolution”** a resolution passed at a properly constituted meeting of Additional Tier 1 Noteholders or Noteholders of the relevant Series of Additional Tier 1 Notes, as the case may be, by a majority consisting of not less than 66,67% of the votes cast at a poll by Additional Tier 1 Noteholders or Noteholders of the relevant Series of Additional Tier 1 Notes, as the case may be, present in person or by proxy;

1.45	“Extraordinary Written Resolution”	a resolution passed other than at a meeting of Additional Tier 1 Noteholders or Noteholders of the relevant Series of Additional Tier 1 Notes, with the written consent of the Noteholders holding not less than 66.67% of the Principal Amount of the Additional Tier 1 Notes or of the Additional Tier 1 Notes in that relevant Series of Notes, as the case may be, for the time being Outstanding. A resolution of Additional Tier 1 Noteholders or members of the relevant class of Noteholders of Additional Tier 1 Notes shall state the date that the Issuer selected to determine which Noteholders recorded in the Register will receive notice of the written resolution;
1.46	“Financial Exchange”	the JSE or any other financial exchange(s) on which any Notes may be listed;
1.47	“Financial Markets Act”	the Financial Markets Act, 2012;
1.48	“First Call Date”	in relation to a Tranche of Additional Tier 1 Notes, the date which is 5 (five) years and 1 (one) day after the Issue Date;
1.49	“First Optional Redemption Date (Call)”	has the meaning given in the Applicable Pricing Supplement and is subject to the First Call Date;
1.50	“Fixed Interest Rate”	the rate or rates of interest applicable to Fixed Rate Notes, as specified in the Applicable Pricing Supplement;
1.51	“Fixed Rate Notes”	Additional Tier 1 Notes which will bear interest at the Fixed Interest Rate, as specified in the Applicable Pricing Supplement;
1.52	“Floating Rate Notes”	Additional Tier 1 Notes which will bear interest at a floating Interest Rate, as specified in the Applicable Pricing Supplement;
1.53	“General Terms and Conditions”	the terms and conditions applicable to Notes (other than Tier 2 Notes and Additional Tier 1 Notes) issued under the Programme as set out in the section of this Programme Memorandum headed “ <i>Terms and Conditions of the Unsubordinated Notes</i> ”;
1.54	“Group”	the Issuer and its consolidated subsidiaries taken as a whole;
1.55	“Income Tax Act”	the Income Tax Act, 1962;
1.56	“Independent Investment Bank”	the independent investment bank or financial institution of international repute selected and

		appointed by the Issuer (at the Issuer's expense) for the purposes of performing one or more of the functions expressed to be performed by such independent investment bank or financial institution under these Additional Tier 1 Terms and Conditions;
1.57	“Indexed Interest Notes”	Notes in respect of which the Interest Amount is calculated by reference to such index and/or formula, as specified in the Applicable Pricing Supplement;
1.58	“Indexed Note”	an Indexed Interest Note and/or an Indexed Redemption Amount Note, as applicable;
1.59	“Indexed Redemption Amount Notes”	Notes in respect of which the Final Redemption Amount is calculated by reference to an index and/or a formula, as specified in the Applicable Pricing Supplement;
1.60	“Individual Certificate”	in respect of Registered Notes: a Note in the definitive registered form of a single certificate and, in respect of Registered Notes, being a certificate exchanged for a Beneficial Interest in accordance with Condition 14 (<i>Delivery, Exchange and Replacement of Certificates</i>) and any further certificate issued in consequence of a transfer thereof;
1.61	“Interest Amount”	the amount of interest payable in respect of each Principal Amount of Fixed Rate Notes, Floating Rate Notes and Indexed Notes, as determined in accordance with Conditions 7.1 (<i>Interest on Fixed Rate Notes</i>), 7.2F (<i>Determination of Interest Rate and calculation of Interest Amount</i>) and 7.4 (<i>Indexed Notes</i>) respectively;
1.62	“Interest Commencement Date”	the first date from which interest on the Additional Tier 1 Notes, will accrue, as specified in the Applicable Pricing Supplement;
1.63	“Interest Payment Date”	the date(s) specified as such in the Applicable Pricing Supplement, or if no express such date(s) is/are specified in the Applicable Pricing Supplement, each date which occurs after a certain period following the preceding date upon which Interest Amounts are due and payable (such period as specified in the Applicable Pricing Supplement) or, in the case of the first Interest Payment Date, after the Interest Commencement Date;
1.64	“Interest Period”	the period(s) specified as such in the Applicable Pricing Supplement in respect of which interest accrues on Additional Tier 1 Notes,

		commencing on and including the day of any Interest Payment Date and ending on but excluding the following Interest Payment Date provided that the first Interest Period shall be from and including the Interest Commencement Date of such Additional Tier 1 Notes to but excluding the first Interest Payment Date thereafter;
1.65	“Interest Rate”	the rate or rates of interest applicable to Additional Tier 1 Notes other than Fixed Rate Notes;
1.66	“Interest Rate Market of the JSE”	the separate platform or sub-market of the JSE designated as the <i>“Interest Rate Market”</i> , or any other successor market designated by the JSE for the listing of debt securities, and on which debt securities (as defined in the JSE Debt Listings Requirements) may be listed, subject to all Applicable Laws;
1.67	“ISDA”	International Swaps and Derivatives Association, Inc.;
1.68	“ISDA Definitions”	the 2006 ISDA Definitions as published by ISDA (as amended, supplemented, revised or republished from time to time);
1.69	“Issue Date”	has the meaning ascribed thereto in the Applicable Pricing Supplement;
1.70	“Issuer”	Absa Bank Limited (registration number 1986/004794/06), a company with limited liability duly incorporated in accordance with the laws of South Africa, and registered as a bank in accordance with the Banks Act;
1.71	“Issuer Agent”	the Issuer, or such other entity appointed as Issuer Agent by the Issuer from time to time, where such Issuer Agent is appointed for purposes of the debt instrument solution system of the Central Securities Depository;
1.72	“Issuer Ordinary Shares”	the ordinary shares in the share capital of the Issuer;
1.73	“JSE”	means the JSE Limited (Registration Number 2005/022939/06), licensed as an exchange in terms of the Financial Markets Act, or any exchange which operates as a successor exchange to the JSE in terms of the Financial Markets Act;
1.74	“JSE Debt Guarantee Fund”	the Guarantee Fund Trust established and

	Trust	operated by the JSE as a separate Guarantee Fund Trust, in terms of the rules of the JSE, as required by sections 8(1)(h) and 15(2) of the Financial Markets Act or any successor fund;
1.75	“JSE Debt Listing Requirements”	means all listings requirements promulgated by the JSE from time to time for the Interest Rate Market of the JSE;
1.76	“Junior Securities”	in relation to the Additional Tier 1 Note: <ul style="list-style-type: none"> 1.76.1 the Issuer Ordinary Shares, other share capital or any other securities issued by the Issuer the proceeds of which qualify (or were intended to qualify at issue) as Common Equity Tier 1 Capital; and 1.76.2 any other shares or securities issued by, or any other obligations of, the Issuer which rank, or are expressed to rank, junior to the Additional Tier 1 Notes on a liquidation, winding-up or bankruptcy of the Issuer;
1.77	“Last Day to Register”	with respect to a particular Series of Additional Tier 1 Notes (as reflected in the Applicable Pricing Supplement), means close of business on the Business Day immediately preceding the first day of a Books Closed Period;
1.78	“Liabilities”	the total amount of the non consolidated gross liabilities of the Issuer as shown in the latest published audited non consolidated balance sheet of the Issuer, but adjusted for contingencies and subsequent events in such manner as the directors of the Issuer, the auditor of the Issuer or a liquidator or administrator of the Issuer (if applicable) may determine;
1.79	“Loss Absorbing Instrument”	at any time any Other Additional Tier 1 Securities which may have all or some of its principal amount written-off (whether in whole or in part or on a permanent or temporary basis) or converted (whether in whole or in part) (in each case in accordance with its conditions or otherwise) on the occurrence or as a result of a Non-Viability Trigger Event;
1.80	“Margin”	has the meaning ascribed thereto in the Applicable Pricing Supplement;
1.81	“Material Subsidiary”	any subsidiary of the Issuer;

- 1.81.1 whose gross revenues (consolidated in the case of a subsidiary which itself has subsidiaries) represent no less than 10 percent. of the consolidated gross revenues of the Group, all as calculated by reference to the last audited (consolidated or, as the case may be, unconsolidated) accounts of the subsidiary and the latest audited consolidated accounts of the Issuer; or
- 1.81.2 whose total assets (consolidated in the case of a subsidiary which itself has subsidiaries) represent no less than 10 percent. of the consolidated total assets of the Group, all as calculated by reference to the latest audited (consolidated or, as the case may be, unconsolidated) accounts of the subsidiary and the latest audited consolidated accounts of the Issuer; or
- 1.81.3 to which is transferred the whole or substantially the whole of the undertaking and assets of a subsidiary of the Issuer which immediately before the transfer is a Material Subsidiary of the Issuer (whereupon such transferor subsidiary shall cease to be a Material Subsidiary until the next publication of audited consolidated accounts of the Issuer following such transfer),

provided that:

- (a) in the case of a subsidiary acquired or an entity which becomes a subsidiary after the end of the financial period to which the latest audited consolidated accounts of the Issuer relate, the reference to the latest audited consolidated accounts for the purposes of the calculation above shall, until audited consolidated accounts of the issuer are published for the financial period in which the

acquisition is made or, as the case may be, in which such entity becomes a subsidiary, be deemed to be a reference to the latest consolidated accounts of the Issuer adjusted in such manner as the Issuer shall consider appropriate to consolidate the latest audited accounts of such subsidiary in such accounts; and

(b) a certificate signed by two directors of the issuer that in their opinion a subsidiary of the issuer is or is not or was or was not at any time or throughout any specified period a Material Subsidiary shall, in the absence of manifest or proven error, be conclusive and binding;

- | | | |
|------|--|--|
| 1.82 | “Maximum Interest Rate” | has the meaning ascribed thereto in the Applicable Pricing Supplement; |
| 1.83 | “Maximum Redemption Amount” | has the meaning ascribed thereto in the Applicable Pricing Supplement; |
| 1.84 | “Minimum Redemption Amount” | has the meaning ascribed thereto in the Applicable Pricing Supplement; |
| 1.85 | “Mixed Rate Notes” | Additional Tier 1 Notes which will bear interest over respective periods at differing interest rates applicable to any combination of Fixed Rate Notes, Floating Rate Notes or Indexed Notes, each as indicated in the Applicable Pricing Supplement and as more fully described in Condition 7.3 (<i>Mixed Rate Notes</i>); |
| 1.86 | “Non-Redeemable Non-Cumulative Preference Shares” | non-redeemable non-cumulative preference shares in the issued share capital of the Issuer, if any; |
| 1.87 | “Non-Viability Trigger Event” | shall occur when: <ul style="list-style-type: none"> 1.87.1 a “trigger event” specified in writing by the Prudential Authority in accordance with the Capital Regulations has occurred; provided that, as a minimum, the aforesaid “trigger event” shall be the earlier of: |

		(a)	a decision that a write-off, without which the Issuer or Controlling Company would become non-viable, is necessary as determined by the Prudential Authority; or
		(b)	the decision to make a public sector injection of capital, or equivalent support, without which the Issuer or Controlling Company would have become non-viable, as determined by the Prudential Authority; or
		1.87.2	the Issuer's or Controlling Company'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 Condition 1.87.1(b) will only apply if the Additional Tier 1 Notes are liability accounted by the Issuer;
1.88	“Non-Viability Trigger Event Notice”		has the meaning set out in Condition 9.1.2 of these Terms and Conditions;
1.89	“Noteholders”		the holders of the Notes who are recorded as the Registered Holders of the Registered Notes (in the Register or the Uncertificated Securities Register);
1.90	“Notes”		the notes issued or to be issued by the Issuer under the Programme;
1.91	“Optional Redemption Amount (Call)”		in respect of any Additional Tier 1 Note, its Principal Amount or such other amount as may be specified in, or determined in accordance with, the Applicable Pricing Supplement;
1.92	“Optional Redemption Date (Call)”		has the meaning given in the Applicable Pricing Supplement;
1.93	“Ordinary Resolution”		a resolution passed at a properly constituted meeting of Noteholders of Additional Tier 1 Notes or Noteholders of the relevant Series of Additional Tier 1 Notes, as the case may be, by

- a majority of the votes cast at a poll by Noteholders or Noteholders of the relevant Series of Additional Tier 1 Notes, as the case may be, present in person or by proxy;
- 1.94 **“Ordinary Shares”** ordinary shares in the issued share capital of the Issuer;
- 1.95 **“Other Additional Tier 1 Security”** in relation to the Additional Tier 1 Notes, any obligations or securities of the Issuer (other than the Additional Tier 1 Notes):
- 1.95.1 which upon issue qualified (or were intended to qualify) as Additional Tier 1 Capital; or
- 1.95.2 which otherwise rank or are expressed to rank on a liquidation, bankruptcy or winding-up of the Issuer *pari passu* with the Additional Tier 1 Notes or with other obligations or securities falling within Condition 1.95.1;
- 1.96 **“Outstanding”** in relation to the Notes, all the Notes issued other than:
- 1.96.1 those which have been redeemed in full;
- 1.96.2 those in respect of which the date for redemption in accordance with these Terms and Conditions, the Tier 2 Terms and Conditions or the General Terms and Conditions has occurred and the redemption monies (including all interest (if any) accrued thereon to the date for such redemption and any interest (if any) payable under these Terms and Conditions, the Tier 2 Terms and Conditions or the General Terms and Conditions after such date) remain available for payment against presentation of Certificates;
- 1.96.3 those which have been purchased and cancelled as provided in Condition 11.9 (*Purchase*) of the Tier 2 Terms and Conditions, Condition 11.8 (*Purchase*) of these Terms and Conditions or Condition 10.7 (*Purchase*) of the General Terms and Conditions (as applicable);

- 1.96.4 those which have become prescribed under Condition 10 (*Prescription*) of the Tier 2 Terms and Conditions, Condition 10 (*Prescription*) of these Terms and Conditions or Condition 9 (*Prescription*) of the General Terms and Conditions (as applicable);
- 1.96.5 Notes represented by those mutilated or defaced Certificates which have been surrendered in exchange for replacement Certificates pursuant to Condition 14 (*Delivery, Exchange and Replacement of Certificates, Receipts and Coupons*) of the Tier 2 Terms and Conditions, Condition 14 (*Delivery, Exchange and Replacement of Certificates*) of these Terms and Conditions or Condition 13 (*Delivery, Exchange and Replacement of Certificates, Receipts and Coupons*) of the General Terms and Conditions (as applicable);
- 1.96.6 (for the purpose only of determining how many Notes are Outstanding and without prejudice to their status for any other purpose) those Notes represented by Certificates alleged to have been lost, stolen or destroyed and in respect of which replacement Certificates have been issued pursuant to Condition 14 (*Delivery, Exchange and Replacement of Certificates, Receipts and Coupons*) of the Tier 2 Terms and Conditions, Condition 14 (*Delivery, Exchange and Replacement of Certificates*) of these Terms and Conditions or Condition 13 (*Delivery, Exchange and Replacement of Certificates, Receipts and Coupons*) of the General Terms and Conditions (as applicable),

provided that for each of the following purposes, namely:

- (a) the right to attend and vote at any meeting of the Noteholders; and

(b) the determination of how many and which Additional Tier 1 Notes are for the time being Outstanding for the purposes of Conditions 19 (*Meetings of Noteholders*) and 20 (*Amendment of these Conditions*) of these Terms and Conditions,

all Additional Tier 1 Notes (if any) which are for the time being held by the Issuer (subject to any applicable law) or by any person for the benefit of the Issuer and not cancelled (unless and until ceasing to be so held) shall be deemed not to be Outstanding;

1.97 **“Parity Securities”**

in relation to Additional Tier 1 Notes, Non-Redeemable Non-Cumulative Preference Shares qualifying as Additional Tier 1 Capital from time to time outstanding or any other securities issued by the Issuer or any other member of the Group ranking or expressed to rank equally as to payments with Non-Redeemable Non-Cumulative Preference Shares and the proceeds of which qualify as Additional Tier 1 Capital or any securities issued by a member of the Group that benefit from a guarantee or support agreement from the Issuer or any other member of the Group which ranks or is expressed to rank equally as to payments with the Additional Tier 1 Notes and the proceeds from the issue of which securities qualify as Additional Tier 1 Capital;

1.98 **“Participants”**

a person that holds in custody and administers securities or an interest in securities and that has been accepted by the Central Securities Depository as a participant in terms of the Financial Markets Act;

1.99 **“Paying Agent”**

Absa CIB, unless the Issuer elects to appoint, in relation to a particular Tranche or Series of Additional Tier 1 Notes, another entity as Paying Agent, in which event that other entity shall act as a Paying Agent in respect of that Tranche or Series of Additional Tier 1 Notes;

1.100 **“Payment Day”**

any day which is a Business Day and upon which a payment is due by the Issuer in respect of any Additional Tier 1 Notes;

1.101	“Principal Amount”	the nominal amount of each Additional Tier 1 Note specified on the Certificate evidencing such Additional Tier 1 Note;
1.102	“Programme”	the ZAR90,000,000,000 Domestic Medium Term Note Programme under which the Issuer may from time to time issue Notes;
1.103	“Programme Memorandum”	this document dated 15 November 2019, as amended and/or supplemented from time to time;
1.104	“Prudential Authority”	the Prudential Authority in accordance with the Banks Act (previously the Registrar of Banks);
1.105	“Rating Agency”	means any rating agency(ies) as is/are appointed by the Issuer to provide a credit rating from time to time and as specified in the Applicable Pricing Supplement;
1.106	“Qualifying Additional Tier 1 Capital Securities”	securities whether debt, equity or otherwise, issued by the Issuer that: <ul style="list-style-type: none"> 1.106.1 have terms not materially less favourable to a holder of the Additional Tier 1 Notes than the terms of the current Additional Tier 1 Notes (as reasonably determined by the Issuer, and provided that a certification to such effect of 2 Directors of the Issuer and an opinion to such effect of an Independent Investment Bank shall have been delivered to the Issuer prior to the issue of the relevant securities and is so stated in the certificate) provided that they shall (a) include a ranking at least equal to that of the Additional Tier 1 Notes, (b) have the same interest, dividend or distribution rate or rate of return and Interest Payment Dates from time to time applying to the Additional Tier 1 Notes, (c) be issued in an amount at least equal to the total number of Notes multiplied by the Specified Denomination and (d) comply with the then current requirements of the SARB in relation to Additional Tier 1 Capital; and 1.106.2 are listed on the JSE, or any other internationally recognised exchange;

1.107	“Qualifying Tier 2 Capital Securities”	<p>securities whether debt, equity or otherwise, issued by the Issuer that:</p> <p>1.107.1 have terms not materially less favourable to a holder of the Tier 2 Notes than the terms of the current Tier 2 Notes (as reasonably determined by the Issuer, and provided that a certification to such effect of 2 Directors of the Issuer and an opinion to such effect of an Independent Investment Bank shall have been delivered to the Issuer prior to the issue of the relevant securities and is so stated in the certificate) provided that they shall (a) include a ranking at least equal to that of the Tier 2 Notes, (b) have the same interest, dividend or distribution rate or rate of return and Interest Payment Dates from time to time applying to the Tier 2 Notes, (c) be issued in an amount at least equal to the total number of Notes multiplied by the Specified Denomination and (d) comply with the then current requirements of the SARB in relation to Tier 2 Capital; and</p> <p>1.107.2 are listed on the JSE, or any other internationally recognised exchange, if the current Tier 2 Notes are listed;</p>
1.108	“Redemption Amount”	as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Early Redemption Amount (Regulatory), the Optional Redemption Amount (Call), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the Applicable Pricing Supplement;
1.109	“Redemption Date”	each date on which any Additional Tier 1 Notes are to be redeemed, partially or finally, as the case may be, in terms of these Additional Tier 1 Terms and Conditions;
1.110	“Reference Rate”	has the meaning ascribed thereto in the Applicable Pricing Supplement;
1.111	“Register”	the register maintained by the Transfer Agent in

terms of Condition 16 (*Register*);

1.112 **“Registered Holder”**

means:

1.112.1 in respect of Registered Notes held in uncertificated form in the Central Securities Depository, the person whose name is entered into the Uncertificated Securities Register as the holder of such Registered Notes in a Tranche of Notes; and

1.112.2 in respect of Registered Notes represented by an Individual Certificate, the person whose name is entered into the Register as the holder of such Registered Notes in a Tranche of Notes;

1.113 **“Registered Note”**

an Additional Tier 1 Note issued in registered form and transferable in accordance with Condition 15.1 (*Transfer of Registered Notes*);

1.114 **“Regulatory Change”**

a change in, or amendment to, the Capital Regulations or any change in the application of or official or generally published guidance or interpretation of the Capital Regulations, which change or amendment becomes, or would become, effective on or after the Issue Date of the first Tranche of Additional Tier 1 Notes of the relevant Series;

1.115 **“Relevant Date”**

in respect of any payment relating to the Additional Tier 1 Notes, the date on which such payment first becomes due, except that, in relation to monies payable to the Central Securities Depository in accordance with these Additional Tier 1 Terms and Conditions, it means the first date on which: (a) the full amount of such monies have been received by the Central Securities Depository; (b) such monies are available for payment to the holders of Beneficial Interests; and (c) notice to that effect has been duly given to such holders in accordance with the Applicable Procedures;

1.116 **“Relevant Part”**

in relation to a Series of Additional Tier 1 Notes, the portion of the aggregate Current Principal Amount of that Series of Additional Tier 1 Notes which the Prudential Authority requires to be Converted or Written-off (as applicable) upon the occurrence of a Non-Viability Trigger Event whether expressed as a value, a percentage or otherwise, as determined and notified to the Issuer by the Prudential

		Authority;
1.117	“Relevant Screen Page”	has the meaning ascribed thereto in the Applicable Pricing Supplement;
1.118	“Representative”	a person duly authorised to act on behalf of a Noteholder, who may be regarded by the Issuer, the Transfer Agent and the Paying Agent (acting in good faith) as being duly authorised based upon the tacit or express representation thereof by such person, in the absence of express notice to the contrary from such Noteholder;
1.119	“SARB”	the South African Reserve Bank;
1.120	“Screen Rate Determination”	has the meaning ascribed thereto in the Applicable Pricing Supplement;
1.121	“SENS”	the Stock Exchange News Service established by the JSE;
1.122	“Senior Creditors”	means creditors of the Issuer: <ul style="list-style-type: none"> 1.122.1 who are unsubordinated creditors of the Issuer; 1.122.2 (other than the holders of Additional Tier 1 Notes, Qualifying Additional Tier 1 Capital Securities, Tier 2 Notes or Qualifying Tier 2 Capital Securities) whose claims are subordinated (whether only in the event of a dissolution, liquidation or winding up of the Issuer or otherwise) to the claims of unsubordinated creditors of the Issuer; or 1.122.3 who are subordinated creditors of the Issuer (including holders of Tier 2 Notes or Qualifying Tier 2 Capital Securities) other than those whose claims rank, or are expressed to rank, <i>pari passu</i> with, or junior to the claims of the Additional Tier 1 Noteholders;
1.123	“Series”	a Tranche of Additional Tier 1 Notes together with any further Tranche or Tranches of Additional Tier 1 Notes which are: (a) expressed to be consolidated and form a single series; and (b) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices;

1.124	“Settlement Agent”	the Issuer or any other entity which is a Participant authorised by the Central Securities Depository or any other licensed central securities depository from time to time, in terms of the relevant Applicable Procedures, as a settlement agent to perform electronic settlement of funds and scrip on behalf of market participants;
1.125	“Solvency Claims”	has the meaning given to it in Condition 5.1.5 (<i>Solvency Claims</i>);
1.126	“Solvency Condition”	has the meaning given to it in Condition 5.1.4 (<i>Solvency Condition</i>);
1.127	“Solvent Reconstruction”	the event where an order is made or an effective resolution is passed for the winding-up of the Issuer, other than under or in connection with a scheme of amalgamation or reconstruction not involving a bankruptcy or insolvency where the obligations of the Issuer in relation to the outstanding Notes are assumed by the successor entity to which all, or substantially all, of the property, assets and undertaking of the Issuer are transferred or where an arrangement with similar effect not involving bankruptcy or insolvency is implemented;
1.128	“South Africa”	the Republic of South Africa;
1.129	“Specified Currency”	in relation to a Tranche of Notes, subject to Applicable Laws and in the case of Notes listed on the JSE, subject to the rules and applicable listings requirements of the JSE, has the meaning given in the Applicable Pricing Supplement relating to that Tranche;
1.130	“Specified Denomination”	has the meaning given in the Applicable Pricing Supplement;
1.131	“Specified Office”	in relation to each of the Issuer, the Calculation Agent, Paying Agent and the Transfer Agent, the address of the office specified in respect of such entity at the end of the Programme Memorandum, or such other address as is notified by such entity (or, where applicable, a successor to such entity) to the Noteholders in accordance with the Terms and Conditions, as the case may be;
1.132	“Subordinated Debt”	in relation to Additional Tier 1 Notes, any subordinated debt issued by the Issuer, the proceeds of which subordinated debt qualify as

Tier 2 Capital of the Issuer;

1.133 **“Statutory Loss Absorption Regime”**

any legal, statutory or regulatory regime or requirement implemented in South Africa which provides the Prudential Authority with the power to implement principal loss absorption measures in respect of capital instruments (such as Additional Tier 1 Capital), including, but not limited to, any such regime or requirement which is implemented pursuant to Basel III;

1.134 **“Tax Event”**

an event where, (a) as a result of a Tax Law Change: (i) the Issuer has paid or will or would on the next Interest Payment Date be required to pay additional amounts as provided or referred to in Condition 12 (*Taxation*); or (ii) in respect of the Issuer’s obligation to make any payment of interest on the next following Interest Payment Date or any subsequent Interest Payment Date, the Issuer would not be entitled to claim a deduction in respect of computing its taxation liabilities in South Africa, or such entitlement is materially reduced or (b) other than as a result of a Tax Law Change, the Issuer’s treatment of the interest payable by it on the Additional Tier 1 Notes as a tax deductible expense for South African income tax purposes as reflected on the tax returns (including provisional tax returns) filed (or to be filed) by the Issuer is not accepted by the South African Revenue Service, and in each case the Issuer cannot avoid the foregoing in connection with the Additional Tier 1 Notes by taking measures reasonably available to it (such reasonable measures to exclude any requirement to instigate litigation in respect of any decision or determination of the South African Revenue Service that any such interest does not constitute a tax deductible expense);

1.135 **“Tax Jurisdiction”**

South Africa or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction in which payments by the Issuer become subject to tax;

1.136 **“Tax Law Change”**

a change in or proposed change in, or amendment or proposed amendment to, the laws or regulations of South Africa, or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), whether or not having retrospective effect, which change or

		amendment is announced on or after the Issue Date;
1.137	“Terms and Conditions”	the terms and conditions incorporated in this section headed <i>“Terms and Conditions of the Additional Tier 1 Notes”</i> and in accordance with which the Additional Tier 1 Notes will be issued;
1.138	“Tier 2 Capital”	<i>“Tier 2 Capital”</i> as defined in section 1(1) of the Banks Act;
1.139	“Tier 2 Capital Regulations”	shall have the meaning defined in the Tier 2 Terms and Conditions;
1.140	“Tier 2 Noteholder”	shall have the meaning defined in the Tier 2 Terms and Conditions;
1.141	“Tier 2 Notes”	shall have the meaning defined in the Tier 2 Terms and Conditions;
1.142	“Tranche”	in relation to any particular Series, all Additional Tier 1 Notes which are identical in all respects (including as to listing);
1.143	“Transfer Agent”	Absa CIB, unless the Issuer elects to appoint, in relation to a particular Tranche or Series of Additional Tier 1 Notes, another entity as Transfer Agent, in which event that other entity shall act as Transfer Agent in respect of that Tranche or Series of Additional Tier 1 Notes;
1.144	“Transfer Form”	the written form for the transfer of a Registered Note, in the form approved by the Transfer Agent, and signed by the transferor and transferee;
1.145	“Trigger Event”	an event specified as a “trigger event” by the Prudential Authority, or any successive authority, in accordance with the Capital Regulations;
1.146	“Uncertificated Notes”	an Additional Tier 1 Note which is uncertificated as contemplated in the Financial Markets Act;
1.147	“Uncertificated Securities Register”	has the meaning ascribed thereto in the Financial Markets Act (as read together with the Companies Act);
1.148	“Write-off”	in respect of Additional Tier 1 Notes: <ul style="list-style-type: none"> 1.148.1 the Additional Tier 1 Notes shall be cancelled (in the case of a Write-off in whole) or written-down in part

- on a pro rata basis (in the case of a Write-off in part), in accordance with the Capital Regulations and as determined by the Prudential Authority; and
- 1.148.2 all rights of any Noteholder for payment of any amounts under or in respect of the Additional Tier 1 Notes shall, as the case may be, be cancelled or written off pro rata among the Noteholders and, in each case, not restored under any circumstances, irrespective of whether such amounts have become due and payable prior to the date of the Non-Viability Trigger Event Notice and even if the Non-Viability Trigger Event has ceased;
- 1.149 “ZAR” the lawful currency of South Africa, being South African Rand, or any successor currency; and
- 1.150 “ZAR-JIBAR-SAFEX” the mid-market rate for deposits in ZAR for a period of the Designated Maturity which appears on the Reuters Screen SAFEX Page as at 12h00, South African time, on the relevant date, or any successor rate.
- 1.151 In these Terms and Conditions, unless inconsistent with the context, any reference to:
- 1.151.1 one gender include a reference to the others;
- 1.151.2 the singular includes the plural and *vice versa*;
- 1.151.3 natural persons include juristic persons and vice versa;
- 1.151.4 a **subsidiary** or **holding company** shall be interpreted in accordance with section 1 of the Companies Act;
- 1.151.5 any agreement or instrument is a reference to that agreement or instrument as amended, supplemented, varied, novated, restated or replaced from time to time, and **amended** or **amendment** will be construed accordingly;
- 1.151.6 a provision of law is a reference to that provision as amended or re-enacted, and includes any subordinate legislation;
- 1.151.7 a **regulation** includes any regulation, rule, official directive, request or guideline (whether or not having the force of law but, if not having the force of law, being of a type with which any person to which it applies is accustomed to comply) of any governmental, inter-governmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;

- 1.151.8 **assets** includes present and future properties, revenues and rights of every description;
 - 1.151.9 **disposal** means a sale, transfer, grant, lease or other disposal (whether voluntary or involuntary);
 - 1.151.10 **indebtedness** includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;
 - 1.151.11 an **authorisation** includes an authorisation, consent, approval, resolution, licence, exemption, filing, registration or notarisation;
 - 1.151.12 a default being **continuing** means that it has not been remedied or waived;
 - 1.151.13 a party or any other person includes that person's permitted successor, transferee, cessionary and/or delegate; and
 - 1.151.14 a time of day is a reference to South African time.
- 1.152 If any provision in a definition is a substantive provision conferring rights or imposing obligations on any party, effect must be given to it as if it were a substantive provision in the body of the agreement, notwithstanding that it is contained in the interpretation clause.
 - 1.153 Headings are inserted for the sake of convenience only and do not in any way affect the interpretation of these Terms and Conditions.
 - 1.154 The use of the word **including** followed by specific examples will not be construed as limiting the meaning of the general wording preceding it, and the *eiusdem generis* rule must not be applied in the interpretation of such general wording or such specific examples.
 - 1.155 The rule of construction that an agreement is to be interpreted against the party responsible for the drafting or preparation thereof must not be used in the interpretation of these Terms and Conditions.
 - 1.156 These Terms and Conditions apply only to Additional Tier 1 Notes. The General Terms and Conditions and the Tier 2 Terms and Conditions shall not apply to Additional Tier 1 Notes.

2. ISSUE

- 2.1 Subject to the prior consent of the Prudential Authority (to the extent required by Applicable Laws), Additional Tier 1 Notes may be issued by the Issuer at any time from time to time (without consent of the Noteholders) in Tranches pursuant to the Programme. A Tranche of Additional Tier 1 Notes may, together with a further Tranche or Tranches, form a Series of Additional Tier 1 Notes issued under the Programme.
- 2.2 The Applicable Pricing Supplement for each Tranche of Additional Tier 1 Notes is incorporated in these Terms and Conditions for the purposes of those Additional Tier 1 Notes and supplements these Terms and Conditions. The Applicable Pricing Supplement may specify other terms and conditions (which may replace, modify or supplement these Terms and Conditions), in which event such other terms and

conditions shall, to the extent so specified in the Applicable Pricing Supplement or to the extent inconsistent with these Terms and Conditions, replace, modify or supplement these Terms and Conditions for the purpose of such Tranche of Additional Tier 1 Notes.

- 2.3 The Issuer may issue listed or unlisted Registered Notes. Unlisted Registered Notes are not regulated by the JSE. Listed Registered Notes will be listed on the Interest Rate Market on the JSE and/or on such other further Financial Exchange/s as may be determined by the Issuer and the relevant Dealer/s, subject to Applicable Laws. The Applicable Pricing Supplement will specify whether or not a Tranche of Registered Notes will be listed and, if so, on which Financial Exchange.
- 2.4 The holders of Registered Notes that are not listed on the Interest Rate Market of the JSE will have no recourse against the JSE.
- 2.5 The Noteholders are deemed to have notice of, and are entitled to the benefit of, and are subject to, all the provisions of the Applicable Pricing Supplement.

3. FORM AND DENOMINATION

3.1 General

- 3.1.1 Additional Tier 1 Notes will be issued as Registered Notes.
- 3.1.2 All payments in relation to the Additional Tier 1 Notes will be made in the Specified Currency.
- 3.1.3 Each Additional Tier 1 Note shall be a Subordinated Note, as indicated in the Applicable Pricing Supplement.
- 3.1.4 Each Additional Tier 1 Note may be a Fixed Rate Note, a Floating Rate Note, an Indexed Interest Note, an Indexed Redemption Note, a Mixed Rate Note or a combination of any of the foregoing or such other types of Additional Tier 1 Note as may be determined by the Issuer, as indicated in the Applicable Pricing Supplement.
- 3.1.5 Additional Tier 1 Notes will be issued in such denominations as may be determined by the Issuer and as specified in the Applicable Pricing Supplement, provided that the Additional Tier 1 Notes shall not be issued in denominations of less than ZAR1,000,000.

3.2 Registered Notes

- 3.2.1 The Additional Tier 1 Notes in a Tranche of Registered Notes will be issued in (a) the form of Definitive Certificates registered in the name, and for the account of, the relevant Noteholder or (b) uncertificated form, and held in the Central Securities Depository in terms of the Financial Markets Act, and registered in the name, and for the account of, the Registered Holder. The Central Securities Depository will hold the Notes subject to the Financial Markets Act and the Applicable Procedures.
- 3.2.2 An owner of a Beneficial Interest in the Notes shall be entitled to exchange such Beneficial Interest for a Definitive Certificate in accordance with Condition 14 (*Delivery, Exchange and Replacement of Certificates*).

4. TITLE

4.1 Registered Notes

4.1.1 Subject as set out below, title to Registered Notes will pass upon registration of transfer in the Register or in the Uncertificated Securities Register in accordance with Condition 15.1 (*Transfer of Registered Notes*).

4.1.2 The Issuer, the Transfer Agent and the Paying Agent shall recognise a Registered Holder as the sole and absolute owner of the Additional Tier 1 Notes registered in that Registered Holder's name in the Register (notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) and shall not be bound to enter any trust in the Register or to take notice of or to accede to the execution of any trust, express, implied or constructive, to which any Additional Tier 1 Note may be subject.

4.1.3 Each person recorded in the Uncertificated Securities Register as a Registered Holder of a particular Tranche of uncertificated Registered Notes will be treated by the Issuer, the Transfer Agent and the Paying Agent as the holder of that aggregate Nominal Amount of such uncertificated Registered Notes for all purposes.

4.1.4 Beneficial Interests which are held by Participants will be held directly through the Central Securities Depository, and the Central Securities Depository will hold such Beneficial Interests, on behalf of such Participants, through the central securities accounts maintained by the Central Securities Depository for such Participants.

4.1.5 Beneficial Interests which are held by clients of Participants will be held indirectly through such Participants, and such Participants will hold such Beneficial Interests, on behalf of such clients, through the securities accounts maintained by such Participants for such clients. The clients of Participants may include the holders of Beneficial Interests or their custodians. The clients of Participants, as the holders of Beneficial Interests or as custodians for such holders, may exercise their rights in respect of the Additional Tier 1 Notes held by them in the Central Securities Depository only through their Participants.

4.1.6 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 Additional Tier 1 Notes standing to the account of such person shall be prima facie proof of such Beneficial Interest.

4.1.7 Beneficial Interests may be transferred only in accordance with the Applicable Procedures.

4.1.8 Any reference in these Terms and Conditions to the relevant Participant shall, in respect of Beneficial Interests, be a reference to the Participant appointed to act as such by a holder of such Beneficial Interest.

5. STATUS OF ADDITIONAL TIER 1 NOTES

5.1.1 *Status of the Additional Tier 1 Notes:* The Additional Tier 1 Notes constitute direct, unsecured and, in accordance with Condition 5.1.2 (*Subordination*), subordinated obligations of the Issuer and rank *pari passu* without any preference among themselves and (save for those that have been accorded by law preferential rights):

- (a) *pari passu* with Other Additional Tier 1 Securities;

- (b) senior to Common Equity Tier 1 Capital Securities and the obligations of the Issuer under any Junior Securities; and
- (c) junior to the present and/or future claims of Senior Creditors.

5.1.2 *Subordination*: The claims of Additional Tier 1 Noteholders entitled to be paid amounts due in respect of the Additional Tier 1 Notes (including any damages or other amounts (if payable)) are subordinated to the claims of Depositors and Senior Creditors, and accordingly, in the event of the dissolution of the Issuer or if the Issuer is placed in liquidation or is wound-up (in each case other than pursuant to a Solvent Reconstruction):

- (a) notwithstanding that any Additional Tier 1 Noteholder shall have proved a claim for any amount in respect of the Additional Tier 1 Notes, in the event of the dissolution, liquidation or winding-up of the Issuer, no such amount shall be paid to that Additional Tier 1 Noteholder; and
- (b) no amount due under the Additional Tier 1 Notes shall be eligible for set-off, counterclaim, abatement or other similar remedy which an Additional Tier 1 Noteholder might otherwise have under the laws of any jurisdiction in respect of the Additional Tier 1 Notes nor shall any amount due under the Additional Tier 1 Notes be payable to any Additional Tier 1 Noteholder,

in each case, until the claims of Depositors and Senior Creditors which are admissible in any such dissolution, liquidation, or winding-up, have been paid or discharged in full.

5.1.3 *Set-off*: Subject to Applicable Laws, no Additional Tier 1 Noteholder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer under or in connection with the Additional Tier 1 Notes and each Additional Tier 1 Noteholder shall, by virtue of being the holder of any Additional Tier 1 Notes, be deemed to have waived all such rights of set-off, compensation or retention. Notwithstanding the preceding sentence, if any of the amounts owing to any Additional Tier 1 Noteholder by the Issuer is discharged by set-off (whether by operation of law or otherwise), such Additional Tier 1 Noteholder shall, unless such payment is prohibited by law, immediately pay an amount equal to the amount of such discharge to the Issuer or, in the event of its winding up or administration, the liquidator or administrator, as appropriate, of the Issuer for payment to the Depositors and Senior Creditors in respect of amounts owing to them by the Issuer, and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Issuer, or the liquidator or administrator, as appropriate, of the Issuer (as the case may be), for payment to the Depositors and Senior Creditors in respect of amounts owing to them by the Issuer and accordingly any such discharge shall be deemed not to have taken place.

5.1.4 *Solvency Condition*: Payments in respect of the principal of and interest on the Additional Tier 1 Notes (including payment of additional amounts pursuant to Condition 13 (*Events of Default*)) are, in addition to the right of the Issuer to elect not to pay interest in accordance with Condition 6 (*Interest Payments on the Additional Tier 1 Notes*), conditional upon the Issuer being solvent at the time of payment by the Issuer, and, no principal of or interest on the Notes shall be due and payable in respect of the Notes except to the extent that the Issuer could make such payment and still be solvent immediately thereafter. For the purposes of this Condition 5, the Issuer shall be solvent if (a) it is able to pay its debts owed to Depositors and Senior Creditors as they fall due and (b) its Assets exceed its Liabilities to Depositors and Senior Creditors

(the “**Solvency Condition**”). A report as to the solvency of the Issuer made by 2 directors of the Issuer or, if the Issuer is in liquidation, its liquidator, shall in the absence of manifest error be treated and accepted by the Issuer and the Noteholders as correct and sufficient evidence of such solvency.

- 5.1.5 *Solvency Claims*: Amounts representing any payments of principal or interest in respect of which the Solvency Condition is not satisfied on the date upon which the same would otherwise be due and payable (“**Solvency Claims**”) will be payable by the Issuer (a) subject to Condition 5.1.2 (*Subordination*), in a winding-up, liquidation, or similar process of the Issuer and (b) subject to satisfying the Solvency Condition, on any redemption pursuant to Condition 11.2 (*Redemption for tax reasons*), Condition 11.3 (*Redemption following a Capital Disqualification Event*) or Condition 11.4 (*Redemption at the option of the Issuer (Issuer Call)*), provided that in the event that, prior to any winding-up, liquidation or similar process of the Issuer, the Issuer shall again be solvent and would be solvent immediately after the making of such payment of Solvency Claims, then the Issuer shall promptly notify the Noteholders in accordance with Condition 18 (*Notices*), the Transfer Agent and the Paying Agent of such fact and the Solvency Claims shall, subject to satisfying the Solvency Condition, be due and payable on the 16th Business Day after the Issuer shall have given such notice. A Solvency Claim shall not bear interest unless and only so long as the Issuer shall be solvent once again, in which case interest shall accrue on any such Solvency Claim from (and including) the date on which the Issuer is so solvent again to (but excluding) the date on which such Solvency Claim is paid. Any such interest shall accrue at a rate equal to the then applicable rate of interest determined in accordance with Condition 7 (*Interest*). In the event that the Issuer shall be so solvent once again, the Issuer may not declare or pay a dividend (in accordance with Condition 6.2 (*Restrictions following non payment of interest*)) from the date that the Issuer is so solvent again until the date on which the Solvency Claim and any relevant interest on the Solvency Claim is paid.

For the avoidance of doubt, if the Issuer would otherwise not be solvent for the purposes of the above, any sums which would otherwise be payable in respect of the Additional Tier 1 Notes will be available to be put towards the losses of the Issuer.

5.2 **Write-off or Conversion of Additional Tier 1 Notes**

The Applicable Pricing Supplement of a Tranche of Additional Tier 1 Notes shall specify whether:

- (a) Conversion upon the occurrence of a Non-Viability Trigger Event; or
- (b) Write-off upon the occurrence of a Non-Viability Trigger Event,

will apply to that Tranche of Additional Tier 1 Notes.

5.3 **Capital Regulations and Additional Conditions**

In order for the proceeds of the issuance of the Additional Tier 1 Notes to qualify as Additional Tier 1 Capital, the Additional Tier 1 Notes must comply with the applicable Capital Regulations (including the Additional Conditions (if any) prescribed by the Prudential Authority in respect of a particular Tranche of Additional Tier 1 Notes). The Issuer will specify in the Applicable Pricing Supplement whether any issue of Notes is an issue of Additional Tier 1 Notes the proceeds of which are intended to qualify as Additional Tier 1 Capital. The Additional Conditions (if any) prescribed by the

Prudential Authority in respect of Additional Tier 1 Notes will be specified in the Applicable Pricing Supplement or a supplement to the Programme Memorandum.

6. INTEREST PAYMENTS ON THE ADDITIONAL TIER 1 NOTES

6.1 Non payment of interest

6.1.1 The Issuer shall be obliged to pay interest on each Interest Payment Date unless:

- (a) it elects not to pay the relevant Interest Amount on such Interest Payment Date;
- (b) it is in breach of either of the Capital Regulations or the Solvency Condition on the Business Day prior to such Interest Payment Date or would be in breach of the Capital Regulations or the Solvency Condition if the relevant Interest Amount were paid on such Interest Payment Date; or
- (c) at any time the Prudential Authority imposes a mandatory prohibition on the payment by the Issuer of such Interest Amount.

6.1.2 If the Issuer is not obliged to pay the relevant Interest Amount in respect of an Interest Period in accordance with this Condition 6.1, then any such failure to pay such Interest Amount shall not constitute a default by the Issuer or any other breach of obligations under the Additional Tier 1 Notes or for any other purpose and a Noteholder will have no claim in respect of any such non-payment.

6.1.3 If the Issuer elects pursuant to Condition 6.1.1(a) not to pay interest on an Interest Payment Date, it shall give notice of such election to the Noteholders in accordance with Condition 18 (*Notices*) and to the Transfer Agent and the Paying Agent not less than 30 days prior to the relevant Interest Payment Date (or such shorter notice period as may be required by the Capital Regulations or the Prudential Authority). If the Issuer is not obliged pursuant to the provisions of Condition 6.1.1(b) or 6.1.1(c) to pay any interest on any Interest Payment Date, it shall give notice of such fact to the Noteholders (in accordance with Condition 18 (*Notices*)) and the Paying Agent and, in respect of Condition 6.1.1(b), to the Prudential Authority.

6.2 Restrictions following non payment of interest

If, on any Interest Payment Date (the “**Relevant Interest Payment Date**”), the Interest Amount in respect of the Additional Tier 1 Notes shall not have been paid in full pursuant to Condition 6.1 (*Non payment of interest*), then from such Relevant Interest Payment Date until the date on which the Issuer next pays in full the Interest Amount due and payable on any succeeding Interest Payment Date on all outstanding Additional Tier 1 Notes, neither the Issuer nor the Controlling Company shall (and the Controlling Company shall procure that neither the Issuer nor any member of the Controlling Company shall): (a) declare or pay a distribution or dividend or pay any interest on Junior Securities or Parity Securities (other than an instrument under the terms of which the Controlling Company, the Issuer or other member of the Controlling Company must declare or pay a distribution or dividend or pay interest before such Relevant Interest Payment Date, or intra-group dividends between the Controlling Company and the Issuer or wholly-owned subsidiary of the Controlling Company or between such subsidiary of the Controlling Company and the Issuer, which can be paid at any time); or (b) redeem, purchase, reduce or otherwise acquire any Junior Securities or Parity Securities or any securities of any of its subsidiary undertakings benefiting from a guarantee from any member of the Group ranking, as to the right of repayment of principal, or in the case of any such guarantee, as to the

payment of sums under such guarantee, *pari passu* with or junior to the Additional Tier 1 Notes.

6.3 **Payment of Deferred Interest Amounts**

The Issuer may elect to satisfy any Interest Amount which is deferred in accordance with Condition 6.1.1(a) (a “**Deferred Interest Amount**”) at any time out of distributable reserves, such as retained earnings, only.

7. **INTEREST**

7.1 **Interest on Fixed Rate Notes**

7.1.1 Unless otherwise specified in the Applicable Pricing Supplement, interest on Fixed Rate Notes will be paid on a 6-monthly basis, on the Interest Payment Dates.

7.1.2 Each Fixed Rate Note bears interest on its Principal Amount for the Interest Period at the rate(s) per annum equal to the Fixed Interest Rate. Such interest shall fall due for payment in arrear on the Interest Payment Date(s) in each year. The first payment of interest will be made on the Interest Payment Date following the Interest Commencement Date.

7.1.3 The Calculation Agent will calculate the Interest Amount payable in respect of each Tranche of Fixed Rate Notes for each Interest Period. Unless stated otherwise in the Applicable Pricing Supplement, the Interest Amount for half yearly interest payments shall be calculated by multiplying the Interest Rate by the Principal Amount of the Fixed Rate Note and then dividing such product by 2 (the resultant sum will be rounded to the nearest smallest denomination of the Specified Currency, half of any such denomination being rounded upwards), provided that:

- (a) if an Initial Broken Amount is specified in the Applicable Pricing Supplement, then the first Interest Amount shall equal such Initial Broken Amount; and
- (b) if a Final Broken Amount is specified in the Applicable Pricing Supplement, then the final Interest Amount shall equal such Final Broken Amount.

Save as provided in the preceding paragraphs, interest will be calculated in accordance with the Interest Period as specified in the Applicable Pricing Supplement for the Fixed Rate Notes, however in any other instance, such interest shall be calculated by applying the Fixed Rate of Interest to each Specified Denomination, multiplying such product by the applicable Day Count Fraction, as specified in this Applicable Pricing Supplement, and rounding the resultant figure to the nearest Sub-unit of the relevant Specified Currency, half such Sub-unit being rounded upwards or otherwise in accordance with the applicable market convention.

7.2 **Interest on Floating Rate Notes**

A. *Interest Rate*

The Interest Rate payable from time to time in respect of the Floating Rate Notes will be determined:

- (a) on the basis of ISDA Determination; or
- (b) on the basis of Screen Rate Determination; or

- (c) on such other basis as may be determined by the Issuer,
all as specified in the Applicable Pricing Supplement.

B. *ISDA Determination*

Where ISDA Determination is specified in the Applicable Pricing Supplement as the manner in which the Interest Rate is to be determined, the Interest Rate for each Interest Period will be the relevant ISDA Rate (as defined below) plus or minus (as indicated in the Applicable Pricing Supplement) the Margin (if any).

For the purposes of this Condition 7.2B:

“**ISDA Rate**” for an Interest Period means a rate equal to the Floating Rate that would be determined by such agent as is specified in the Applicable Pricing Supplement under a notional interest rate swap transaction if that agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (a) the Floating Rate Option is as specified in the Applicable Pricing Supplement;
- (b) the Designated Maturity is the period specified in the Applicable Pricing Supplement; and
- (c) the relevant Reset Date is either: (i) if the applicable Floating Rate Option is based on the ZAR-JIBAR-SAFEX on the first day of that Interest Period; or (ii) in any other case, as specified in the Applicable Pricing Supplement.

“**Floating Rate**”, “**Floating Rate Option**”, “**Designated Maturity**” and “**Reset Date**” have the meanings given to those expressions in the ISDA Definitions.

When this Condition 7.2B applies, in respect of each Interest Period such agent as is specified in the Applicable Pricing Supplement will be deemed to have discharged its obligations under Condition 7.2F (*Determination of Interest Rate and calculation of Interest Amount*) in respect of the determination of the Interest Rate if it has determined the Interest Rate in respect of such Interest Period in the manner provided in this Condition 7.2B.

C. *Screen Rate Determination*

Where Screen Rate Determination is specified in the Applicable Pricing Supplement as the manner in which the Interest Rate is to be determined, the Interest Rate for each Interest Period will, subject as provided below, be either:

- (a) the offered quotation (if there is only one quotation on the Relevant Screen Page); or
- (b) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations (if there is more than one quotation on the Relevant Screen Page) and subject to adjustment in terms of the JSE's approved methodology,

for the Reference Rate(s) which appears or appear as the case may be, on the Relevant Screen Page as at 12h00 (South African time) on the Interest Determination Date in question, plus or minus (as indicated in the Applicable Pricing Supplement) the Margin (if any), all as determined by the Calculation Agent. If 5 or more such offered quotations are available on the Relevant Screen Page the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by such agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if, in the case of paragraph (a) above, no such offered quotation appears or, in the case of paragraph (b) above, fewer than 3 such offered quotations appear, in each case at the time specified in the preceding paragraph, the Calculation Agent shall request the principal Johannesburg office of each of the Reference Banks (as defined below) to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately 12h00 (South African time) on the Interest Determination Date in question. If 2 or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Interest Rate for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0,000005 being rounded upwards) of such offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Calculation Agent.

If the Interest Rate cannot be determined by applying the provisions of the preceding paragraphs of this Condition 7.2C, the Interest Rate for the relevant Interest Period shall be the rate per annum which the Calculation Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0,000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any 2 or more of them, at which such banks offered, at approximately 12h00 (South African time) on the relevant Interest Determination Date, in respect of deposits in an amount approximately equal to the Principal Amount of the Notes of the relevant Series, for a period equal to that which would have been used for the Reference Rate, to Reference Banks in the Johannesburg inter-bank market plus or minus (as appropriate) the Margin (if any). If fewer than 2 of the Reference Banks provide the Calculation Agent with such offered rates, the Interest Rate for the relevant Interest Period will be determined by the Calculation Agent as the arithmetic mean (rounded as provided above) of the rates for deposits in an amount approximately equal to the Principal Amount of the Notes of the relevant Series, for a period equal to that which would have been used for the Reference Rate, quoted at approximately 12h00 (South African time) on the relevant Interest Determination Date, by 4 leading banks in Johannesburg (selected by the Calculation Agent and approved by the Issuer) plus or minus (as appropriate) the Margin (if any). If the Interest Rate cannot be determined in accordance with the foregoing provisions of this Condition 7.2C, the Interest Rate shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period).

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the Applicable Pricing Supplement as being other than the ZAR-JIBAR-SAFEX rate, the Interest Rate in respect of such Notes will be determined, in the manner provided above, or as may be provided in the Applicable Pricing Supplement.

“**Reference Banks**” means for the purposes of this Condition 7.2C the 4 leading banks in the South African inter-bank market selected by the Calculation Agent and approved by the Issuer.

D. *Minimum and/or Maximum Interest Rate*

If the Applicable Pricing Supplement specifies a Minimum Interest Rate for any Interest Period, then the Interest Rate for such Interest Period shall in no event be less than such Minimum Interest Rate and/or if it specifies a Maximum Interest Rate for any Interest Period, then the Interest Rate for such Interest Period shall in no event be greater than such Maximum Interest Rate.

E. *Interest Payment Dates*

Each Floating Rate Note bears interest on its Principal Amount for the Interest Period at the rate equal to the Interest Rate. Such interest shall fall due for payment in arrears on the Interest Payment Date(s).

F. *Determination of Interest Rate and calculation of Interest Amount*

The Calculation Agent will, in the case of Floating Rate Notes, at or as soon as practicable after each time at which the Interest Rate is to be determined, determine the Interest Rate and calculate the Interest Amount for the relevant Interest Period. Unless stated otherwise in the Applicable Pricing Supplement, each Interest Amount shall be calculated by multiplying the Interest Rate by the Principal Amount, then multiplying the product by the applicable Day Count Fraction and rounding the resultant product to the nearest smallest denomination of the Specified Currency, half of any such denomination being rounded upwards.

“**Day Count Fraction**” means, in respect of the calculation of the Interest Amount for any Interest Period:

- (a) if “**Actual/365**” is specified in the Applicable Pricing Supplement, the actual number of elapsed days (including the first day and excluding the last day of such Interest Period) in the Interest Period divided by 365; or
- (b) such other calculation method as is specified in the Applicable Pricing Supplement.

G. *Notification of Interest Rate and Interest Amount*

The Calculation Agent (or such other agent as is specified in the Applicable Pricing Supplement) will cause the Interest Rate and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Paying Agent, the Transfer Agent, any Financial Exchange on which the relevant Floating Rate Notes are for the time being listed or settled and any central securities depository in which Certificates in respect of the

notes are immobilised, as soon as possible after their determination but not later than the 4th Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to the Issuer, the Paying Agent, the Transfer Agent, each Financial Exchange on which the relevant Floating Rate Notes are for the time being listed or settled and any central securities depository in which Certificates in respect of the Notes are immobilised.

H. *Certificates to be Final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 7.2 by the Calculation Agent shall, in the absence of wilful deceit, bad faith, manifest error or dispute as set out hereunder, be binding on the Issuer, the Calculation Agent, and all Noteholders, and no liability to the Issuer or the Noteholders shall attach to the Transfer Agent, the Calculation Agent or the Paying Agent (as the case may be) in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions. Where the Issuer acts as the Calculation Agent and in the event that Noteholders holding not less than 25% in aggregate Principal Amount of the Notes for the time being Outstanding, deliver to the Issuer a written notice of objection to any determination made by the Issuer within 5 Business Days of notification of the Interest Rate and Interest Amount in accordance with Condition 7.2G (*Notification of Interest Rate and Interest Amount*), such determination shall not be regarded as final and upon such notification, the Issuer shall request the chief executive officer for the time being of the JSE to appoint an independent third party to make such determination. Such independent third party shall make such determination promptly as an expert and not as an arbitrator and their determination, in the absence of wilful deceit, bad faith or manifest error, shall be binding on the Issuer and all Noteholders, and no liability to the Issuer or the Noteholders shall attach to such third party in connection with the exercise or non-exercise by them of their powers, duties and discretions pursuant to such provisions. The costs of procuring and effecting such determination shall be borne by the Issuer in the event that the determination of such third party differs from that of the Issuer as Calculation Agent and shall be borne by the Noteholders disputing such determination by the Issuer in the event that the determination of such third party confirms that of the Issuer as Calculation Agent.

7.3 **Mixed Rate Notes**

The Interest Rate payable from time to time on Mixed Rate Notes shall be the Interest Rate payable on any combination of Fixed Rate Notes, Floating Rate Notes or Indexed Notes for respective periods, each as specified in the Applicable Pricing Supplement. During each such applicable period, the interest rate on the Mixed Rate Notes shall be determined and fall due for payment on the basis that such Mixed Rate Notes are Fixed Rate Notes, Floating Rate Notes or Indexed Notes, as the case may be.

7.4 **Indexed Notes**

In the case of Indexed Notes, if the Interest Rate or Final Redemption Amount falls to be determined by reference to an index and/or a formula, such rate or amount payable

in respect of each Interest Period shall be determined in the manner specified in the Applicable Pricing Supplement. Any interest payable shall fall due for payment on the Interest Payment Date(s).

7.5 **Accrual of Interest**

Each Additional Tier 1 Note (or in the case of the redemption of part only of an Additional Tier 1 Note, that part only of such Additional Tier 1 Note) will cease to bear interest (if any) from the date of its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue at the SAFEX Overnight Deposit Rate (to be found on the Reuters Screen SAFEX page as at 12h00 (South African time) on the presentation date, or any successor rate) until whichever is the earlier of:

- (a) the date on which all amounts due in respect of such Additional Tier 1 Note have been paid; and
- (b) the date on which the full amount of the monies payable has been received by the Paying Agent and notice to that effect has been given to Noteholders in accordance with Condition 18 (*Notices*).

In the event that the SAFEX Overnight Deposit Rate is not ascertainable from the relevant screen page at the time contemplated above, the Calculation Agent shall follow the procedure contemplated in Condition 7.2C (*Screen Rate Determination*) to ascertain a rate.

7.6 **Notes listed on the JSE**

The amount of any interest payable in respect of the Additional Tier 1 Notes in terms of this Condition 7 will be announced on SENS at least 3 (three) Business Days before the relevant Interest Payment Date.

7.7 **Business Day Convention**

If any Interest Payment Date (or other date) which is specified in the Applicable Pricing Supplement to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (a) the “**Floating Rate Business Day Convention**”, such Interest Payment Date (or other date) shall in any case where Interest Periods are specified in accordance with Condition 7.2E (*Interest Payment Dates*), be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event: (i) such Interest Payment Date (or other date) shall be brought forward to the first preceding Business Day; and (ii) each subsequent Interest Payment Date (or other date) shall be the last Business Day in the month which falls the number of months or other period specified as the Interest Period in the Applicable Pricing Supplement after the preceding applicable Interest Payment Date (or other date) has occurred; or
- (b) the “**Following Business Day Convention**”, such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day; or
- (c) the “**Modified Following Business Day Convention**”, such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day

unless it would thereby fall into the next calendar month, in which event such Interest Payment Date (or other such date) shall be brought forward to the first preceding Business Day; or

- (d) the “**Preceding Business Day Convention**”, such Interest Payment Date (or other date) shall be brought forward to the first preceding Business Day.

7.8 **General**

7.8.1 **Calculation of other Amounts**

If the Applicable Pricing Supplement specifies that any other amount, rate, index and/or formula in relation to a Tranche of Notes is to be calculated by the Calculation Agent, the Calculation Agent will soon as practicable after the time or times at which any such amount, rate, index and or formula is to be determined, calculate the relevant amount, rate, index and/or formula in the manner specified in the Applicable Pricing Supplement.

7.8.2 **Fall-back Rate of Interest**

Unless otherwise specified in the relevant Applicable Pricing Supplement, if the Calculation Agent is unable to determine a rate (or, as the case may be, the arithmetic mean of rates) in accordance with the above provisions of this Condition 7, the Interest Rate applicable to the relevant Tranche of Notes during the relevant Interest Period will be the Interest Rate applicable to the relevant Tranche of Notes during the immediately preceding Interest Period (with adjustment for any change in the Margin, Maximum Interest Rate or Minimum Interest Rate).

7.8.3 **Certificates to be final**

All communications, notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 7 by the Calculation Agent will (in the absence of willful default, bad faith or manifest error) be binding of the Issuer and the Noteholders and (subject as aforesaid) no liability to the Issuer or the Noteholders will attach to the Calculation Agent in connection with the exercise or no-exercise by it of its powers, duties and discretions pursuant of this Condition 7.

8. **PAYMENTS**

8.1 **Registered Notes**

- 8.1.1 Payments of interest and principal in respect of Uncertificated Notes will be made to the Registered Holder of such Notes, which in turn will transfer such funds, via the Participants, to the holders of Beneficial Interests. Each of the persons reflected in the records of the Central Securities Depository or the relevant Participants, as the case may be, as the holders of Beneficial Interests 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 Registered Holder of the relevant 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 such Beneficial Interests. Payments of interest and principal in respect of Uncertificated Notes shall be recorded by the 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.

8.1.2 Payments of interest and principal in respect of Notes represented by Definitive Certificates shall be made to the person reflected as the Registered Holder of the Definitive Certificate in the Register on the Last Day to Register.

8.2 **Method of Payment**

8.2.1 Payments of interest and principal will be made in the Specified Currency by electronic funds transfer.

8.2.2 If the Issuer is prevented or restricted directly or indirectly from making any payment by electronic funds transfer in accordance with the preceding paragraph (whether by reason of strike, lockout, fire, explosion, floods, riot, war, accident, act of God, embargo, legislation, shortage of or breakdown in facilities, civil commotion, unrest or disturbances, cessation of labour, Government interference or control or any other cause or contingency beyond the control of the Issuer), the Issuer shall make such payment by cheque (or by such number of cheques as may be required in accordance with applicable banking law and practice). Such payments by cheque shall be sent by post to the address of the Noteholder of Registered Notes as set forth in the Register or, in the case of joint Noteholders of Registered Notes, the address set forth in the Register of that one of them who is first named in the Register in respect of that Note.

8.2.3 Each such cheque shall be made payable to the relevant Noteholder or, in the case of joint Noteholders of Registered Notes, the first one of them named in the Register. Cheques may be posted by ordinary post, provided that neither the Issuer nor the Paying Agent shall be responsible for any loss in transmission and the postal authorities shall be deemed to be the agent of the Noteholders for the purposes of all cheques posted in terms of this Condition 8.2.

8.2.4 In the case of joint Noteholders of Registered Notes payment by electronic funds transfer will be made to the account of the Noteholder first named in the Register. Payment by electronic transfer to the Noteholder first named in the Register shall discharge the Issuer of its relevant payment obligations under the Notes.

8.2.5 Payments will be subject in all cases to any taxation or other laws, directives and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*).

8.3 **Surrender of Certificates**

8.3.1 On or before the Last Day to Register prior to any Redemption Date of a Registered Note (including a Redemption Date relating to redemption in part), the holder of a Certificate, in respect of a Note to be redeemed (in part or in whole, as the case may be) shall deliver to the Transfer Agent the Certificates to be redeemed. This will enable the Transfer Agent to endorse the partial redemption thereon or, in the case of final redemption, to cancel the relevant Certificates.

8.3.2 In the case of the Uncertificated Notes, redemptions in part will be handled in accordance with the Applicable Procedures.

8.3.3 Should the holder of a Certificate refuse or fail to surrender the Certificate for endorsement or cancellation on or before a Redemption Date, the amount payable to him in respect of such redemption, including any accrued interest, shall be retained by

the Paying Agent for such Noteholder, at the latter's risk, until the Noteholder surrenders the necessary Certificate, and interest shall cease to accrue to such Noteholder from the Redemption Date in respect of the amount redeemed.

8.3.4 Documents required to be presented and/or surrendered to the Paying Agent in accordance with these Terms and Conditions shall be so presented and/or surrendered at the Specified Office of the Paying Agent specified in the Applicable Pricing Supplement.

8.4 **Payment Day**

Notwithstanding anything to the contrary contained in these Terms and Conditions, if the date for payment of any amount payable in respect of any Note is not a Business Day, then:

- (a) if a Business Day Convention is not specified in the Applicable Pricing Supplement, such date for payment shall be the following Business Day; and
- (b) if a Business Day Convention is specified in the Applicable Pricing Supplement, such date for payment shall be adjusted according to such Business Day Convention and Interest shall accrue to and be paid on, the relevant Interest Payment Date.

8.5 **Interpretation of principal and interest**

8.5.1 Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (a) any additional amounts which may be payable with respect to principal under Condition 12 (*Taxation*);
- (b) the Final Redemption Amount of the Notes or the Early Redemption Amount (Tax) of the Notes or the Early Redemption Amount (Regulatory) of the Notes or the Early Termination Amount of the Notes, as the case may be;
- (c) the Optional Redemption Amount(s) (if any) of the Notes; or
- (d) any premium and any other amounts which may be payable under or in respect of the Notes, but excluding for the avoidance of doubt, interest.

8.5.2 Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 12 (*Taxation*).

9. **LOSS ABSORPTION FOLLOWING A NON-VIABILITY TRIGGER EVENT**

This Condition 9 (other than Condition 9.4 (*Disapplication of Non-Viability Loss Absorption Condition*)) is referred to as the “**Non-Viability Loss Absorption Condition**” in these Terms and Conditions.

9.1 **Non-Viability Trigger Event**

9.1.1 Whether a Non-Viability Trigger Event has occurred at any time shall be determined by the Prudential Authority or any agent appointed for such purpose by the Prudential Authority, and such determination shall be binding on the Noteholders.

9.1.2 Upon the occurrence of a Non-Viability Trigger Event, the Issuer will notify the Noteholders (a “**Non-Viability Trigger Event Notice**”) in accordance with Condition 18 (*Notices*) and subsequently either convert or write-off the Additional Tier 1 Notes (or the Relevant Part thereof, as the case may be), in accordance with the Capital Regulations and Condition 9.2 (*Conversion of Additional Tier 1 Notes upon a Non-Viability Trigger Event*) or Condition 9.3 (*Write-off of Additional Tier 1 Notes upon a Non-Viability Trigger Event*) (as applicable). Any delay in delivery or failure to deliver a Non-Viability Trigger Event Notice shall not affect the validity of any Conversion or Write-off or the timing of any Conversion or Write-off.

9.2 **Conversion of Additional Tier 1 Notes upon a Non-Viability Trigger Event**

9.2.1 This Condition 9.2 applies only to Additional Tier 1 Notes to which Conversion is specified as applicable in the Applicable Pricing Supplement.

9.2.2 Upon the occurrence of a Non-Viability Trigger Event, the Issuer will Convert the Current Principal Amount of the Additional Tier 1 Notes (or the Relevant Part thereof) into Issuer Ordinary Shares, in accordance with the Capital Regulations, by such amount (the “**Conversion Amount**”) as the Prudential Authority shall require; provided that:

- (a) a Conversion of the Additional Tier 1 Notes need only occur up until the point where the Issuer is deemed by the Prudential Authority to be viable again, as specified in writing by the Prudential Authority, and the Issuer’s Common Equity Tier 1 Capital Ratio is above 5.875 per cent. (or such other percentage determined by the Prudential Authority from time to time) to the extent that the Additional Tier 1 Notes are liability accounted; and
- (b) the Additional Tier 1 Notes shall be Converted in whole, or in part, on a pro rata basis with other Loss Absorbing Instruments.

9.2.3 Any such Conversion shall take place on such date selected by the Issuer in consultation with the Prudential Authority (the “**Conversion Date**”) but no later than 30 (thirty) days following the occurrence of the Non-Viability Trigger Event unless:

- (a) in accordance with the Capital Regulations, the Prudential Authority has agreed with the Issuer in writing that the Current Principal Amount (or the Relevant Part thereof) of the Additional Tier 1 Notes may be Converted after a longer period, in which case, the Conversion Date shall be such date as agreed with the Prudential Authority; or
- (b) the Issuer, using its best efforts, is unable to complete the Conversion within the aforesaid 30-day period as a result of the need to comply with any Applicable Laws, regulations or written instructions of the Prudential Authority (including but not limited to the time required to interface and consult with the Prudential Authority), in which case the Conversion Date shall be a date as soon as reasonably possible after the end of the aforesaid 30-day period.

9.2.4 A Conversion may occur on more than one occasion following the occurrence of a Non-Viability Trigger Event and the Additional Tier 1 Notes may be Converted on more than one occasion.

9.2.5 To the extent that the Conversion or Write-off of any Loss Absorbing Instruments is not effective for any reason:

- (a) the ineffectiveness of any such conversion or write-off shall not prejudice the requirement to effect a Conversion of the Additional Tier 1 Notes; and
- (b) the conversion or write-off of any Loss Absorbing Instrument which is not effective shall not be taken into account in determining the Conversion Amount of the Additional Tier 1 Notes.

9.2.6 If a Conversion of any Additional Tier 1 Notes will take place pursuant to the occurrence of a Non-Viability Trigger Event specified in the Non-Viability Trigger Event Notice, the Issuer shall deliver a further written notice (the “**Conversion Notice**”) to the Noteholders in accordance with Condition 18 (*Notices*) which specifies:

- (a) the Conversion Price;
- (b) the Conversion Record Date;
- (c) the Conversion Date;
- (d) the number of Conversion Shares to be issued pursuant to that Conversion; and
- (e) details of the arrangement for the settlement of the Conversion,

within the time period specified in the Applicable Pricing Supplement or failing any time period stipulated therein, as soon as the Conversion Price has been determined and such details are available (such Conversion Notice being delivered at least 5 (five) Business Days prior to the Conversion Date). In this regard, the Issuer is required to do all things which may be necessary to enable such price and details to be determined as soon as is reasonably possible in the circumstances.

9.2.7 On the Conversion Date, in accordance with Applicable Laws, the Capital Regulations and (if applicable) the written instructions received from the Prudential Authority:

- (a) the Issuer shall issue to the relevant Noteholders (as they appear, and into the relevant securities accounts of the Beneficial Interest holders of the Converted Additional Tier 1 Notes recorded as such on the Conversion Record Date (or to the relevant Participant managing such securities account, if such Issuer Ordinary Shares are certificated), or, as the case may be, to the holder of Individual Certificates in respect of Converted Additional Tier 1 Notes as set out in the Register on the Conversion Record Date) such number of Issuer Ordinary Shares (the “**Conversion Shares**”) calculated by dividing the Conversion Amount on the Conversion Date by the Conversion Price;
- (b) the relevant Noteholders shall be deemed to have subscribed for the Conversion Shares for an aggregate subscription price equal to the Conversion Amount (the “**Subscription Price**”);
- (c) the Subscription Price shall be automatically off-set against the Conversion Amount and the aggregate current Principal Amount of the Additional Tier 1 Notes shall be reduced by the Conversion Amount; and
- (d) the Conversion Shares shall be credited as fully paid and shall be freely transferable and shall have the same rights as, and *pari passu* in all respects with, and be of the same class as, all of the Issuer Ordinary Shares as at the Conversion Date. If the Issuer Ordinary Shares are issued in registered certificated form, the Issuer shall procure that the certificate/s evidencing the

relevant number of Issuer Ordinary Shares is/are delivered to each relevant Noteholder.

- 9.2.8 Should all other issued Issuer Ordinary Shares be listed on a Financial Exchange (other than the JSE) at the time the Conversion Shares are issued to the relevant Noteholders pursuant to this Condition 9.2, the Issuer shall procure that such Conversion Shares are, upon issue, likewise listed on that Financial Exchange.
- 9.2.9 If, when calculating the number of Conversion Shares as contemplated in this Condition 9.2, the number of Issuer Ordinary Shares calculated requires the issue of a fraction of a share to any Person, the number of Issuer Ordinary Shares to be issued will be rounded down to the nearest whole number of Issuer Ordinary Shares to ensure the issue of a whole number of shares to each Person entitled to receive same, and the relevant Noteholders or holders of the Beneficial Interests in the relevant Converted Additional Tier 1 Notes shall only be entitled to receive such whole number of Issuer Ordinary Shares.
- 9.2.10 As soon as reasonably possible after the Conversion Date, the Issuer shall in accordance with Condition 18 (*Notices*) deliver to the relevant Noteholders a notice from the Central Securities Depository confirming that the Conversion Shares have been issued and entered in the relevant Noteholders' respective securities accounts.
- 9.2.11 Any Conversion of Additional Tier 1 Notes or the Relevant Part thereof in accordance with this Condition 9.2 will be final and binding in the absence of manifest error or fraud.
- 9.2.12 Where, at the occurrence of the relevant Non-Viability Trigger Event, the Conversion of the relevant Tranche of Additional Tier 1 Notes pursuant to this Condition 9.2 (a) cannot be undertaken for any reason or (b) is not irrevocable or (c) will not result in an immediate increase in the Common Equity Tier 1 Capital Ratio, then the relevant Tranche of Additional Tier 1 Notes shall, instead of being Converted, be Written-off, at the occurrence of that Non-Viability Trigger Event (at the discretion of the Prudential Authority), mutatis mutandis in accordance with the provisions of Condition 9.3 (*Write-off of Additional Tier 1 Notes upon a Non-Viability Trigger Event*).
- 9.2.13 For the avoidance of doubt, following any Conversion of the Additional Tier 1 Notes (or the Relevant Part thereof) the Issuer shall not be obliged to pay compensation in any form to the Noteholders.
- 9.2.14 Any Conversion of the Additional Tier 1 Notes (or the Relevant Part thereof) upon the occurrence of a Non-Viability Trigger Event will not constitute an event of default or any other breach of the Issuer's obligations, or a failure to perform by the Issuer, under these Terms and Conditions and shall not entitle the Noteholders to petition or apply for the liquidation, winding-up or dissolution or similar process of the Issuer.
- 9.2.15 Once a Conversion of all or the Relevant Part of the Current Principal Amount of the Additional Tier 1 Notes has occurred, no Conversion Amount shall be restored under any circumstances (including, without limitation, where the Non-Viability Trigger Event ceases to continue) and the Noteholders will automatically irrevocably lose their rights to receive, and no longer have any rights against the Issuer with respect to, interest accrued on the Additional Tier 1 Notes prior to the Conversion Date and repayment of the Conversion Amount; provided that, if the Additional Tier 1 Notes are Converted in part, interest will continue to accrue on the Current Principal Amount.

- 9.2.16 Upon the occurrence of a Non-Viability Trigger Event, the Issuer will, in respect of listed Additional Tier 1 Notes, forthwith notify the Central Securities Depository, the JSE and/or such other Financial Exchange upon which such Additional Tier 1 Notes are listed, as the case may be, of the occurrence of that Non-Viability Trigger Event and of the Issuer's intention to effect a Conversion of Additional Tier 1 Notes.
- 9.2.17 The Issuer shall at all times (to the extent that it is within the Issuer's control and/or power to do so) obtain and maintain all prior authorisations (including, without limitation, all Issuer shareholder approvals in terms of the Companies Act and the JSE Listings Requirements applicable to the Main Board of the JSE) necessary to ensure the Conversion of the relevant Tranche of Additional Tier 1 Notes pursuant to this Condition 9.2. The Issuer will not issue and list a Tranche of Additional Tier 1 Notes to which Conversion is applicable unless the Issuer shall have obtained the required shareholders' approval in accordance with the JSE Listings Requirements applicable to the Main Board of the JSE.
- 9.3 **Write-off of Additional Tier 1 Notes upon a Non-Viability Trigger Event**
- 9.3.1 This Condition 9.3 applies only to Additional Tier 1 Notes to which Write-off is specified as applicable in the Applicable Pricing Supplement.
- 9.3.2 Upon the occurrence of a Non-Viability Trigger Event, the Issuer will Write-off the Current Principal Amount of the Additional Tier 1 Notes (or the Relevant Part thereof), in accordance with the Capital Regulations, by such amount (the "**Written-off Amount**") as the Prudential Authority shall require; provided that:
- (a) a Write-off of the Additional Tier 1 Notes need only occur up until the point where the Issuer is deemed by the Prudential Authority to be viable again, as specified in writing by the Prudential Authority, and the Issuer's Common Equity Tier 1 Capital Ratio is above 5.875 per cent (or such other percentage determined by the Prudential Authority from time to time). to the extent that the Additional Tier 1 Notes are liability accounted; and
 - (b) the Additional Tier 1 Notes shall be Written-off in whole, or in part, on a pro rata basis with other Loss Absorbing Instruments.
- 9.3.3 Any such Write-off shall take place on such date selected by the Issuer in consultation with the Prudential Authority (the "**Write-off Date**") but no later than 30 (thirty) days following the occurrence of the Non-Viability Trigger Event unless in accordance with the Capital Regulations, the Prudential Authority has agreed with the Issuer in writing that the Current Principal Amount (or the Relevant Part thereof) of the Additional Tier 1 Notes may be Written-off after a longer period, in which case, the Write-off shall take place on such date as agreed with the Prudential Authority.
- 9.3.4 A Write-off may occur on more than one occasion following the occurrence of a Non-Viability Trigger Event and the Additional Tier 1 Notes may be Written-off on more than one occasion.
- 9.3.5 To the extent that the conversion or write-off of any Loss Absorbing Instruments is not effective for any reason:
- (a) the ineffectiveness of any such conversion or write-off shall not prejudice the requirement to effect a Write-off of the Additional Tier 1 Notes; and

- (b) the conversion or write-off of any Loss Absorbing Instrument which is not effective shall not be taken into account in determining the Written-off Amount of the Additional Tier 1 Notes.
- 9.3.6 For the avoidance of doubt, following any Write-off of the Additional Tier 1 Notes (or the Relevant Part thereof) the Issuer shall not be obliged to pay compensation in any form to the Noteholders.
- 9.3.7 Any Write-off of the Additional Tier 1 Notes (or the Relevant Part thereof) upon the occurrence of a Non-Viability Trigger Event will not constitute an event of default or any other breach of the Issuer's obligations, or a failure to perform by the Issuer, under these Terms and Conditions and shall not entitle the Noteholders to petition or apply for the liquidation, winding-up or dissolution of the Issuer.
- 9.3.8 Once a Write-off of all or the Relevant Part of the Current Principal Amount of the Additional Tier 1 Notes has occurred, no Written-off Amount shall be restored under any circumstances (including, without limitation, where the Non-Viability Trigger Event ceases to continue) and the Noteholders will automatically irrevocably lose their rights to receive, and no longer have any rights against the Issuer with respect to, interest accrued on the Additional Tier 1 Notes prior to the Write-off Date and repayment of the Written-off Amount; provided that, if the Additional Tier 1 Notes are Written-off in part, interest will continue to accrue on the Current Principal Amount.
- 9.3.9 Upon the occurrence of a Non-Viability Trigger Event, the Issuer will, in respect of listed Additional Tier 1 Notes, forthwith notify the Central Securities Depository, the JSE and/or such other Financial Exchange upon which such Additional Tier 1 Notes are listed, as the case may be, of the occurrence of that Non-Viability Trigger Event and of the Issuer's intention to effect a Write-off of any Series of Additional Tier 1 Notes.
- 9.4 **Disapplication of Non-Viability Loss Absorption Condition**
- 9.4.1 If a Statutory Loss Absorption Regime is implemented in South Africa and the Additional Tier 1 Notes are subject to such Statutory Loss Absorption Regime upon the occurrence of a Non-Viability Trigger Event, then the Issuer shall have the option at any time by written notice (the "**Amendment Notice**") to the Additional Tier 1 Noteholders in accordance with Condition 18 (*Notices*), to elect that that the Non-Viability Loss Absorption Condition shall cease to apply and that the Statutory Loss Absorption Regime will apply to the Additional Tier 1 Notes from the date specified in the Amendment Notice (the "**Amendment Date**"), being a date no earlier than the date on which the Statutory Loss Absorption Regime takes effect (the "**Amendment Option**") provided that:
- (a) the Issuer will only elect to dis-apply the Non-Viability Loss Absorption Condition and apply the Statutory Loss Absorption Regime to the Additional Tier 1 Notes from the Amendment Date, if such election does not give rise to a Capital Disqualification Event; and
- (b) a mandatory application of the Statutory Loss Absorption Regime to the Additional Tier 1 Notes under Applicable Law which results in the Additional Tier 1 Notes being fully or partially excluded from the Additional Tier 1 Capital of the Issuer on a solo and/or consolidated basis shall be a Capital Disqualification Event.

The election exercised by the Issuer under Condition 9.4.1(a) shall be without prejudice to any other rights the Issuer may have should a different Capital Disqualification Event occur or should the Statutory Loss Absorption Regime not apply regardless of such election.

9.4.2 If:

- (a) the Issuer exercises the Amendment Option; or
- (b) the Statutory Loss Absorption Regime is applied mandatorily to the Additional Tier 1 Notes under Applicable Law,

the Non-Viability Loss Absorption Condition will (in the case of Condition 9.4.2(b), only to the extent required by the Statutory Loss Absorption Regime) cease to apply and the 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 with effect from (in the case of Condition 9.4.2(a)) the Amendment Date and (in the case of Condition 9.4.2(b)) the date on which the Statutory Loss Absorption Regime takes effect. If the Amendment Option is not exercised by the Issuer, (provided that the Statutory Loss Absorption Regime is not applied mandatorily to the Notes) then the Additional Tier 1 Notes will not be subject to the Statutory Loss Absorption Regime and the Non-Viability Loss Absorption Condition will continue to apply to the Additional Tier 1 Notes.

9.4.3 For the avoidance of doubt, if a Non-Viability Trigger Event occurs on or after such date on which the Non-Viability Loss Absorption Condition is dis-applied, the Prudential Authority or the Issuer (following instructions from the Prudential Authority), may take such action in respect of the Additional Tier 1 Notes as is required or permitted by such Statutory Loss Absorption Regime.

9.5 **No Event of Default**

Neither the Write-Off (nor, if applicable, the Conversion of all the Subordinated Notes or relevant portion of the Subordinated Notes, as applicable, nor the failure to pay any unpaid amounts to the relevant Subordinated Noteholders in consequence of the Write-Off (or, if applicable, the Conversion) shall constitute an Event of Default or any other breach of the Issuer's obligations under the relevant Tranche of Subordinated Notes or the applicable Terms and Conditions, and the relevant Subordinated Noteholders will have no claims of whatsoever nature against the Issuer as a result of the Write-Off (or, if applicable, the Conversion).

10. **PRESCRIPTION**

The Additional Tier 1 Notes will become void unless presented for payment of principal and interest within a period of 3 years after the Relevant Date therefor, save that any Certificate constituting a "*bill of exchange or other negotiable instrument*" in accordance with section 11 of the Prescription Act, 1969 will become void unless presented for payment of principal and interest within a period of 6 years from the Relevant Date thereof.

11. REDEMPTION AND PURCHASE

11.1 No Maturity

Additional Tier 1 Notes have no maturity date and are only redeemable or may only be redeemed, substituted, varied or purchased subject to Condition 11.5 (*Conditions to redemption, substitution or variation of Additional Tier 1 Notes*) and subject to compliance with the Solvency Condition and Condition 5.1.2 (*Subordination*) and without prejudice to Condition 5.1.5 (*Solvency Claims*) or Condition 13.1 (*Events of Default relating to Additional Tier 1 Notes*) in accordance with the provisions of this Condition 11.

11.2 Redemption for tax reasons

11.2.1 The Additional Tier 1 Notes in a Series of Additional Tier 1 Notes may (subject to Condition 11.5 (*Conditions to redemption, substitution or variation of Additional Tier 1 Notes*), and the Issuer satisfying the Solvency Condition), be redeemed at the option of the Issuer in whole, but not in part:

- (a) at any time (if neither the provisions applicable to Floating Rate Notes nor the provisions applicable to Indexed Interest Notes are specified in the Applicable Pricing Supplement as being applicable or, if they are, such provisions are not applicable at the time of redemption); or
- (b) on any Interest Payment Date (if the provisions applicable to Floating Rate Notes or Indexed Interest Notes are specified in the Applicable Pricing Supplement as being applicable and are applicable at the time of redemption),

on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) in accordance with Condition 18 (*Notices*) and to the Transfer Agent and the Paying Agent, at their Early Redemption Amount (Tax) together with interest accrued (if any) to (but excluding) the date of redemption, if a Tax Event occurs and is continuing,

provided, however, that no such notice of redemption shall be given earlier than:

- (i) where the Additional Tier 1 Notes may be redeemed at any time, 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts or would not be entitled (or such entitlement is materially reduced) to claim a deduction in respect of computing its taxation liabilities; or
- (ii) where the Additional Tier 1 Notes may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts or would not be entitled (or such entitlement is materially reduced) to claim a deduction in respect of computing its taxation liabilities.

11.2.2 Prior to the publication of any notice of redemption pursuant to Condition 11.2.1, the Issuer shall deliver to the Noteholders in accordance with Condition 18 (*Notices*) (a) a certificate signed by 2 authorised officers of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (b) an opinion of independent legal advisers of recognised standing to the effect that a Tax Event has occurred. Upon the expiry of any such notice as is referred to in this

Condition 11.2, the Issuer shall be bound to redeem the Additional Tier 1 Notes in accordance with this Condition 11.2.

11.3 **Redemption following a Capital Disqualification Event**

11.3.1 The Additional Tier 1 Notes in a Series of Additional Tier 1 Notes may (subject to Condition 11.5 (*Conditions to redemption, substitution or variation of Additional Tier 1 Notes*), and the Issuer satisfying the Solvency Condition) be redeemed at the option of the Issuer in whole, but not in part:

- (a) at any time (if neither the provisions applicable to Floating Rate Notes nor the provisions applicable to Indexed Interest Notes are specified in the Applicable Pricing Supplement as being applicable or, if they are, such provisions are not applicable at the time of redemption); or
- (b) on any Interest Payment Date (if the provisions applicable to Floating Rate Notes or the provisions applicable to Indexed Interest Notes are specified in the Applicable Pricing Supplement as being applicable and are applicable at the time of redemption),

on giving not less than 30 nor more than 60 days notice to the Noteholders (which notice shall be irrevocable) in accordance with Condition 18 (*Notices*) and to the Transfer Agent and the Paying Agent, at their Early Redemption Amount (Regulatory), together with interest accrued (if any) to (but excluding) the date fixed for redemption, if a Capital Disqualification Event occurs and is continuing.

11.3.2 Prior to the publication of any notice of redemption pursuant to this Condition 11.3, the Issuer shall deliver to the Noteholders in accordance with Condition 18 (*Notices*) (a) a certificate signed by 2 authorised officers of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (b) unless the Prudential Authority has confirmed to the Issuer that the relevant Additional Tier 1 Notes are excluded from the relevant class of Eligible Capital of the Issuer on a solo and/or a consolidated basis, an opinion of independent advisers of recognised standing to the effect that a Capital Disqualification Event has occurred. Upon the expiry of any such notice as is referred to in this Condition 11.3, the Issuer shall be bound to redeem the Additional Tier 1 Notes in accordance with this Condition 11.3.

11.4 **Redemption at the option of the Issuer (Issuer Call)**

11.4.1 If redemption (as contemplated in this Condition 11.4) at the option of the Issuer (Call Option) is specified in the Applicable Pricing Supplement as being applicable, the Additional Tier 1 Notes in a Series of Additional Tier 1 Notes may (subject to Condition 11.5 (*Conditions to redemption, substitution or variation of Additional Tier 1 Notes*), and the Issuer satisfying the Solvency Condition) be redeemed at the option of the Issuer in whole or, if so specified in the Applicable Pricing Supplement, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) together with accrued interest (if any, but excluding any Interest Amounts which the Issuer has elected not to pay or is not obliged to pay in accordance with Condition 6 (*Interest Payments on the Additional Tier 1 Notes*)) to such date upon the Issuer's giving not less than 15 nor more than 30 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Additional Tier 1 Notes or, as the case may be, the relevant Additional Tier 1 Notes on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued

interest (if any) to such date). Neither the First Optional Redemption Date (Call) nor any Optional Redemption Date (Call) shall fall earlier than the First Call Date.

11.4.2 Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount in each case as may be specified in the applicable final terms in the Applicable Pricing Supplement.

11.4.3 In the case of a partial redemption of Additional Tier 1 Notes, the Additional Tier 1 Notes to be redeemed (“**Redeemed Notes**”) will be selected individually by lot, in the case of Redeemed Notes represented by Definitive Certificates, and in accordance with the rules of the Central Securities Depository (to be reflected in the records of the Central Securities Depository as either a pool factor or a reduction in nominal amount, at their discretion), in the case of Redeemed Notes held in uncertificated form, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the “**Selection Date**”). In the case of Redeemed Notes represented by Definitive Certificates, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 18 (*Notices*) not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Uncertificated Notes will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 11.4.3 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 18 (*Notices*) at least five days prior to the Selection Date.

11.5 **Conditions to redemption, substitution or variation of Additional Tier 1 Notes**

11.5.1 Subject to the applicable Capital Regulations, Additional Tier 1 Notes may be redeemed, substituted or varied by the Issuer pursuant to Condition 11.2 (*Redemption for tax reasons*), Condition 11.3 (*Redemption following a Capital Disqualification Event*), Condition 11.4 (*Redemption at the option of the Issuer (Issuer Call)*), Condition 11.6 (*Substitution or variation instead of redemption*) or Condition 11.8 (*Purchase*) provided that, for so long as is required by the Capital Regulations:

- (a) Additional Tier 1 Notes may only be redeemed at the option of the Issuer pursuant to this Condition 11 after a minimum initial period of issue of 5 years from the Issue Date of such Notes, provided that unless the Prudential Authority determines that the Issuer is duly capitalised above the minimum capital requirements after the call option is exercised, the Issuer may not redeem such Additional Tier 1 Notes unless such Additional Tier 1 Notes are replaced by the Issuer with instruments of similar or better quality and the replacement is on conditions that are sustainable for the income capacity of the Issuer;
- (b) the Issuer has notified the Prudential Authority of, and the Prudential Authority has consented in writing to, such redemption, substitution or variation (as applicable), subject to such conditions (if any) as the Prudential Authority may deem appropriate (in any case, only if and to the extent such a notification or consent is required by the Capital Regulations (including any prescribed notice periods with which the Issuer may need to comply, if any, in such Capital Regulations));
- (c) the redemption, substitution or variation of the Additional Tier 1 Notes is not prohibited by the Capital Regulations; and

- (d) prior to the publication of any notice of redemption, substitution or variation or redemption pursuant to this Condition 11, the Issuer shall deliver to the Paying Agent and the Transfer Agent a certificate signed by two authorised officers stating that the relevant requirement or circumstance giving rise to the right to redeem, substitute or, as appropriate, vary is satisfied and, in the case of a substitution or variation, that the relevant Qualifying Additional Tier 1 Securities have terms not materially less favourable to an investor than the terms of the Additional Tier 1 Notes and will as from the date of such substitution or variation otherwise comply with the requirements of the definition thereof in Condition 1 (*Interpretation*).

11.6 **Substitution or variation instead of redemption**

- 11.6.1 If a Tax Event or Capital Disqualification Event has occurred and is continuing, then the Issuer may instead of giving notice to redeem, subject to the Solvency Condition and Condition 11.5 (*Conditions to redemption, substitution or variation of Additional Tier 1 Notes*) (but without any requirement for the consent or approval of the Noteholders) and having given not less than 60 nor more than 90 days' notice to the Paying Agent, the Calculation Agent (if any) and, in accordance with Condition 18 (*Notices*), to the Additional Tier 1 Noteholders (which notice shall be irrevocable), substitute at any time all (but not some only) of the relevant Series of Additional Tier 1 Notes for, or vary the terms of the relevant Series of Additional Tier 1 Notes so that they remain, Qualifying Additional Tier 1 Capital Securities or become Qualifying Tier 2 Capital Securities as the case may be, and subject to the following provisions of this Condition 11.6 and subject to the issue of the certificate of the 2 directors referred to in the definition of Qualifying Additional Tier 1 Capital Securities or (as the case may be) Qualifying Tier 2 Capital Securities and subject further to the receipt by the Issuer of the opinion of the Independent Investment Bank referred to therein, such substitution or variation shall be effected.
- 11.6.2 Upon expiry of such notice, the Issuer shall vary the terms of or substitute, as the case may be, the Notes in accordance with this Condition 11.6.
- 11.6.3 In connection with any substitution or variation in accordance with this Condition 11.6, the Issuer shall comply with the rules of the relevant Financial Exchange on which the Notes are for the time being listed or admitted to trading.

11.7 **No other redemption, substitution or variation**

The Issuer shall not be entitled to redeem, substitute or vary the terms of the Additional Tier 1 Notes otherwise than as provided in Condition 11.1 (*No Maturity*) to this Condition 11.7.

11.8 **Purchase**

Subject to the applicable Capital Regulations and Condition 11.5 (*Conditions to redemption, substitution or variation of Additional Tier 1 Notes*) compliance with the Solvency Condition, the Issuer or any of its subsidiaries may at any time purchase Additional Tier 1 Notes in the open market or otherwise and at any price.

11.9 **Cancellation**

All Additional Tier 1 Notes so redeemed or purchased by the Issuer or any of its subsidiaries may, at its option, be cancelled and may, if cancelled, not be reissued or resold.

12. TAXATION

12.1 All payments of principal or interest in respect of the Additional Tier 1 Notes will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction, unless such withholding or deduction is required by Applicable Law.

12.2 In such event, the Issuer will, subject to the Issuer's right to redeem such Additional Tier 1 Notes in terms of Condition 9 (*Loss Absorption Following a Non-Viability Trigger Event*), pay such 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, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Additional Tier 1 Note:

12.2.1 presented for payment (to the extent presentation is required) in South Africa; or

12.2.2 presented for payment or (in the case of Registered Notes) held by or on behalf of a Noteholder, who is liable for such taxes in respect of such Additional Tier 1 Note by reason of it having some connection with a Tax Jurisdiction other than the mere holding of such Note or the receipt of principal or interest in respect thereof; or

12.2.3 presented for payment or (in the case of Registered Notes) held by or on behalf of a Noteholder which would not be liable or subject to the withholding or deduction by complying with any statutory requirement or by making a declaration of non-residency or other similar claim for exemption to the relevant tax authority (the effect of which is not to require the disclosure of the identity of the relevant Noteholder); or

12.2.4 where (in the case of any payment of principal or interest which is conditional on surrender of the relevant Certificate in accordance with these Terms and Conditions) the relevant Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Noteholder would have been entitled to an additional amount on presenting the Certificate for payment on such thirtieth day assuming that day to have been a Payment Date; or

12.2.5 if such withholding or deduction arises through the exercise by revenue authorities of special powers in respect of tax defaulters.

13. EVENTS OF DEFAULT

13.1 Events of Default relating to Additional Tier 1 Notes

Notwithstanding any of the provisions below in this Condition 13.1, the right to institute winding-up proceedings is limited to circumstances where payment of principal or interest (as the case may be) has become due and payable. No principal, premium, interest or any other amount will be due unless the Solvency Condition is satisfied. Also, in the case of the payment of any Interest Amount, payment thereof will not be due if the Issuer has elected not to pay interest pursuant to Condition 6.1.1(a) or the Issuer is prohibited from making that payment pursuant to Condition 6.1.1(b) or 6.1.1(c).

- (a) If default shall be made in the payment of any principal or any interest (or any other amount falling due under the terms of the Additional Tier 1 Notes) due on the Additional Tier 1 Notes of the relevant Series for a period of seven days or more after any date on which the payment of principal is due and payable or 14 days or more after any date on which the payment of interest is due and payable (as the case may be) each Noteholder of that Series may, subject to Condition 5.1.2 (*Subordination*) and subject as provided below, at its discretion and without further notice, institute proceedings for the winding-up of the Issuer and/or prove in any winding-up of the Issuer, but take no other action in respect of that default; provided that no such action may be taken by a Noteholder if the Issuer withholds or refuses to make any such payment in order to comply with any law or regulation of any relevant jurisdiction or to comply with any order of a court of competent jurisdiction. Where there is doubt as to the validity or applicability of any such law regulation or order, the Issuer will not be in default if it acts on the advice given to it during such seven day period or fourteen day period (as the case may be) by independent legal advisers approved by the relevant Noteholders(s).
- (b) Without prejudice to Condition 13.1(a), if the Issuer breaches any of its obligations under the Additional Tier 1 Notes of the relevant Series (other than any obligation in respect of the payment of principal or interest on such Notes) then each Noteholder may, subject as provided below, at its discretion and without further notice, bring such proceedings as it may think fit to enforce the obligation in question provided that the Issuer shall not, as a result of the bringing of any such proceedings, be obliged to pay any sum representing or measured by reference to principal or interest on or satisfy any other payment obligation in relation to such Series of Additional Tier 1 Notes sooner than the same would otherwise have been payable by it.

13.2 **Notice of an Event of Default**

If an Event of Default occurs, the Issuer will forthwith upon becoming aware of such Event of Default, give notice thereof in writing to the Transfer Agent, the Calculation Agent, the Debt Sponsor and the Noteholders of that Series and, if any Additional Tier 1 Notes are listed on the Interest Rate Market of the JSE, to the JSE (within one Business Day of becoming aware of the occurrence of an Event of Default), to the Noteholders through SENS and to the Central Securities Depository.

14. **DELIVERY, EXCHANGE AND REPLACEMENT OF CERTIFICATES**

- 14.1 The holder of a Beneficial Interest in Additional Tier 1 Notes may, in terms of the Applicable Procedures and subject to the Financial Markets Act (or the relevant provisions of any successor legislation), by written notice to the holder's nominated Participant (or, if such holder is a Participant, the Central Securities Depository), request that such Beneficial Interest be exchanged for Notes in definitive form represented by a Certificate (the "**Exchange Notice**"). The Exchange Notice shall specify the name, address and bank account details of the holder of the Beneficial Interest.
- 14.2 The holder's nominated Participant will, following receipt of the Exchange Notice, through the Central Securities Depository, notify the Transfer Agent that it is required to exchange such Beneficial Interest for Notes represented by an Certificate. The Transfer Agent will, as soon as is practicable but within 14 days after receiving such notice, in accordance with the Applicable Procedures, procure that an Certificate is prepared, authenticated and made available for delivery, on a Business Day falling

within the aforementioned 14 day period, to the holder of the Beneficial Interest at the Specified Office of the Transfer Agent; provided that joint holders of a Beneficial Interest shall be entitled to receive only one Certificate in respect of that joint holding, and delivery to one of those joint holders shall be delivery to all of them.

14.3 In the case of the exchange of a Beneficial Interest in Additional Tier 1 Notes issued in uncertificated form:

14.3.1 the Registered Holder shall, prior to the Exchange Date, surrender (through the Central Securities Depository system) such uncertificated Notes to the Transfer Agent at its Specified Office; and

14.3.2 the Transfer Agent will obtain the release of such uncertificated Additional Tier 1 Notes from the Central Securities Depository in accordance with the Applicable Procedures.

14.4 A Certificate shall, in relation to a Beneficial Interest:

14.4.1 in a Tranche of Additional Tier 1 Notes which is held in the Central Securities Depository, represent that number of Additional Tier 1 Notes as have, in the aggregate, the same aggregate Principal Amount of Additional Tier 1 Notes standing to the account of the holder of such Beneficial Interest; and

14.4.2 in any number of Additional Tier 1 Notes issued in uncertificated form of a particular aggregate Principal Amount standing to the account of the holder thereof, represent that number of Additional Tier 1 Notes of that aggregate Principal Amount,

and shall otherwise be in such form as may be agreed between the Issuer and the Transfer Agent; provided that if such aggregate Principal Amount is equivalent to a fraction of R1 000 000 (or the equivalent thereof in the Specified Currency if the Specified Currency is not Rand) or a fraction of any multiple thereof, such Certificate shall be issued in accordance with, and be governed by, the Applicable Procedures.

14.5 Subject always to Applicable Laws and Applicable Procedures, upon the replacement of a Beneficial Interest in Additional Tier 1 Notes with Additional Tier 1 Notes in definitive form represented by a Certificate in accordance with this Condition 14, such Additional Tier 1 Notes (now represented by a Certificate) will cease to be listed on the Financial Exchange and will no longer be lodged in the Central Securities Depository. Additional Tier 1 Notes represented by Certificates will be registered in the Register in the name of the individual Noteholders of such Additional Tier 1 Notes.

14.6 Certificates shall be provided (whether by way of issue, delivery or exchange) by the Issuer without charge, save as otherwise provided in these Terms and Conditions. Separate costs and expenses relating to the provision of Certificates and/or the transfer of Additional Tier 1 Notes may be levied by other persons, such as a Settlement Agent, under the Applicable Procedures and such costs and expenses shall not be borne by the Issuer. The costs and expenses of delivery of Certificates otherwise than by ordinary post (if any) and, if the Issuer shall so require, taxes or governmental charges or insurance charges that may be imposed in relation to such mode of delivery shall be borne by the Noteholder.

14.7 Any person becoming entitled to Registered Notes in consequence of the death, sequestration or liquidation of the holder of such Additional Tier 1 Notes may upon

producing such evidence that he holds the position in respect of which he proposes to act under this Condition 14 or of his title as the Issuer and the Transfer Agent shall require, be registered himself as the holder of such Additional Tier 1 Notes or, subject to the requirements of the Applicable Procedures and of this Condition 14, may transfer such Additional Tier 1 Notes. The Issuer and the Paying Agent shall be entitled to retain any amount payable upon the Additional Tier 1 Notes to which any person is so entitled until such person shall be registered as aforesaid or shall duly transfer the Additional Tier 1 Notes.

14.8 If any Certificate is mutilated, defaced, stolen, destroyed or lost it may be replaced at the Specified Office of the Issuer or the Specified Office of the Transfer Agent, on payment by the claimant of such costs and expenses as may be incurred in connection therewith and the provision of such indemnity as the Issuer may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

15. **TRANSFER OF NOTES**

15.1 **Transfer of Registered Notes**

15.1.1 Beneficial Interests in the Additional Tier 1 Notes may be transferred in terms of the Applicable Procedures through the Central Securities Depository.

15.1.2 The Central Securities Depository maintains accounts only for its Participants. Beneficial Interests which are held by Participants (which are also Settlement Agents) may be held directly through the Central Securities Depository. Participants are in turn required to maintain securities accounts for their clients. Beneficial Interests which are not held by Participants may be held by clients of Participants indirectly through such Participants.

15.1.3 Transfers of Beneficial Interests to and from clients of Participants occur, in terms of existing law and practice, by way of electronic book entry in the securities accounts maintained by the Participants for their clients. Transfers of Beneficial Interests among Participants occur through electronic book entry in the central securities accounts maintained by the Central Securities Depository for the Participants. Beneficial Interests may be transferred only in accordance with these Terms and Conditions, and the Applicable Procedures.

15.1.4 In order for any transfer of Registered Notes represented by a Certificate to be recorded in the Register and for the transfer to be recognised by the Issuer, each transfer of a Registered Note:

- (a) must be embodied in a Transfer Form;
- (b) must be signed by the relevant Noteholder and the transferee, or any authorised representatives of that registered Noteholder and/transferee;
- (c) shall only be in the Specified Denomination or a multiple thereof and consequently the Issuer will not recognise any fraction of the Specified Denomination; and
- (d) must be made by way of the delivery of the Transfer Form to the Transfer Agent together with the Certificate in question for cancellation or, if only part of the Notes represented by a Certificate is transferred, a new Certificate for

the balance will be delivered to the transferor and the cancelled Certificate will be retained by the Transfer Agent.

- 15.1.5 The transferor of any Registered Notes represented by a Certificate shall be deemed to remain the owner thereof until the transferee is registered in the Register as the holder thereof.
- 15.1.6 Before any transfer is registered all relevant transfer taxes (if any) must have been paid and such evidence must be furnished as the Transfer Agent may reasonably require as to the identity and title of the transferor and the transferee.
- 15.1.7 The Transfer Agent will, within 3 Business Days of receipt by it of a valid Transfer Form (or such longer period as may be required to comply with any applicable taxation or other laws, regulations or Applicable Procedures), authenticate and deliver to the transferee (at the risk of the transferee) a new Certificate in respect of the Additional Tier 1 Notes transferred.
- 15.1.8 No transfer will be registered while the Register is closed.
- 15.1.9 In the event of a partial redemption of Additional Tier 1 Notes, the Issuer and the Transfer Agent shall not be required:
 - (a) to register the transfer of any Additional Tier 1 Notes during the period beginning on the tenth day before the date of the partial redemption and ending on date of the partial redemption (both inclusive); or
 - (b) to register the transfer of any Note, or part of an Additional Tier 1 Note, called for partial redemption.

16. REGISTER

- 16.1 The Register shall:
 - 16.1.1 be kept at the Specified Office of the Transfer Agent or such other person as may be appointed for the time being by the Issuer to maintain the Register;
 - 16.1.2 reflect the number of Additional Tier 1 Notes issued and Outstanding and whether they are Registered Notes;
 - 16.1.3 contain the name, address, and bank account details of the Noteholders of Registered Notes;
 - 16.1.4 set out the Principal Amount of the Additional Tier 1 Notes issued to such Noteholders and shall show the date of such issue;
 - 16.1.5 show the serial number of Certificates issued in respect of Additional Tier 1 Notes;
 - 16.1.6 be open for inspection during the normal business hours of the Transfer Agent to any Noteholder or any person authorised in writing by any Noteholder; and
 - 16.1.7 be closed during the Books Closed Period.

16.2 The Transfer Agent will only recognize, as registered holder of an Additional Tier 1 Note, the Noteholder in the Register at 17h00 (South African time) on the relevant Last Day to Register. The Issuer and the Transfer Agent shall not be bound to enter any trust into the Register or to take notice of any or to accede to any trust executed, whether express or implied, to which any Additional Tier 1 Note may be subject.

16.3 The Transfer Agent shall alter the Register in respect of any change of name, address or bank account number of any of the Noteholders of any Registered Notes of which it is notified in accordance with these Terms and Conditions.

17. **CALCULATION AGENT, TRANSFER AGENT, PAYING AGENT AND ISSUER AGENT**

17.1 Any third party appointed by the Issuer as Calculation Agent, Transfer Agent, Paying Agent and Issuer Agent or otherwise shall act solely as the agents of the Issuer and do not assume any obligation towards or relationship of agency or trust for or with any Noteholders. The Issuer is entitled to vary or terminate the appointment of such agents and/or appoint additional or other agents and/or approve any change in the Specified Office through which any agent acts.

17.2 To the extent that the Issuer acts as the Transfer Agent, Calculation Agent, Issuer Agent or Paying Agent, all references in these Terms and Conditions to:

17.2.1 any action, conduct or functions in such role shall be understood to mean that the Issuer shall perform such action, conduct or function itself; and

17.2.2 requirements for consultation, indemnification by or of, payment by or to, delivery by or to, notice by or to, consent by or to or agreement between the Issuer and such Transfer Agent, Calculation Agent or Paying Agent (as the case may be) shall be disregarded to the extent that the Issuer performs such role.

18. **NOTICES**

18.1 Notices to Noteholders shall be valid and effective:

18.1.1 in the case of uncertificated Notes listed on the JSE, if delivered to:

(a) the JSE and electronically published on SENS, or any other similar service, established by the JSE; and

(b) the Central Securities Depository; or

18.1.2 in the case of unlisted uncertificated Additional Tier 1 Notes, if mailed to the registered addresses of the Noteholders appearing in the Uncertificated Securities Register or, if delivered to the Central Securities Depository (and if required, electronically published on SENS, or any other similar service, established by the JSE); or

18.1.3 in the case of Additional Tier 1 Notes being represented by an Individual Certificate (evidencing Registered Notes) if mailed to the registered addresses of the holders of the Additional Tier 1 Notes appearing in the Register and published, not earlier than 4 calendar days after the date of posting of such notice by registered mail:

- (a) in an English language daily newspaper of general circulation in South Africa; and
 - (b) for so long as the Additional Tier 1 Notes are listed on the JSE or such other Financial Exchange, a daily newspaper of general circulation in the city in which the JSE or such other Financial Exchange is situated or any electronic news service of general distribution.
- 18.2 Any such notice shall be deemed to have been given on the seventh day after the day on which it is mailed, or the day of its publication, as the case may be.
- 18.3 A notice to be given by any Noteholder to the Issuer shall be in writing and given by lodging (either by hand delivery or posting by registered mail) that notice, together with a certified copy of the relevant Certificate at the Specified Office of the Transfer Agent. The Issuer may change its Specified Office upon prior written notice to the Noteholders specifying such new address. For so long as any of the Notes are held in uncertificated form, notice may be given by any holder of a Beneficial Interest in Notes to the Issuer via the relevant Settlement Agent in accordance with the Applicable Procedures, in such manner as the Issuer and the relevant Settlement Agent may approve for this purpose. Such notices shall be deemed to have been received by the Issuer, if delivered by hand, on the second Business Day after being hand delivered, or, if sent by registered mail, 7 days after posting.
- 19. **MEETINGS OF NOTEHOLDERS**
- 19.1 **Directions of Noteholders**
- 19.1.1 The provisions with regard to meetings of Noteholders are set out in this Condition 19.
- 19.1.2 Every director, the secretary of and the attorney to the Issuer and every other person authorised in writing by the Issuer, may attend and speak at a meeting of Noteholders, but will not be entitled to vote, other than as a Noteholder or proxy or duly authorised representative of a Noteholder.
- 19.1.3 A meeting of Noteholders will have power, in addition to all powers specifically conferred elsewhere in the Terms and Conditions:
 - (a) by Ordinary Resolution of the Noteholders to give instructions to the Issuer in respect of any matter not covered by the Terms and Conditions (but without derogating from the powers or discretions expressly conferred upon the Issuer by the Terms and Conditions or imposing obligations on the Issuer not imposed or contemplated by the Terms and Conditions or otherwise conflicting with or inconsistent with the provisions of the Terms and Conditions); or
 - (b) by Extraordinary Resolution or an Extraordinary Written Resolution:
 - (i) of the Noteholders to bind all of the Noteholders to any compromise or arrangement; or
 - (ii) of a particular Series of Noteholders to agree to any variation or modification of any rights of that Series of Noteholders.
- 19.1.4 Unless otherwise specified, resolutions of Noteholders will require an Ordinary Resolution to be passed.

19.2 **Convening of meetings**

19.2.1 The Issuer may at any time convene a meeting of all Noteholders or separate meetings of holders of any Series of Additional Tier 1 Notes (a “**meeting**” or the “**meeting**”).

19.2.2 The Issuer will convene (a) a meeting of Noteholders upon the requisition in writing of Noteholders holding not less than 10% of the aggregate Principal Amount of all of the Additional Tier 1 Notes Outstanding or (b) a separate meeting of holders of any Series of Additional Tier 1 Notes upon the requisition in writing of the Noteholders in that Series holding not less than 10% of the aggregate Principal Amount of the Additional Tier 1 Notes Outstanding held by the holders of that Series, as the case may be (a “**requisition notice**”).

19.2.3 Whenever the Issuer wishes to convene a meeting, it will forthwith give notice in writing to the Noteholders in the manner prescribed in Condition 18 (*Notices*) of the place, day and hour of the meeting, the nature of the business to be transacted at the meeting and the resolutions to be proposed and considered at the meeting.

19.2.4 All meetings of Noteholders will be held in South Africa.

19.3 **Requisition**

19.3.1 A requisition notice will state the nature of the business for which the meeting is to be held and the resolutions to be proposed and considered at the meeting and will be deposited at the Specified Office of the Issuer.

19.3.2 A requisition notice may consist of several documents in like form, each signed by one or more requisitionists.

19.4 **Convening of meetings by requisitionists**

If the Issuer does not convene a meeting to be held within 30 days of the deposit of a requisition notice, the requisitionists may themselves convene the meeting, but the meeting so convened will be held within 90 days from the date of such deposit and will be convened as nearly as possible in the same manner as that in which meetings may be convened by the Issuer. Whenever the requisitionists are about to so convene any such meeting, requisitionists shall forthwith give notice of the meeting to the Issuer.

19.5 **Notice of meeting**

19.5.1 Unless the holders of at least 90% of the aggregate Principal Amount of the Additional Tier 1 Notes Outstanding or Series of Additional Tier 1 Notes Outstanding, as the case may be, agree in writing to a shorter period, at least 21 Business Days’ written notice, specifying the place, day and time of the meeting, the nature of the business for which the meeting is to be held and the resolutions to be proposed and considered at the meeting, will be given to each Noteholder and to the Issuer if applicable.

19.5.2 The accidental omission to give such notice to any Noteholder or the Issuer, as the case may be, or the non-receipt of any such notice, will not invalidate the proceedings at a meeting.

19.5.3 For so long as any Additional Tier 1 Notes are listed on the JSE notices of meetings in respect of such JSE-listed Additional Tier 1 Notes, shall be announced on SENS, which announcement shall state the date that the Issuer has selected to determined

which Noteholders recorded in the Register will receive notice of the meeting, and the last date by which proxy forms must be submitted.

19.6 Quorum

19.6.1 A quorum at a meeting shall:

- (a) for the purposes of considering an Ordinary Resolution, consist of Noteholders present in person or by proxy and holding in the aggregate not less than one-third of the aggregate Principal Amount of the Additional Tier 1 Notes Outstanding or Series of Additional Tier 1 Notes Outstanding, as the case may be; and
- (b) for the purposes of considering an Extraordinary Resolution or an Extraordinary Written Resolution, consist of Noteholders present in person or by proxy and holding in the aggregate not less than a clear majority (i.e. 50% + 1) of the aggregate Principal Amount of the Additional Tier 1 Notes Outstanding or Series of Additional Tier 1 Notes Outstanding, as the case may be.

19.6.2 No business will be transacted at a meeting of the Noteholders unless a quorum is present at the time when the meeting proceeds to business.

19.6.3 If, within 15 minutes from the time appointed for the meeting, a quorum is not present, the meeting will, if it was convened on the requisition of Noteholders, be dissolved. In every other case the meeting will stand adjourned to the same day in the third week thereafter, at the same time and place, or if that day is not a Business Day, the next succeeding Business Day. If at such adjourned meeting a quorum is not present the Noteholders present in person or by proxy will constitute a quorum for the purpose of considering any resolution, including an Extraordinary Resolution or an Extraordinary Written Resolution.

19.7 Chairperson

The chairperson (who may, but need not, be a Noteholder) of the meeting shall be appointed by the Issuer. If the Issuer or the person appointed by the Issuer to preside as chairperson of the meeting is not present within 10 minutes of the time appointed for the holding of the meeting, the Noteholders then present will choose one of their own number to preside as chairman.

19.8 Adjournment

19.8.1 Subject to the provisions of this Condition 19, the chairperson may, with the consent of, and will on the direction of, the meeting adjourn the meeting from time to time and from place to place.

19.8.2 No business will be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

19.8.3 At least 14 days' written notice of the place, day and time of an adjourned meeting will be given by the Issuer to each Noteholder. In the case of a meeting adjourned in terms of Condition 19.6.3, the notice will state that the Noteholders present in person or by proxy at the adjourned meeting will constitute a quorum.

19.9 **How questions are decided**

19.9.1 At a meeting, a resolution put to the vote will be decided on a poll.

19.9.2 In the case of an equality of votes, the chairperson will not be entitled to a casting vote in addition to the vote, if any, to which he is entitled.

19.10 **Votes**

Voting shall only take place on a poll and not on a show of hands. On a poll every Noteholder, present in person or by proxy, will be entitled to that proportion of the total votes which the aggregate Principal Amount of the Additional Tier 1 Notes Outstanding held by such Noteholder bears to the aggregate Principal Amount of all of the Additional Tier 1 Notes Outstanding or Series of Additional Tier 1 Notes, as the case may be, held by Noteholders present in person or by proxy at the meeting. In relation to joint Noteholders, the vote may be exercised only by that Noteholder whose name appears first on the Register in the event that more than one of such Noteholders is present, in person or by proxy, at the meeting. The Registered Holder in respect of Uncertificated Notes shall vote at any such meeting on behalf of the holders of Beneficial Interests in such Notes in accordance with the instructions from the holders of Beneficial Interests conveyed in accordance with the Applicable Procedures.

19.11 **Proxies and representatives**

19.11.1 Noteholders present either in person or by proxy may vote on a poll. A Noteholder may by an instrument in writing (a “**proxy form**”) signed by the Noteholder (or his duly authorised agent) or, in the case of a juristic person, signed on its behalf by a duly authorised officer of the juristic person, appoint any person (a “**proxy**” or “**proxies**”) to act on his or its behalf in connection with any meeting or proposed meeting.

19.11.2 A person appointed to act as proxy need not be a Noteholder.

19.11.3 The proxy form will be deposited at the Specified Office of the Issuer or at the Specified Office of the Transfer Agent, as the case may be, not less than 24 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in such proxy proposes to vote.

19.11.4 No proxy form will be valid after the expiration of 6 months from the date named in it as the date of its execution.

19.11.5 Notwithstanding Condition 19.11.4, a proxy form will be valid for any adjourned meeting, unless the contrary is stated thereon. A vote given in accordance with the terms of a proxy form will be valid notwithstanding the previous death or incapacity of the principal or revocation or amendment of the proxy form or of any of the Noteholder’s instructions pursuant to which the proxy form was executed or of the authority under which the proxy form was executed or the transfer of Additional Tier 1 Notes in respect of which the proxy was given, provided that no intimation in writing of such death, incapacity, revocation or amendment shall have been received by the Issuer at its Specified Office or the Transfer Agent at its Specified Office, as the case may be, more than, and that the transfer has been given effect to less than, 12 hours before the commencement of the meeting or adjourned meeting at which the proxy is to be used.

19.11.6 Any Noteholder which is a juristic person may authorise any person to act as its representative in connection with any meeting or proposed meeting of Noteholders by

resolution of the directors or other governing body of the juristic person. Any reference in the Terms and Conditions to a Noteholder present in person includes the duly authorised representative of a Noteholder which is a juristic person.

19.12 **Minutes**

19.12.1 The Issuer will cause minutes of all resolutions and proceedings of meetings to be duly entered in the minute books of the Issuer.

19.12.2 Any such minutes as aforesaid, if purporting to be signed by the chairperson of the meeting at which such resolutions were passed or proceedings held or by the chairperson of the next succeeding meeting, will be receivable in evidence without any further proof, and until the contrary is proved, a meeting of Noteholders or Series of Noteholders, as the case may be, in respect of the proceedings of which minutes have been so made will be deemed to have been duly held and convened and all resolutions passed thereat, or proceedings held, to have been duly passed and held.

19.13 **Written Resolutions**

A resolution in writing submitted to Noteholders or Noteholders of a Series, as the case may be, entitled to exercise voting rights in relation to the resolution, and signed by the requisite majority of Noteholders or Noteholders of a Series, as the case may be, shall be as valid and effective as if it had been passed at a meeting duly convened and constituted and shall be deemed (unless a statement to the contrary is made in that resolution) to have been passed on the last day on which that resolution is signed by any one or more of the Noteholders or Noteholders of a Series, as the case may be. That resolution may consist of two or more documents in the same form each of which is signed by one or more of the Noteholders or Noteholders of a Series, as the case may be.

20. **AMENDMENT OF THESE CONDITIONS**

20.1 The Issuer may effect, without the consent of any Noteholder or any Noteholders of the relevant Tranche or Series of Additional Tier 1 Notes, as the case may be, any amendment to these Terms and Conditions:

20.1.1 which is of a technical nature, made to correct a manifest error or to comply with mandatory provisions of the law of South Africa; or

20.1.2 which does not affect the Additional Tier 1 Notes in issue,

provided that the Issuer shall provide the amended Terms and Conditions or the supplement to these Terms and Conditions to the JSE immediately after the amendment is made and release an announcement on SENS providing a summary of the amendments and where the amended or modified Terms and Conditions or supplement to these Terms and Conditions will be available for inspection.

20.2 Save as provided in Condition 20.1 and subject to Condition 20.3, no amendment, variation or modification of these Terms and Conditions may be effected or be of any force or effect unless approved by an Extraordinary Resolution or an Extraordinary Written Resolution of the Noteholders or the Noteholders of the relevant Tranche or Series of Additional Tier 1 Notes, as the case may be.

- 20.3 If any amendment, variation or modification of these Terms and Conditions does not fall within the provisions of Condition 20.1 then, in the case of any Tranche of Additional Tier 1 Notes listed on the Interest Rate Market of the JSE:
- 20.3.1 the Issuer must first, prior to submitting the proposed amended Terms and Conditions or the proposed supplement to these Terms and Conditions to the Noteholders or the Noteholders of the relevant Tranche or Series of Additional Tier 1 Notes, as the case may be, for approval, obtain conditional formal approval of the proposed amended Terms and Conditions or the proposed supplement to these Terms and Conditions from the JSE in accordance with the JSE Debt Listings Requirements;
- 20.3.2 subsequent to receiving the conditional formal approval from the JSE contemplated by Condition 20.3.1, the Issuer shall send a notice, together with the proposed amended Terms and Conditions or proposed supplement to these Terms and Conditions, to all of the Noteholders or the Noteholders of the relevant Tranche or Series of Additional Tier 1 Notes, as the case may be, in accordance with Condition 18 (*Notices*) incorporating the proposed amendments and requesting approval of the amendments from the Noteholders or the Noteholders of the relevant Tranche or Series of Additional Tier 1 Notes, as the case may be, by way of an Extraordinary Resolution or an Extraordinary Written Resolution;
- 20.3.3 if such approval is requested to be given:
- (a) by way of an Extraordinary Resolution, a proxy form shall be sent, together with the notice convening the meeting at which the Extraordinary Resolution is proposed to be passed, to each person entitled to vote at such meeting and who has elected to receive such documents; or
- (b) by way of an Extraordinary Written Resolution, the notice to all of the Noteholders or the Noteholders of the relevant Tranche or Series of Additional Tier 1 Notes, as the case may be, must include the proposed resolution, any restrictions on voting in terms of these Terms and Conditions, the last date on which a Noteholder may submit its vote, in writing, on the proposed resolution (provided that such date shall be no later than the 20th Business Day after the notice was distributed to all of the Noteholders or the Noteholders of the relevant Tranche or Series of Additional Tier 1 Notes, as the case may be) and the address where the vote must be submitted;
- 20.3.4 for the purpose of the resolutions above wherein any votes are to be excluded from the passing of that resolution, any proxy given by a Noteholder to the holder of such an excluded vote shall be excluded from voting for the purposes of that resolution;
- 20.3.5 the Issuer must release an announcement on SENS with details concerning the date, time and venue of the meeting of all of the Noteholders or the Noteholders of the relevant Tranche or Series of Additional Tier 1 Notes, as the case may be, within 24 hours after the notice of the meeting has been distributed to the relevant Noteholder, and, in the case of written resolutions, the Issuer must release an announcement on SENS with details of the written resolutions being proposed within 24 hours after the

notification of the proposed written resolutions have been distributed to the relevant Noteholders. In either instance, if the notification to the relevant Noteholders was distributed via a SENS announcement, a separate announcement is not required in terms of this Condition 20.3.5;

20.3.6 if approval from all of the Noteholders or the Noteholders of the relevant Tranche or Series of Additional Tier 1 Notes, as the case may be, is obtained, confirmation of such approval and the signed amendment of the Terms and Conditions or the signed supplement to the Terms and Conditions shall be submitted to the JSE by or on behalf of the Issuer and the Issuer shall also provide a letter to the JSE confirming that the signed amendment of these Terms and Conditions or the signed supplement to the Terms and Conditions is identical, other than in minor respects, to the draft conditionally formally approved by the JSE;

20.3.7 within 48 hours after the meeting or the responses from the relevant Noteholders on the proposed written resolution have been obtained, a SENS announcement shall be released by the Issuer containing the details of the voting results in respect of the proposed resolution/s and the announcement shall include the following:

- (a) the proposed resolution/s;
- (b) the Additional Tier 1 Notes voted in person or by proxy disclosed as a number and a percentage (in relation to the total Principal Amount of the relevant Tranche or Series of Additional Tier 1 Notes or the total Principal Amount of all of the Additional Tier 1 Notes, as the case may be); and
- (c) the votes abstained disclosed as a percentage (in relation to the total Principal Amount of the relevant Tranche or Series of Additional Tier 1 Notes or the total Principal Amount of all of the Notes, as the case may be) and the votes carried (i) for and (ii) against each resolution, disclosed as a percentage (in relation to the total Principal Amount of the relevant Tranche or Series of Additional Tier 1 Notes or the total Principal Amount of all of the Notes, as the case may be); and

20.3.8 the amendment of the Terms and Conditions or the supplement to the Terms and Conditions must be available for inspection for at least 2 (two) Business Days before the listing of any Additional Tier 1 Note on the Interest Rate Market of the JSE by the Issuer.

20.4 No amendment to the Terms and Conditions (or applicable Terms and Conditions) may be effected unless such amendment or modification complies with the applicable provisions of the JSE Debt Listings Requirements or such other Financial Exchange, as the case may be.

20.5 Any such modification of the Terms and Conditions made pursuant to this Condition 20 shall be binding on all of the Noteholders or the Noteholders of the relevant Tranche or Series of Additional Tier 1 Notes, as the case may be, and any such amendment shall be notified to all of the Noteholders or the Noteholders of the relevant Tranche or Series of Additional Tier 1 Notes, as the case may be, in accordance with Condition 18 (*Notices*) and to the Financial Exchange as soon as practicable thereafter.



21. **FURTHER ISSUES**

The Issuer shall be at liberty from time to time without the consent of the Noteholders to create and issue further Additional Tier 1 Notes having terms and conditions the same as any of the other Notes issued under the Programme or the same in all respects save for the amount and date of the first payment of interest thereon, the Issue Price, the Issue Date and the Interest Commencement Date, so that the further Additional Tier 1 Notes shall be consolidated to form a single Series with the Outstanding Additional Tier 1 Notes.

22. **GOVERNING LAW**

Unless otherwise specified in the Applicable Pricing Supplement, the provisions of the Programme Memorandum and the Additional Tier 1 Notes are governed by, and shall be construed in accordance with, the laws of South Africa in force from time to time.

ABSA BANK LIMITED

By: 	By: 
Name: <u>Deon RAJU</u>	Name: <u>Jason Quian</u>
Capacity: Authorised Signatory	Capacity: Authorised Signatory

Date: 15 November 2019 Date: 15 November 2019

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes or as otherwise may be described in the Applicable Pricing Supplement.

DESCRIPTION OF THE ISSUER

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

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

Absa Group Limited, together with its subsidiaries (“**Absa Group**” or “**the Group**”) is one of Africa’s largest diversified financial services group, delivering the above and insurance. The Group is listed on the JSE, has a presence in 12 countries across the continent and around 41 000 employees. The Group is headquartered in South Africa and regulated by the South African Reserve Bank (“**SARB**”) and the Johannesburg Stock Exchange (“**JSE**”). The Group’s principal market is South Africa where its operations are conducted through its wholly-owned subsidiary, Absa Bank. In addition the Group owns majority stakes in banks in Botswana, Kenya, Tanzania (National Bank of Commerce) and wholly-owned banks in Ghana, Mauritius, Mozambique, the Seychelles, Tanzania (Barclays Bank in Tanzania), Uganda and Zambia. It also has representative offices in Namibia and Nigeria, as well as insurance operations in Botswana, Kenya, Mozambique, South Africa, Tanzania and Zambia. It has an international presence in London operating as Absa Securities UK and is pursuing a corporate strategy to procure licences in the United States.

HISTORY

Absa 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.

UBS Holdings Limited changed its name to Amalgamated Banks of South Africa Limited, but traded under the names Allied Bank, TrustBank, United Bank and Volkskas Bank with assets exceeding R52 billion (as at March 1991). 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 April 1992, all the assets and liabilities of Bankorp Holdings Limited (formerly Die Trustbank van Afrika until 1 June 1990), the holding company of, inter alia, TrustBank Limited, Senbank and Bankfin, were taken over by Absa.

In 2005, Barclays Bank PLC acquired a controlling 56.4% stake in Absa Group Limited making the 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. The acquisition resulted in Absa Group Limited undergoing a name change to Barclays Africa Group Limited (still listed on the JSE).

Included in the African operations acquired by the Issuer 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 was increased to 62.3%.

On 1 March 2016 Barclays Bank PLC announced its intention to reduce its 62.3% interest in the Issuer to a level that would achieve regulatory and accounting deconsolidation. A comprehensive Separation Programme was initiated by Barclays Bank PLC and the Issuer to determine possible

interactions between the companies to ensure that the Absa Group can operate as an independent and sustainable group without the involvement of Barclays Bank PLC.

Over 2016 and 2017, Barclays reduced its shareholding in Absa Group from 62.3% to 14.9%. In July 2018, Barclays Africa Group Limited was officially renamed Absa Group Limited and continued trading, but under its new name on the Johannesburg Stock Exchange.

The name of the Issuer has remained Absa Bank Limited throughout the period of Barclays PLC's investement in the Absa Group.

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.

The Absa Group Limited 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 and ABMN
ISIN code	ZAE000079810
Registered place of business	7th Floor, Absa Towers West 15 Troye Street, Johannesburg, 2001, PO Box 7735, Johannesburg, 2000

NATURE OF BUSINESS

The Absa Bank'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 including British Airways, Avios and Virgin Money. Included in this portfolio are partnerships with Edcon, which offers in-store cards and Woolworths Financial Services, which offers in-store cards, credit cards, personal loans and short-term insurance products.

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 touch points with the Group. The businesses consolidated into Relationship Banking include Card Acquiring, Commercial Asset Finance (CAF), Business Banking (Including associated lending, transactional & 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.

Corporate and Investment Bank (CIB)

CIB provides innovative solutions to meet clients' needs by delivering specialist investment banking, corporate & 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 our 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 in the right way and by executing on this we will create shared growth for clients, colleagues 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 following business areas:

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 our African institutional, corporate and public sector client base.

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 Absa Bank board is the focal point and custodian of Absa Bank’s corporate governance principles which are set out in its Board Charter, and contained in various policies and standards. Good corporate governance creates and sustains shareholder value, ensures that behaviour is ethical and promotes positive outcomes for all stakeholders.

The Board Charter sets out how the corporate governance provisions in the Companies Act No 71 of 2008 of South Africa; the Banks Act, 1990 as amended, the Financial Sector Regulations Act

No. 9 of 2017, the JSE Listings Requirements and the King IV Report on Corporate Governance for South Africa, 2016TM are put into practice, and has three pillars:

- Roles and responsibilities of the board;
- Matters reserved for the board; and
- Role profiles of the chairman, lead independent director, and directors collectively and individually. The role of the chief executive officer is incorporated by reference to the Absa Group Board Charter (as the remit of the Absa Group CEO covers Absa Bank as a major subsidiary of Absa Group).

The Absa Group Board has established 10 committees to assist it and Absa Bank in the execution of their duties and responsibilities but the Absa Group Board and Absa Bank Board, as the case may be, remain ultimately responsible for decisions that the committees make. Each committee operates within a terms of reference approved by the Absa Group board, which is reviewed annually. Each committee comprises of suitably skilled directors to oversee and govern taking into account the respective committee mandates.

Absa Bank Board and Absa Group Board Committee membership

The following table sets out the members of the Board as of 1 October 2019, the year of their election or appointment to the Board and their position(s) on the Board.

Abridged curriculum vitae of the members of the Board are available at www.absa.africa/absafrica/about-us/board-and-management.

Name	Year Elected / Appointed	Born	Board	Absa Group Board Committee membership
Wendy Lucas-Bull (also Chairman of Absa Group Limited)	2013	1953	Chairman (Independent)	Chairman of the DAC and SC Member of the GRMC, RemCo, SEC, ITC, BFC and GCRC Invitee of the GACC
René van Wyk (also CEO of Absa Group Limited)	2017	1956	Chief Executive Officer (CEO) (from 2019)	Member of the GRMC, SEC, ITC, GCRC, MC, and SC Attendee of the DAC, GACC, RemCo and BFC
Jason Quinn (also Group Financial Director of Absa Group Limited)	2016	1974	Executive Director, Financial Director	Chairman of the MC Member of the GRMC, ITC, GCRC and SC Attendee to the DAC, GACC, RemCo, and BFC
Alex Darko (also Independent Director of Absa Group Limited)	2019	1952	Independent Director	Chairman of the RemCo and ITC Member of the DAC, GACC and SC
Colin Beggs	2010	1948	Independent	Chairman of the GACC

(also Independent Director of Absa Group Limited)			Director	Member of the DAC, GRCMC, BFC and SC
Mark Merson	2019	1968	Independent Director	Chairman of the GRCMC, BFC and GCRC Member of the DAC
(also Independent Director of Absa Group Limited)				
Mohamed Husain	2008	1960	Lead Independent Director	Chairman of the SEC Member of the DAC, GACC, RemCo, and SC
(also Lead Independent Director of Absa Group Limited)				

Absa Group DAC = Directors' Affairs Committee
Absa Group GACC = Group Audit and Compliance Committee
Absa Group GRCMC = Group Risk and Capital Management Committee
Absa Group RemCo = Remuneration Committee
Absa Group SEC = Social Ethics Committee
Absa Group ITC = Information Technology Committee
Absa Group BFC = Board Finance Committee
Absa Group GCRC = Group Credit Risk Committee
Absa Group MC = Models Committee
Absa Group SC = Separation Oversight Committee

The Board actively engages management in setting, approving and overseeing execution of the strategy and related policies. It monitors that management: (i) maintains internal controls for assurance of effective and efficient operations, and compliance with laws and regulations; and (ii) does this within an ethical environment.

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 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.

Absa Group Board committees:

- Directors' Affairs Committee

The Directors' Affairs Committee assists the Absa Bank Board in considering and evaluating matters that are key to the Absa Bank and the Group's ability to maintain and/or improve its governance practices and processes, to facilitate the delivery of value to shareholders and benefits to stakeholders, and to ensure compliance with relevant governance regulation and application of best governance practices.

- Group Audit and Compliance Committee

The Group Audit and Compliance Committee is accountable for the quality of the annual financial statements and reports, and oversee the quality and integrity of the Issuer's and

the Group's integrated reporting. It is the primary forum for receipt of assurance reports and engagement with internal and external audit, and for monitoring Absa Bank's and the Group's financial, control and compliance environment.

- Group Risk and Capital Management Committee

The Group Risk and Capital Management Committee's prime function is to assist the Absa Bank and Group Boards in overseeing the risk, capital and liquidity management of Absa Bank and the Group by reviewing and monitoring Absa Bank's and the Group's risk profile against its set risk appetite and capital and liquidity positions, having regard to applicable regulations. It does this by robustly challenging management in a collaborative manner and making recommendations where appropriate.

- Group Remuneration Committee

The Group Remuneration Committee sets and oversees implementation of the principles of the Group's Remuneration Policy with a view to deliver fair and responsible pay, that aligns with market practice and meet regulatory and corporate governance requirements. It approves the total remuneration spend and the particulars of a defined population. It also considers and approves the Group's remuneration disclosures and ensures they are accurate, complete and transparent.

- Social and Ethics Committee

The Social and Ethics Committee is responsible for monitoring key organisational health indicators and Absa Bank's and the Group's activities relating to its role in society and the impact of its operations on the Group's employees, customers, and environment.

- Information Technology Committee

The Information Technology Committee assists the Absa Bank and Absa Group Board with effective oversight and governance of technology and information for Absa Bank and the Group, with a particular focus on resilience, architecture, innovation and competitiveness.

- Board Finance Committee

The Board Finance Committee: (i) assists the Absa Bank and Absa Group Board in reviewing and approving certain levels of investments and types of transactions within the committee's mandate; (ii) considers and recommends to the Absa Bank Board the short- and medium-term financial plan underpinning the Absa Bank and Absa Group strategy; and (iii) is mandated by the Absa Bank and Absa Group Boards to consider and finalise the profit commentary as it relates to interim and year-end financial results and to approve the publication of the dividend declarations within the parameters determined by the Boards.

- Group Credit Risk Committee

The Group Credit Risk Committee's mandate is to consider and approve all large exposures, key country risk limits, relevant sector exposures concentrations, and the credit risk health of Retail and Business Banking, Corporate and Investment Bank and the Absa Regional Operations while taking into account the risk appetite of Absa Bank and the Group as approved by the Board.

- **Models Committee**

The Models Committee is the designated committee tasked with the review of Absa Bank's and the Group's material models as required by the Prudential Authority.

- **Separation Oversight Committee**

The Separation Oversight Committee oversees the progress of the Separation programme (from Barclays) and all related risks with a focus on operations, technology, cost management, human resources and reputation.

OTHER CORPORATE GOVERNANCE MATTERS

King IV

The King IV Report on Corporate Governance™ for South Africa, 2016 (“King IV” or “the King Code”) is the primary corporate governance code in South Africa and is applicable to all types of entities.

The King Code consists of a set of voluntary principles and leading practices with an ‘apply and explain’ disclosure regime. The Listings Requirements of the JSE require listed companies to apply King IV – paragraph 8.63(a)(i) stipulates that issuers are required to disclose the implementation of the King Code through the application of the King Code disclosure and application regime.

Absa Bank is the largest wholly-owned subsidiary (in terms of assets and contribution to revenue) of the Absa Group. The seven directors of Absa Bank are also directors on the Absa Group Board and the two boards hold certain joint meetings. The Absa Bank Board relies on the committees of the Absa Group Board in the discharge of its duties and responsibilities. The Absa Bank Board is the focal point of the company's corporate governance.

The Absa Bank Board Charter sets out the practices for implementing the corporate governance provisions set out in the Company's Memorandum of Incorporation (MoI), King IV, the Companies Act No. 71 of 2008 (as amended) (the “Companies Act”), the Banks Act No. 94 of 1990 (as amended) (the “Banks Act”), the Financial Sector Regulation Act No. 9 of 2017, other good governance practices and the governance principles determined by the Board from time to time.

The Absa Group Board monitors the overall governance practices and application of King IV by the Group on an annual basis with disclosures in the Group's integrated report suite. Absa Bank's application of King IV and the disclosures as set out in this document should be read in conjunction with Absa Group's King IV application disclosure available at www.absa.africa which supplements the disclosures of the Group's governance practices in the Integrated Report, also available on the website.

A high level analysis of the application by Absa Bank of each principle of King IV is set out below with the expected outcomes ranked as ‘primary’ or ‘secondary’ depending on the degree of impact on governance of applying the practices under the principle.

All Principles are complied with. There are areas within certain Principles that require further refinement and that are work-in progress.

Leadership and Organisational Ethics	
<p>Principle 1</p> <p>The governing body should lead ethically and effectively.</p>	<p>Absa Bank's Practices</p> <p>The Board is committed to the highest standards of corporate governance and in this regard the directors collectively and individually execute their duties and responsibilities in accordance with the requirements and standards of behaviour of relevant regulation and legislation, the Company's Memorandum of Incorporation (MoI) and the Board Charter.</p>
<p>Principle 2</p> <p>The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.</p> <p>Expected Outcomes:</p> <ul style="list-style-type: none"> • Ethical Culture (primary) • Legitimacy (primary) • Effective Control (secondary) • Good Performance (secondary) 	<p>The directors are also committed to and adhere to the ethical standards of behaviour stipulated by the Group's Code of Conduct and related policies.</p> <p>Directors regularly declare their interests and those of their related parties, and recuse themselves from discussions or decisions on matters in which they have declared actual or potential conflicts. A director's conduct is also assessed during peer reviews and the board takes the outcomes into account in proposing directors for re-election by the shareholder.</p> <p>The Board, in conjunction with the Group's board, and through the Group's Social and Ethics Committee, is responsible for overseeing ethics and ethical conduct in the Company. The Social and Ethics Committee monitors and evaluates management's programmes aimed at embedding an ethical culture among employees.</p>
Responsible Corporate Citizenship and Regulatory Compliance	
<p>Principle 3</p> <p>The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.</p> <p>Expected Outcomes:</p> <ul style="list-style-type: none"> • Ethical culture (primary) • Legitimacy (primary) • Good performance (secondary) 	<p>Absa Bank's Practices</p> <p>Absa's corporate citizenship and regulatory compliance are governed in accordance with the framework set by the Group's board. The Group board, through the Social and Ethics Committee, approves policies and strategies, and monitors and evaluates programmes that strengthen and maintain the Group's standing as a good corporate citizenship.</p>
<p>Principle 13</p> <p>The governing body should govern compliance with laws and adopted non-binding rules, codes and standards in a</p>	<p>The Group's Role in Society philosophy guides Absa Bank's corporate citizenship programmes which leverage the Company's assets and expertise to address the societal challenges which the Company can most positively impact. Collaboration is key to the Company's approach, and the Company work with like-minded stakeholders to implement mutually beneficial solutions in supporting education and skills development, and to invest in enterprise development.</p>

<p>way that supports the organisation being ethical and a good corporate citizen.</p> <p>Expected Outcomes:</p> <ul style="list-style-type: none"> • Ethical culture (primary) • Legitimacy (primary) • Effective control (secondary) • Good performance (secondary) 	
Strategy and performance	
<p>Principle 4</p> <p>The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.</p>	<p>Absa Bank's Practices</p> <p>The Board is responsible for creating and delivering sustainable value for the shareholder by overseeing the management of the business. The Board: (i) approves the Company's strategic objectives, business plans and annual budgets; and (ii) monitors implementation of the strategy and plans according to the approved risk appetite, the available opportunities, and the macro and regulatory environment.</p> <p>Each Board Committee (through the Absa Group committees) monitors execution of the strategy and business plans according to its specific mandate.</p>
<p>Expected Outcomes:</p> <ul style="list-style-type: none"> • Good performance (primary) • Effective Control (secondary) 	
Reporting and Assurance	
<p>Principle 5</p> <p>The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and its short, medium and long-term prospects.</p>	<p>Absa Bank's Practices</p> <p>The Company's primary reports are the interim and annual financial statements, and the Pillar 3 risk and capital management reports disclosed on the corporate website covers Absa Bank. The Company's business activities are disclosed in the Group's Integrated Report.</p> <p>The Group's Audit and Compliance Committee oversees assurance services and the effectiveness of the Company's control environment.</p> <p>The Board is ultimately responsible for the integrity of the reports and approves the financial statements.</p>
<p>Principle 15</p> <p>The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.</p> <p>Expected Outcomes</p> <ul style="list-style-type: none"> • Effective control (primary) 	

<ul style="list-style-type: none"> • Good performance (primary) • Ethical culture (secondary) • Legitimacy (secondary) 	
Board's primary role and responsibility	
<p>Principle 6</p> <p>The governing body should serve as the focal point and custodian of corporate governance in the organisation.</p>	<p>Absa Bank's Practices</p> <p>The Board is the focal point and custodian of the Company's corporate governance as set out in the MoI and Board Charter as well as the Group's governance principles determined by the Group Board and contained in various policies and standards.</p> <p>The Board Charter is reviewed annually to ensure it remains abreast with regulatory changes and developments in corporate governance.</p>
<p>Expected Outcomes</p> <ul style="list-style-type: none"> • Effective control (primary) • Good performance (primary) 	
Board Composition	
<p>Principle 7</p> <p>The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.</p>	<p>Absa Bank's Practices</p> <p>The Company has a unitary board which currently comprises seven directors, five of whom are independent non-executive directors. The Group's Independent Chairman also chairs the Board. The chairs of all key Group committees serve on the Absa Bank Board.</p> <p>One-third of the directors retire by rotation annually at the annual general meeting with retiring directors standing for re-election, if eligible.</p> <p>When appointing new directors the board considers a range of factors including educational background, personal attributes, professional expertise, industry knowledge, gender, and ethnicity so as to enhance the collective skills of the Board. The Group Directors Affairs Committee (DAC) assists in identifying and recommending candidates and facilitating the formal and transparent appointment process as set out in the Board Charter. New directors receive induction training tailor-made to their needs to facilitate their understanding of the Company's business and optimise their contribution to the Board's deliberations.</p>
<p>Expected Outcomes</p> <ul style="list-style-type: none"> • Good performance (primary) 	
Delegation to Management and Committees	
<p>Principle 8</p> <p>The governing body should ensure that its</p>	<p>Absa Bank's Practices</p> <p>The shareholder/s delegate authority to the Board</p>

<p>arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.</p>	<p>through the Company's MoI and shareholder resolutions passed at the shareholder's meetings.</p>
<p>Principle 10</p> <p>The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.</p>	<p>The Board remains ultimately responsible for any delegated approvals made by committees on its behalf.</p> <p>The Board currently relies on the Absa Group Board's committees to assist in discharging its oversight duties and responsibilities. The following are the current committees:</p>
<p>Expected Outcomes</p> <ul style="list-style-type: none"> • Effective control (primary) • Good performance (primary) 	<ul style="list-style-type: none"> • Directors Affairs Committee • Group Audit and Compliance Committee • Group Risk and Capital Management Committee • Group Remuneration Committee • Social and Ethics Committee • Information Technology Committee • Credit Concentration Risk Committee • Board Finance Committee • Models Committee • Separation Oversight Committee (which is a temporary committee established to oversee the separation of the Absa Group from Barclays PLC). <p>In executing its oversight responsibilities the Board regularly interacts with the Group Chief Executive Officer, Financial Director and other members of the Group Executive Committee who are executives of the Company.</p>
<p>Board and committee performance evaluation</p>	
<p>Principle 9</p> <p>The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.</p>	<p>Absa Bank's Practices</p> <p>The effectiveness of the Board and performance of individual directors, the Chairman and corporate governance processes and procedures are assessed biennially (previously annually), against set criteria. Matters arising including areas requiring improvement and the remedial plans are presented to the Board. Remediation is monitored by the DAC</p>

<p>Expected Outcomes</p> <ul style="list-style-type: none"> • Good performance (primary) 	<p>until the next evaluation. The Chairman engages with individual directors on the outcomes of the peer reviews to address the areas for development or those of concern.</p>
<p>Risk Governance</p>	
<p>Principle 11</p> <p>The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.</p>	<p>Absa Bank's Practices</p> <p>The Board oversees the Company's risk management within the framework of the Group's enterprise risk management framework (incorporating the principal and key risks).</p>
<p>Expected Outcomes</p> <ul style="list-style-type: none"> • Effective control (primary) • Good performance (primary) 	<p>The Group Risk and Capital Management Committee assists the Board with the governance and oversight of risk, capital and liquidity management, including approving the Company's risk appetite.</p> <p>Other aspects of the Company's risks are monitored by committees as relevant to their mandates.</p> <p>Executive management of the Company is responsible for embedding risk in the organisation by ensuring that employees receive the necessary training to be able to identify, mitigate, manage and, when necessary escalate actual or potential risks within their work environment.</p> <p>The Company publishes comprehensive risk management reports on the Group's website.</p>
<p>Technology and Information Governance</p>	
<p>Principle 12</p> <p>The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.</p>	<p>Absa Bank's Practices</p> <p>The Group Information Technology Committee has overall oversight responsibility for information governance in the Group as detailed in the Absa Group's King IV disclosure and the Integrated Report.</p>
<p>Expected Outcomes:</p> <ul style="list-style-type: none"> • Effective control (primary) 	<p>The Group Audit and Compliance and Group Risk and Capital Management committees oversee selected components of the Company's IT governance.</p> <p>Executive management is responsible for the day-to-day execution of the IT strategy and the management of IT risk.</p>
<p>Remuneration Governance</p>	

<p>Principle 14</p> <p>The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.</p>	<p>Absa Bank’s Practices</p> <p>The Group Remuneration Committee assists the Group Board in overseeing group-wide strategic remuneration matters. Remuneration practices of the Company are governed within the Group’s overall remuneration framework.</p>
<p>Expected Outcomes</p> <ul style="list-style-type: none"> • Ethical culture (primary) • Good performance (primary) • Legitimacy (primary) • Effective control (secondary) 	<p>The Group’s remuneration principles and practices are designed to ensure remuneration is competitive, fair, incentivises performance, assists in retaining talent, reflects regulatory requirements and aligns with the Group’s conduct and risk expectations.</p>
<p>Stakeholder Relationships</p>	
<p>Principle 16</p> <p>In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.</p>	<p>Absa Bank’s Practices</p> <p>The Company’s approach to stakeholder relationships is guided by the decentralised stakeholder management approach approved by the Group Board.</p> <p>The Social and Ethics Committee is responsible for overseeing stakeholder governance in the Group.</p>
<p>Expected outcomes:</p> <ul style="list-style-type: none"> • Legitimacy (primary) • Good performance (secondary) 	<p>A comprehensive disclosure on the Group’s Stakeholder management and engagement approach and activities is included in the Group’s King IV application register and Integrated Report.</p>

RISK MANAGEMENT

Absa Bank Limited (“**Absa Bank**”) is a wholly owned subsidiary of Absa Group Limited (the “**Group**”) and conforms to the risk management policies set out by the Group. The framework is outlined below.

Absa Group Limited, together with its subsidiaries (the “**Absa Group**”) maintains an active approach towards managing both current and emerging risk through the continued operating effectiveness of its Board approved Enterprise Risk Management Framework (“**ERMF**”). The ERMF provides an integrated risk management framework designed to meet the challenges of the changing risk environment and to ensure that Absa Group's business growth plans are properly supported by effective risk management. This approach is underpinned by:

- a robust and aligned governance structure at an Absa Group, country and business level;
- well defined material risk categories known as principal risks;

- a three-lines-of-defence model, with clear accountability for managing, overseeing and independently assuring risks;
- comprehensive processes to evaluate, respond to, and monitor risks; and
- a sound architecture that sets out the appropriate risk practices, tools, techniques and organisational arrangements.

Risk Management Framework

The approach to managing risk is outlined in the ERMF, which provides the basis for setting policies and standards, and establishing appropriate risk practices throughout the Group. It defines the risk management process and sets out the activities, tools, techniques and organisational arrangements to ensure that material risks can be identified and managed. It ensures that appropriate responses are in place to protect the Bank and its stakeholders. The following foundations underpin the ERMF:

- A robust and consistent governance structure at an Absa Group, country and business level.
- Well defined material risk categories known as principle risks.
- All three lined of defense model with clear accountability for managing and overseeing.
- A comprehensive process to evaluate, respond to and monitor risks.
- A robust risk operating model which provides clear roles and responsibilities.

The ERMF sets out the principal risks, and assigns clear ownership and accountability for these risks. The ERMF defines credit, market, treasury, insurance, operational, model, conduct, reputation and legal risks as principle risks in recognition of their significance to the Absa Group's strategic ambitions.

Credit risk, market risk and treasury risk and insurance risk are collectively known as “**financial principal risks**”. The remaining risks are referred to as “non-financial principal risks” (together with the financial principal risks, the “**principal risks**”).

Individual events may entail more than one principal risk. For example, internal fraud by a trader may expose Absa Bank to operational and market risks as well as many aspects of conduct risk.

This is not an exhaustive list of risks to which Absa Bank is subject. For example, Absa Bank is also subject to political and regulatory risks. While these may be very consequential, and assessed from time to time in the planning and decision making process, they are not considered principal risks. These other risks are, however, subject to ERMF framework and oversight by Risk Management.

The Absa Group's Risk and Capital Management Committee periodically reviews the list of principal risks to consider if new risks have emerged that should be included in the framework.

Risk Process: Evaluate-respond-monitor

A structured and practical risk management approach to identify and assess the risk, determine the appropriate response, and then monitor the effectiveness of the response and the changes to the risk profile.

Evaluate: individuals, teams and departments, including those responsible for delivering the objective under review, identify and assess the potential risks.

Respond: The appropriate risk response ensures that risks are managed within risk appetite. This includes risk mitigation; risk transfer; and ceasing certain activities.

Monitor: Ensure that risk profiles remain within agreed appetite levels, verify that controls are working as intended, and challenge or promote re-evaluation of the risks.

The role of risk management is to evaluate, respond to, and monitor risks in the execution of the Absa Group's strategy. The business strategy is supported by an effective ERMF.

The approach to managing risk is outlined in the ERMF, which provides the basis for setting policies and standards, and establishing appropriate risk practices throughout the Group. It also defines the risk management process and sets out the activities, tools, techniques and organisational arrangements to ensure that material risks can be identified and managed. It ensures that appropriate responses are in place to protect the Absa Group and its stakeholders. The Absa Group's Risk Function performs review and challenge, and retains independence in analysis and decision-making, underpinned by regular reporting to the GRCMC.

The ERMF sets out the principal risks, and assigns clear ownership and accountability for these risks. The ERMF defines credit, market, treasury, insurance, operational, model, conduct, reputation and legal risks as principal risks in recognition of their significance to the Absa Group's strategic ambitions. The GCRO is the owner of the ERMF.

Risk Strategy and Appetite

The Absa Group creates, grows and protects wealth through its banking, insurance and wealth businesses, by implementing the Absa Group's strategy which focuses on opportunities for growth and takes into account the matters believed to be material to long-term sustainability. The Absa Group's strategy is the key driver of risk and return, and should be achieved within risk appetite.

The risk strategy is developed alongside the Absa Group's business strategy and forms an integral part of the integrated planning process. Within the risk strategy, risk appetite defines the nature and amount of risk that the Absa Group is willing to take to meet its strategic objectives. This is set at the start of the strategic planning process to ensure that the business strategy is achievable within risk appetite, and that risk information is considered in the organisation's decision-making and planning process.

The Absa Group's risk Appetite:

- Specifies the level of risk the Absa Group is willing to take.
- Considers all principal and material risks individually and, where appropriate, in aggregate.
- Consistently measures, monitors and communicates the level of risk for different risk types, expressed in qualitative and quantitative terms.
- Describes agreed parameters for the Absa Group's performance under varying levels of financial stress with respect to earnings, capital adequacy, leverage and liquidity ratios.
- Is considered in key decision-making processes, including business planning, mergers and acquisitions, new product approvals and business change initiatives.

Quantitative metrics	risk	appetite	Definition
Total RC coverage			The extent to which the Absa Group is adequately capitalised on regulatory basis for both its banking and insurance businesses
CET1 ratio (%)			The extent to which the Absa Group is adequately capitalised with CET1
EC coverage			The extent to which the Absa Group is adequately capitalised on an economic basis
Accounting (EaR) (%)	earnings-at-risk		Percentage of profit before tax potentially lost over a 12 month period
Loan loss rate (bps)			Level of credit losses in the Absa Group's credit portfolios
LCR (%) (Basel III)			The Absa Group's sufficiency of high-quality liquid assets relative to total net cash outflows over a 30 day period
Leverage ratio (%) (Basel III)			Level of leverage in the Absa Group per unit of qualifying Tier 1 RC

The Absa Group's risk appetite is stated qualitatively in terms of risk principles and risk preferences, with reference given to the types of risk the Absa Group actively seeks as well as those it accepts and avoids. In addition, the maximum amount of risk that the Absa Group is prepared to accept in pursuit of its business objectives is defined using a range of quantitative metrics relating to capital adequacy, earnings volatility, liquidity, and leverage. These are cascaded to the level of principal risk, legal entity and business unit.

Qualitative risk appetite

Risk principles provide a high level perspective on how the Absa Group thinks about risk and reward. The Absa Group's risk principles state that:

- The Absa Group takes on only those risks that it understands, has the skills to monitor and manage, and can price for appropriately. This is to ensure that expected reward exceeds minimum risk-adjusted return for shareholders.
- The Absa Group prefers risks that are capital efficient. In assessing capital efficiency, the impact of diversification or concentration on the existing risk profile is considered.
- The Absa Group considers risk by legal entity and BU taking into account the available risk budget in the BU and in aggregate at the Absa Group level.
- The Absa Group avoids risks where it exposes itself to volatile or potentially extreme adverse outcomes.
- Additional qualitative statements and risk appetite metrics relevant for the risk types, legal entities and BUs are defined to align strategy execution and to support the Absa Group's defined risk appetite.

Stress Testing

Stress testing and scenario analysis are key elements of the Absa Group's integrated planning and risk management processes. Through the use of stress testing and scenario analysis, the Group is able to assess the performance and resilience of the Absa Group's business in the expected economic environment and also evaluate the potential impact of adverse economic conditions, using and applying the information in the process of setting risk appetite.

Stress testing is conducted across all legal entities, BUs, risk types, as well as at Absa Group level. This is supported by a framework, policies, and procedures, adhering to internal and external stakeholder requirements, and benchmarked against best practice.

The stress testing results are reviewed by management and the Board and have been incorporated into the Absa Group's internal capital adequacy assessment process (ICAAP) and the recovery and resolution plan. Additionally, the Absa Group performs ad hoc stress tests for internal and regulatory purposes, aimed at informing strategic and risk decisions. These are based on stress scenarios at varying and sufficient degrees of severity and applying various projection techniques.

The following types of stress tests are performed:

Type of exercise	Purpose	Scenario type	Approach	Frequency
Internal enterprise-wide stress testing	Evaluates the impact of changing market variables on business decisions (e.g. financial, capital, funding capital implications)	Based on a range of plausible macroeconomic scenarios ranging from mild to severe stresses	Largely bottom-up approaches, with specific risks being effected through top-down approaches	At least annually
Supervisory stress testing	Evaluates the impact of regulator determined scenarios on key regulatory measures (e.g. capital, liquidity and operational targets and metrics)	Based on macroeconomic scenarios provided by regulatory authorities	The approach taken varies based on regulatory scenarios. However, it is largely a top-down approach focusing mainly on an asset class, legal entity or Absa Group-wide stress assessment	As directed by the Regulator
Risk type and ad-hoc stress testing	Typically evaluates sensitivity of a specific risk type, combination of risk types, business line, portfolio or legal entity to a single shock or multiple shocks	Based on a combination of internally determined use case scenarios ranging from mild to severe stress scenarios and idiosyncratic risks.	Largely top-down approaches used	Ad-hoc

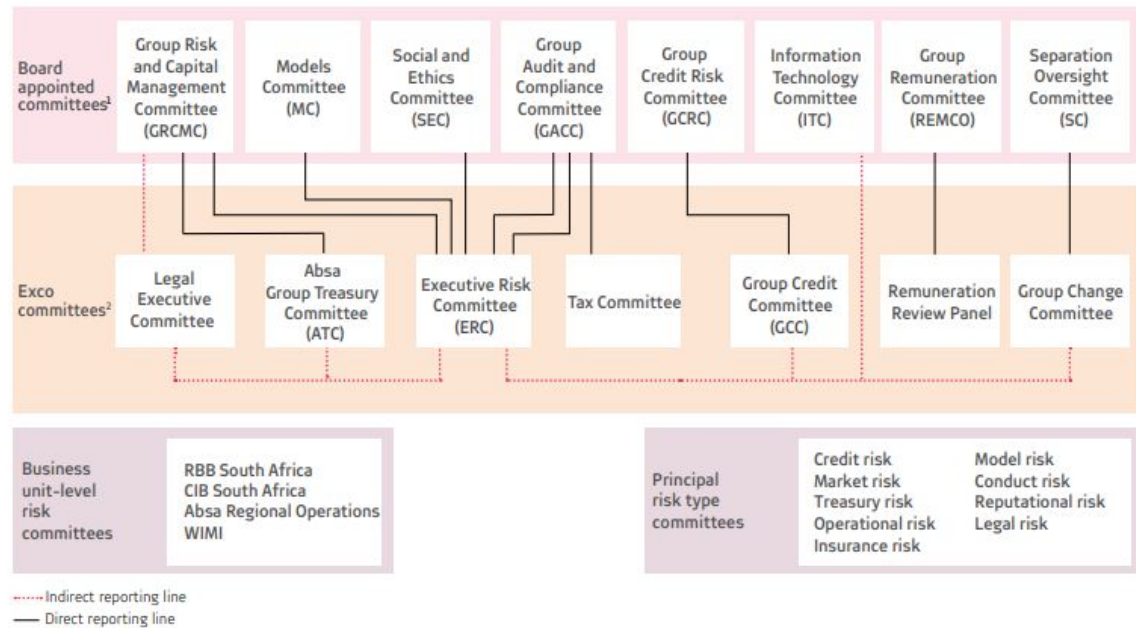
Reverse and business model stress testing	Assists the Absa Group in understanding key risks and scenarios that may put business strategies and continuance as a ‘going concern’ at risk, as well as understanding the effectiveness and credibility of proposed recovery actions	Based on extremely severe stress scenarios that would result in the bank reaching a ‘point of failure’ without the use of any recovery actions	Largely top-down approaches used	Annually
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Risk Architecture

The ERMF sets out the activities, tools, techniques and organisational arrangements to ensure that material risks can be identified and managed. It ensures that appropriate responses are in place to protect the Absa Group and its stakeholders. The following tools and techniques are key in the risk architecture:

- **Risk culture:** The code of conduct outlines the values and behaviours which govern the way of working. It constitutes a reference point covering all aspects of employees’ working relationships, specifically with other employees, customers and clients, governments and regulators, business partners, suppliers, competitors and the broader community. The objective of the code of conduct is to define the way the Absa Group thinks, works and acts to ensure it delivers against its purpose of helping people to bring their possibilities to life. The code of conduct sets out the ethical and professional attitudes and behaviours expected of the Group and its employees.
- **Three lines of defense:** A ‘three lines of defense’ model is applied to govern risk across all segments and functions. The ERMF assigns specific responsibilities to each line of defense:
 1. **First line:** process and control owners in customer and client-facing business segments and Absa Group functions who are responsible for managing end-to-end risks and control in their businesses;
 2. **Second line:** independent risk, compliance, legal and control functions who formulate and control policies and review the first’s line adherence to these; and
 3. **Third line:** internal and external audit functions that confirm, through control testing and other reviews, that the first and second lines execute their responsibilities in an effective and consistent manner.
- **Governance:** The Absa Group Board is supported by a number of committees at Board, Executive, and Business level.

Absa Group Board



- Combined assurance:** A combined assurance model is applied and requires co-ordinated activity across the three lines of defence. The objective of combined assurance is to optimise overall assurance to enable a holistic and integrated view of the risk and control environment to be delivered to Management, the Executive and the Board. The Absa Group seeks to have a greater level of process automation and a higher proportion of preventative controls, wherever possible. The combined assurance strategy is a risk-based approach, which focuses on those aspects that are most material to the Absa Group. The Absa Group's combined assurance model is aligned to King IV requirements. Each business is expected to drive the coordination of assurance activities across the three lines of defense by implementing effective governance and oversight processes. The aim is for each business to demonstrate adequate coverage over critical process assessments (CPAs), material control issue remediation, strategic change initiatives, as well as senior management, Board and regulatory requests. In addition, businesses are expected to demonstrate appropriate remedial responses to the identification of unacceptable residual risk exposure and control issues. Combined Assurance coverage and output is reported and tracked at the business and functional levels, and is reported to the ERC and the GACC

Framework, policies and standards

The Absa Group has a policy hierarchy in place, which delivers broad, consistent Group requirements through:

- Implementing Absa Group-wide frameworks, policies and standards.
- Limiting variation from Absa Group minimum requirements and policy to circumstances where specific jurisdictional legal or regulatory requirements apply.
- Mandating alignment of governance documentation to the requirements and definitions of the hierarchy.

This drives consistency and efficiency and enables enhanced aggregation and risk oversight across the businesses and improved 'line of sight' to all levels of management. The hierarchy has five-tiers, with each level cascading from the one above. Starting with the ERMF; Principle Risk

Framework; Group-wide policies; Standards and, ending with, Business processes and procedures. The degree of granularity and specificity of requirements increases as the levels descend.

- **Human Capital:** Sustained focus on employees, as a differentiating asset, has enabled the Bank to accelerate progress. Central to this is leadership continuity, critical skills retention, and ability to attract and engage quality employees. Significant investment in employee development and strengthening the employer brand is being made. This includes building the leadership and managerial depth to underpin future ambitions.
- **Data:** Internal and external data is utilised in meeting regulatory requirements and the management of risk. Selected data and analytics partnerships with third parties are entered into to enhance and heighten understanding of customers and clients. Third parties may include public and private sector corporate clients, bureaus and other data providers. Internal data is owned and managed by the respective business units with regular assessment of data quality via their respective risk governance structures. All key datasets are subject to the requirements of data policies and standards.
- **Technology:** Technology is a building block for risk management practices, and to this end solutions are focussed on:
 - Data collection and storage;
 - Risk analysis and modelling;
 - Risk assessment, monitoring and control; and
 - Risk reporting and communication.

Principal Risks

The ERMF includes those risks taken by the Absa Group that are foreseeable and material enough to merit establishing specific group-wide control frameworks. These are grouped into nine principal risks, which account for the vast majority of the total risk faced by the Absa Group.

- Financial principal risks
 - Credit risk
 - Market risk
 - Treasury risk
 - Insurance risk
- Non-financial principal risks
 - Operational risk
 - Model risk
 - Conduct risk
 - Reputation risk
 - Legal risk

The ERMF is reviewed and approved annually by the Board, on recommendation by the GRCMC. In its latest design review, the ERMF was amended to define treasury, insurance, model, reputation and legal risks as principal risks in recognition of their significance to the Group's strategic ambitions.

The Group Chief Executive grants authority and responsibility to the GCRO to ensure the principal risks are managed under appropriate risk control frameworks and within the constraints of the Board-approved risk appetite and risk budget.

Individual events may entail more than one principal risk. For example, internal fraud by a trader may expose the Absa Group to operational and market risks as well as many aspects of conduct risk.

Credit risk, market risk, treasury risk and insurance risk are collectively known as financial principal risks. The remaining risks are referred to as non-financial principal risks.

This is not an exhaustive list of risks to which the Absa Group is subject. For example, the Absa Group is also subject to political and regulatory risks in the jurisdictions in which it operates. While these may be consequential, and are assessed from time to time in the planning and decision-making of the Absa Group, they are not considered principal risks. These other risks are, however, subject to this framework and oversight by Risk Management.

The Group Chief Risk Officer is accountable for ensuring that frameworks, policies and associated standards are developed and implemented for each of the financial principal risks, operational risk and model risk and that they are subject to limits, monitored, reported on and escalated as required. The Chief Compliance Officer is likewise accountable for conduct risk and reputation risk, and the Group General Counsel for legal risk.

Credit Risk

Credit risk is the risk of suffering financial loss due to a borrower, counterparty to a derivative transaction, or an issuer of debt securities defaulting on its contractual obligations.

Priorities

- Closely monitor changes in the macroeconomic, political and regulatory environment to identify and manage risks at an early stage, with a focus on potential tail risk events.
- Maintain a credit portfolio that is diversified in terms of key concentration dimensions such as individual counterparties, geographies, industries, products and collateral, and ensure that concentration levels are in line with the Absa Group's strategy and risk appetite.
- Maintain and further develop a team of qualified credit professionals.
- Retain focus on regulatory changes, including a proposed rollout of a standardised CCR capital approach, new regulatory large exposure rules and Basel III (finalising post crisis reforms in terms of the BCBS Standard) capital rules for credit risk.

Risk identification and risk management

The ERMF, owned by the Group Chief Risk Officer and approved by the Board, details the various principal risks, their supporting frameworks and policies, the governance of these risks, the key responsibilities across the three lines of defence, the risk management accountabilities and responsibilities of the Group Executive committee members and the approach to measure implementation of the Framework. Credit risk is identified within the ERMF as a principal risk.

The Credit Risk Framework sets out: the credit policies, the credit risk management methodology, the governance structure, and the implementation and measurement principles for the management of credit risk.

Absa Group credit policies augment the framework and contain detailed control objectives that must be met.

The management of credit risk is done in accordance with the Absa Group's three lines of defence model. This depicts the relationship between the Credit Risk function, Compliance and Internal Audit. Both the Credit Risk function and Compliance are positioned in the second line of defence. The Credit Risk functions embedded in the business units are responsible for providing oversight over the risk-taking activities of business areas. The Group Credit Risk function under the Principal Credit Risk Officer is responsible for credit policies and the provision of independent credit risk assurance services. Internal Audit is positioned in the third line of defence.

Governance and Reporting

The credit risk management and control function consists of committees at Board, executive management and business unit level. Group Chief Credit Officer (GCCO) is responsible for the following Board-level reporting:

- To provide GCRC with an overview of the Bank's credit portfolio, including an evaluation of the performance of the various credit portfolios, emerging risks, and material concentrations, and incorporating agreed management actions as appropriate.
- To provide GRMC with a summarised report of the credit exposures and portfolios and any specific points of discussion emerging out of the GCRC review.
- To provide a summary review of the Absa Group's impairment position to GACC.

Credit Quality of Assets

Various regulatory and accounting terms are used to refer to assets that are not performing as expected at the time of origination, particularly:

- Stage 1 Performing (not impaired):
 - Performing loans with no significant deterioration in credit quality since origination
 - Accounts in current status
 - 30 days past due (dpd) back stop

12 month expected losses = entire lifetime cash shortfall expected if a default occurs within 12 months of reporting date

- **Stage 2 Performing (credit deteriorated):**
 - Arrears >30 dpd
 - PD deterioration rules since origination
 - High Risk (12 months' minimum cure period)

- Watch list framework applied to the Wholesale portfolio, which is used to identify customers facing financial difficulties or where there are grounds for concern regarding their financial health

Lifetime expected credit losses = possible default events over the expected life of a financial instrument

- **Stage 3 Non-performing (credit impaired):**
 - Credit impaired on origination or subsequent to initial recognition
 - Regulatory default being:
 - 90 days past due
 - Unlikelihood to pay indicators
 - Distressed restructures (cure period = forbearance plan period)
 - Debt counselling (cure period = debt review period to a maximum of 5 years)

Lifetime expected credit losses including consideration of cures and subsequent re-defaults

Measuring and managing credit concentrations

Credit risk management includes the management of concentrations, or pools of exposures, whose collective performance has the potential to affect a bank negatively even if each individual transaction within a pool is soundly underwritten. When exposures in a pool are sensitive to the same economic or business conditions, that sensitivity, if triggered, may cause the sum of the transactions to perform as if it were a single, large exposure.

The GCRC has the overall responsibility for the oversight of credit concentration risk in the Group and approves single name large exposures. Credit concentration risk is managed from the following perspectives:

- **Large exposures and maximum exposure guidelines:** Reviews of large exposures to a single counterparty or group of counterparties are done in accordance with regulatory requirements, with GCRC fulfilling Board level responsibilities in terms of this requirement. In addition to the regulatory requirements, a framework of internally derived maximum exposure guidelines inform risk appetite guideline levels to single counterparties or group of counterparties, with risk appetite scaled according to PD.
- **Mandate and scale:** Mandate and scales are selected on the basis that they isolate segments of high loss volatilities (i.e. where loss rates increase disproportionately relative to the remainder of the portfolio in a stress environment) or, where concentrations are considered to be of significance. Absa Groups of exposures are considered according to sector/industry, collateral, maturity, product, and transactions with similar underwriting criteria.
- **Country risk:** Country risk involves the risk of default by obligors on their cross-border obligations due to implementation of capital controls (transfer risk) and/or a risk of loss

occurring as a result of a country event (e.g. adverse political and legal changes, or macroeconomic (jurisdiction risk) or environmental factors).

The Absa Group maintains a well-diversified portfolio of credit assets. Concentrations exist in the following areas which flow from the Absa Group's position and role in the South African economy:

- Private households, and specifically the home loans asset class due to the Absa Group's position as a major retail bank in the South African market.
- Sovereign exposure largely due to the Absa Group's liquid asset portfolio holdings.
- South Africa geographic exposure due to South Africa being the Absa Group's home base.
- Banks, due to the Absa Group's funding and trading (hedging activities), with trade activity subject to daily margining requirements.

Credit risk mitigation (CRM)

CRM is the technique used to reduce credit risk associated with an exposure, and consequently to reduce potential losses in the event of obligor default or other specified credit events. Collateral is applied internally to mitigate underwriting risk where appropriate, and externally for RWA and RC purposes, where eligible.

Risk mitigants are classified as either funded or unfunded collateral. Funded collateral includes financial collateral (i.e. cash/deposits), physical collateral (i.e. fixed property) and other such receivables. Unfunded collateral includes guarantees, set-off (where legally enforceable), risk participations, and other.

Collateral is a secondary consideration for the protection of the Absa Group's lending activities as and when applicable to the specific type of lending under consideration. The main underwriting consideration remains an assessment of the primary exit from the exposure based on a cash-flow basis.

Generally, one or more forms of CRM are used in the credit approval process. The use and approach to CRM varies by product type, portfolio, customer and business strategy. Minimum requirements are prescribed in policies and standards, and cover inter alia valuations, haircuts and any required volatility adjustments, conditions or restrictions, legal certainty, correlations, concentrations, and other.

Valuation of collateral

The Absa Group uses a number of approaches for the valuation of collateral that is not in a defaulted state, including physical inspection, an automated valuation model (AVM), desktop valuations, statistical indexing and price volatility modelling. Valuations are refreshed on a regular basis, with the frequency of valuation reviews based on the specific collateral type.

Once an asset becomes non-performing, the following is triggered:

- In the wholesale portfolio, collateral valuations are updated and impairment risk is assessed. These valuations and capital at risk are reviewed regularly to ensure impairments remain adequate.

- In the retail portfolio, mortgage asset valuations are updated using an AVM, while an indexing methodology is used for instalment sale assets. High value property assets are valued through a physical valuation. Valuations are updated at least six monthly.

The banking book collateral management process is focused on the efficient handling and processing of a large number of cases in the retail portfolio and the lower end of the corporate sector, therefore relying heavily on the Absa Group's collateral and document management systems. For larger wholesale exposures and capital market transactions, collateral is managed jointly between the credit and legal functions as transactions and associated legal agreements are often bespoke in nature. All security structures and legal covenants are reviewed at least annually to ensure they remain fit for purpose and consistent with accepted market practice.

Types of guarantor and credit derivative counterparties

In the commercial, corporate and financial sector, reliance is often placed on a third party guarantor, which may be a parent company to the borrower, a major shareholder or a bank. Similarly, credit derivative transactions are sometimes used to hedge specific parts of any single name risk in the wholesale portfolio. For these transactions, the most common counterparties or issuers are banks, non-bank financial institutions, large corporates and governments. The creditworthiness of the guarantor or derivative counterparty/issuer is assessed as part of the credit approval process and the value of such a guarantee or derivative contract is recorded against the guarantor/issuer's credit limits.

Credit risk approach

The Absa Group uses the standardised credit risk approach for its Absa Regional Operations banking book portfolios (both wholesale and retail), and in South Africa for the Edcon retail portfolio. Due to the relative scarcity of data, the Absa Regional Operations portfolios are not currently on the IRB migration plan.

Standard and Poor's and Moody's ratings are used by the Absa Group as input into standardised capital formulas for the Absa Group, corporate and sovereign asset classes. Rating agencies have limited coverage in the Absa Regional Operations where the Absa Group applies the SA. Where more than one rating is available, the more conservative rating is applied. Issuer ratings are generally used. Obligors that are not rated externally are classified as unrated for RC purposes.

Credit risk under the internal ratings based (IRB) approach

The principal objective of credit modelling is to produce the most accurate possible quantitative assessment of credit risk to which the Absa Group is exposed from the level of individual facilities up to the total portfolio. Integral to this is the calculation of internal credit parameters that are used for credit risk management purposes and in the calculation of RC, EC and impairment requirements. The key credit parameters used in this process are EAD, PD, LGD, maturity (M) and asset correlation.

Key risk parameters used in credit risk measurement

EAD Exposure at default	PD Probability of default	LGD Loss given default	M Maturity	Correlation Correlation
An estimate of the level of credit exposure, should the obligor default occur during the next (rolling) 12-month period.	Represents the likelihood that an individual obligator/facility will default during the next (rolling) 12-month period.	Represents an estimate of the percentage of EAD that will not be recovered, should the obligator/facility default occur during the next (rolling) 12-month period.	Remaining time until the contractual maturity date of the loan or other credit facility.	Measures to what extent the risks in the various industry sector and regions in the loan portfolio are related to common factors.

These parameters can be calculated to represent different views of the credit cycle, which are used in different applications:

Through-the-cycle (TTC): reflecting the predicted default frequency in an average 12-month period across the credit cycle.	Downturn (DT): reflecting behaviour observed under stressed economic conditions.
Point-in-time (PIT): reflecting the predicted default frequency contingent on the macroeconomic environment.	Long run (LR): reflecting business-as-usual measures or behaviour under benign/average conditions.

Internal and vendor-supplied credit models are used to estimate the key credit parameters of EAD, PD, LGD and asset correlation. The Absa Group uses different modelling methodologies, ranging from pure statistical models and cash flow models to expert-based models, taking into account quantitative and qualitative risk drivers. To provide a common measure of default risk across the Absa Group, an internal default grade scale is used. This scale is mapped to a scale of default probabilities for regulatory reporting purposes and to external agency ratings for benchmarking purposes. The application of the key risk parameters in credit risk measurement and decision-making is set out in the following tables:

Application of key risk parameters in credit risk measurement

EAD Exposure at default	PD Probability of default	LGD Loss given default	M Maturity	Correlation Correlation
Expected loss (EL): the EL calculation is determined making use of EAD, TTC, PD and depending on being a DT EL or LR EL will make use of either the DT LGD or LR LGD respectively.				
Impairment parameters: the Impairment calculation makes use of EAD considering all contractual terms over the lifetime of the instrument, PD reflecting the current and future economic cycles to the extent relevant to the remaining life of the loan calculated at a PIT and a current or forward looking LGD reflecting impact of economic scenarios.				
RC parameters: The RC calculation makes use of EAD, TTC PD, DT LGD and contractual maturity.				
EC parameters: The EC calculation makes use of EAD, TTC PD, LR LGD, contractual maturity as well as asset correlation, including PD-LGD correlation.				

Application of key risk parameters in credit risk decision making

Credit approval	PD models are used in the approval process in both retail and wholesale portfolios. In high volume retail portfolios, application and behaviour scorecards are frequently used as decision-making tools. In wholesale and certain retail home loan portfolios, PD models are used to direct applications to an appropriate credit sanctioning level.
Risk-reward and pricing	PD, EAD and LGD metrics are used to assess the profitability of deals and portfolios and to allow for risk-adjusted pricing and strategy decisions.
Risk appetite setting and monitoring	RC and EC (including measures of earnings volatility) are used in the Group's risk appetite framework. Measures of stressed losses and capital utilisation are used in the setting of concentration risk limits.
Risk profile reporting	Credit risk reports to Board and senior management make use of model outputs to describe the Group's credit risk profile.

Counterparty credit risk

CCR risk arises from the failure of an obligor to meet their payment obligations under a derivative or securities financing agreement. This includes failure to pay a regular cash flow, make a specific

payment or deliver an asset. The credit risk that relates to a derivative or securities financing transaction (SFT) does not remain static over time, but changes due to movement in underlying market variables. The loss to the Bank is the cost of replacing or closing out the contract and is recognised as a trading loss.

The CCR policy details the following objectives:

- **CCR measurement:** The Absa Group uses two principal CCR exposure measures: Current Exposure (CE) and Potential Future Exposure (PFE). Both of these exposure measures must be measured, at a minimum, on a daily basis. PFE's are measured at a 98% confidence level.
- **Limit approval:** The principle of 'No Limit, No Trade' is strictly applied and all limits are to be approved by the risk sanctioning unit. All credit limits are considered uncommitted and are revocable at any time. Break clauses are used to establish early termination rights.
- **Risk mitigants:** Cash and/or financial securities can be accepted to offset the exposure to trading positions which lead to counterparty credit risk.
- **Exposure monitoring:** The monitoring of CCR activities is done through the management of limit excesses and failed trades.
- **Stress testing:** Stress testing is used to assess exposures to obligors or obligor groups and potential bank losses under stress scenarios. Stress scenarios range from extreme but plausible events to less extreme but more probable stressed market conditions. The CCR policy also details 'correlated' risk (wrong way risk), agent trading, electronic trading, prime brokerage and deal contingency.

Securitisation

Securitisation transactions are used as a means of raising long-term funding. The Absa Group currently does not undertake any securitisation transactions apart from the SARB committed liquidity facility (CLF) which is a nonmarket securitisation transaction. Home loans are sold into a special purpose vehicle (SPV) structure, notes are issued to Absa Bank to fund this acquisition, and the senior notes are ceded to the SARB as collateral for the CLF.

Market Risk

Market risk is the risk of loss to the Absa Group arising from potential adverse changes in the value of the firm's assets and liabilities held in the trading book from fluctuations in market variables including, but not limited to, interest rates, foreign exchange, equity prices, commodity prices, credit spreads, implied volatilities or asset correlations.

Priorities

- Continue to manage traded market risk within risk appetite under volatile and event driven conditions.
- Implement the operating model and infrastructure to support the requirements of the Fundamental Review of the Trading Book standard (FRTB).

Risk identification and management

The first line of defence for market risk management resides with BU heads. An independent market risk team, which reports to the Chief Risk Officer, is responsible for the oversight of the

BUs ensuring that they remain within the set limits, including VaR, sensitivity, loss threshold and stress testing. Limits and thresholds are reviewed and set at the Absa Group level and allocated to BUs at least annually. The Market Risk function ensures limit and threshold excesses are reviewed and managed in accordance with an action plan approved by Market Risk or brought back in line when they occur. Excesses and actions are reported to the Group Market Risk Committee (GMRC).

Traded market risk management objectives are to:

- Embed appropriate models to measure risk.
- Ensure risk is managed within the Absa Group's appetite by monitoring risk against the limit and appetite framework.
- Understand risk sensitivity and the impact of volatility on the portfolio.
- Understand concentration risk, risk correlations and basis risk across the portfolio.
- Utilise stress testing and empirical analytics to supplement model-based risk management.

The Absa Group aims to manage traded market risk in a way that limits earnings volatility and ensures risk utilisation is within the Absa Group's allocated appetite. Market Risk is taken by the Group to support the demands of the Absa Group's clients, to facilitate market liquidity as a market maker and take advantage of short term market mispricing. Market Risk is controlled by strong risk management frameworks, policies and standards, supported by daily limit monitoring.

A number of techniques are used to measure and control traded market risk on a daily basis. These include:

- VaR based measures including sVaR, supported by model backtesting.
- Tail metrics.
- Position and sensitivity metrics.
- Stress testing.
- EAD risk monitoring.
- Standardised general and specific risk.
- EC and EaR.
- Valuation control, independent price and bid-offer testing conducted by the Independent Valuation Control team within Product Control.

A limit structure is in place for each of the above metrics. These are set and reviewed at least annually to control the Absa Group's trading activities, in line with the allocated risk appetite. The criteria for allocating risk limits to businesses include relevant market analysis, market liquidity and business strategy.

Daily value at risk (DVaR)

DVaR provides an estimate of the potential loss, at a chosen confidence level, that may arise from unfavourable market movements if current positions were held unchanged for one business day.

The Absa Group uses an internal DVaR model based on the historical simulation method to derive the quantitative market risk measures under normal conditions. The DVaR model utilises two-year data history of unweighted historical market moves, a holding period of one day and a confidence interval of 95% for risk management purposes.

The historical simulation methodology can be split into three parts:

- Calculate hypothetical daily profit or loss for each position, using observed daily market moves (absolute rate/price/volatility changes) between consecutive business days via a full revaluation approach.
- Sum all hypothetical profits or losses for each position, giving a total profit or loss. Maintain a two-year history of positions.
- Calculate DVaR as the 95th percentile loss selected from the resultant two-year historic period of daily hypothetical net profit or loss amounts.

Daily losses in excess of the DVaR figure are likely to occur, on average, up to 26 times over the two-year period.

This internal model is also used for measuring VaR over both a one-day and 10-day holding period (via a scalar² assuming no autocorrelation to increase the holding period time horizon) at a 99% confidence level for regulatory backtesting and RC calculation purposes. The VaR internal model is approved by the PA to calculate the RC for all trading book exposures, including certain banking book exposures. The PA has assigned a DVaR model multiplier to be used in the calculation of RC. The approval covers general position-risk across the following risk types: interest rate, foreign exchange, commodity, equity and traded credit products.

DVaR is an important market risk measurement and control tool. As such the performance of the model is regularly assessed for continued suitability. The main technique employed is backtesting, which counts the number of days where the daily trading losses exceed the corresponding VaR estimate. Backtesting measures the daily losses against VaR assuming a one-day holding period and a 99% level of confidence. Backtesting reports are monitored daily.

The VaR estimates have a number of known limitations namely:

- The historical simulation assumes that the past is a good representation of the future³, which might not always be the case.
- The assumed time horizon does not fully capture the market risk of positions that cannot be closed out or hedged within this time horizon.
- The VaR may underestimate the severity of potential losses.
- The VaR is based on positions at the close of the business day. The intra-day risk or the risk from a position being bought and sold on the same day is not captured.
- Prudent valuation practices are used in the VaR calculation when there is difficulty in obtaining historical rates/price information.
- VaR is not additive, e.g. two VaR amounts may not simply be combined from different parts of a business due to correlation and diversification.

As a result of these limitations, tail risk metrics, stress testing and position and sensitivity measures are used to complement VaR in the management of traded market risk.

Backtesting

The Absa Group conducts backtesting of the VaR risk measurement model against:

- The theoretical PnL representing the change in the value of the portfolio as computed by the risk system under the assumption that the portfolio holdings remain constant for the holding period.
- The actual PnL representing the actual daily trading outcome from price moves only (excluding fees, commissions, provisions, net interest income (NII) and the time value of money), as required for regulatory backtesting purposes.

Stressed value at risk (sVaR)

The sVaR is an estimate of the potential loss arising from a 12-month period of significant financial stress. The sVaR internal model is approved by the PA to calculate the RC for all trading book exposures, including certain banking book exposures. The PA has assigned a sVaR model multiplier to be used in the calculation of RC. The sVaR methodology is the same as that used to calculate DVaR but is based on inputs calibrated to historical data from the chosen 12-month stress period. A regular process is applied to assess the stress period that is most relevant to the bank's portfolio in accordance with the approved methodology. The sVaR RC requirement is calculated daily and is disclosed for the reporting period. Regulatory coverage and reporting of sVaR follows the same approach as VaR (refer to disclosure above). The sVaR historical period remained 2008/2009.

Stress testing

Stress testing provides an indication of the potential size of losses that could occur in extreme conditions. Stress testing assists in identifying risk concentrations across business lines and assists senior management in making capital planning decisions. The Absa Group performs two main types of stress/scenario testing:

- Risk factor stress testing is carried out by applying historical stress moves to each of the main risk categories (including interest rate, equity, foreign exchange, commodity, and credit spread risk) and is an estimate of potential losses that might arise from extreme market moves or scenarios to key liquid and illiquid risk factors.
- The trading book is subjected to multi-factor scenarios that simulate past periods of significant market disturbance and hypothetical extreme, yet plausible, events that may impact the market risk exposure across liquid and illiquid risk factors at the same time.

These are reported based on the concurrent aggregation of all risk factors including cross-risk factor effects. Scenarios are reviewed at least annually. A full revaluation approach is applied to undertake stress testing for South Africa's trading books and a sensitivity based approach is used for the Absa Regional Operations. The results are monitored against approved limits and thresholds.

Tail risk metrics

Tail risk metrics highlight the risk beyond the percentile selected for DVaR. The two tail risk metrics chosen for daily monitoring, using the current portfolio and two years of unweighted historical market moves, are:

- The average of the worst three hypothetical losses from the historical simulation.

- Expected shortfall (also referred to as expected tail loss). This is the average of all hypothetical losses from the historical simulation beyond the 95th percentile used for the DVaR.

Risk Sensitivities and exposures

The risk sensitivity reporting covers non-statistical measures for calculating and monitoring risk sensitivities and exposures as well as gross notional limits, issuer risk limits and concentration exposure where appropriate. All asset classes and product types have risk sensitivity reporting and limit monitoring. These limits are aligned to DVaR limits, but do not bear a direct linear relationship.

Standardised approach

General risk for the Absa Regional Operations is quantified using standardised rules. In particular, the maturity method is used to quantify general interest rate risk. In addition, the regulatory SA is used to calculate RC for any new products which are awaiting regulatory IMA approval in South Africa.

The issuer-specific risk is currently reported in accordance with the regulatory SA calculated as a standalone charge.

Governance

- Structure:

Traded market risk is structured by asset class for South Africa and geographically for Absa Regional Operations with assigned analysts responsible for ensuring trading activity occurs within assigned limits and that VaR results are accurate. The Head of Market Risk is responsible for oversight of all traded market risk across the Absa Group.

The Traded Market Risk Function interacts daily with the Product Control Absa Group (reporting into the CIB Chief Financial Officer and responsible for daily PnL, PnL attribution and independent price testing), the front office traders and desk heads and credit risk or country risk analysts (where appropriate). Daily reports are sent to the CIB Chief Risk Officer and front office detailing limit utilisation, limit breaches, VaR/sVaR and commentary where relevant.

Traded market risk is governed by the Traded Risk Committee, a sub-committee of the GMRC. The information reviewed at this monthly meeting includes a summary of the month's risk utilisation, limit breaches, independent valuation results and capital utilisation. The committee is also responsible for reviewing traded market risk policies and recommending them for approval to the GMRC.

- Committees:

A number of BU and Absa Group level market risk committees exist. These committees set secondary limits and review actual exposure from positions, risks, stresses, EC, EaR, RWA and capital across all asset classes against these limits. A risk summary is then presented at the GMRC including the Risk Profile Report which is tabled at the GRCMC.

There are three key committees involved in the governance of market risk: Absa Group Risk and Capital Committee (GRCMC); the Executive Risk Committee (ERC) and the Absa Group Market Risk Committee (GMRC).

- Reporting:
 - Risk reporting: Traded market risk

The Absa Group's Market Risk function produces a number of daily and monthly, market risk reports. The reports detail the positions, sensitivities and exposures, stress testing losses, VaR/sVaR, RWA and capital across all asset classes for the trading book. A risk summary is also presented at the GMRC and other governance committees, as required, including the risk profile report tabled at the GRCMC.

Equity investment risk

Equity investment risk refers to the risk of adverse changes in the value of listed and unlisted equity investments. These investments are longer-term investments held in the banking book for non-trading purposes.

The Absa Group's governance of equity investments is based on the following fundamental principles:

- A formal approval governance process.
- Key functional specialists reviewing investment proposals.
- Adequate monitoring and control after the investment decision has been implemented.
- Implementation of best practice standards based on current market trends, hurdle rates and benchmarks.

Criteria considered for transactions cover a comprehensive set of financial, commercial, legal and technical (where required) considerations. The performance of these investments is monitored relative to the objectives of the portfolio.

The Absa Group uses the simple risk-weight regulatory approach for the calculation of RC on its equity investment portfolio.

TreasuryRisk

Treasury risk comprises liquidity risk, capital risk and interest rate risk in the banking book.

- **Liquidity risk:** The risk that the Absa Group is unable to meet its contractual or contingent cash obligations or that it does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets.
- **Capital risk:** The risk that the Absa Group has an insufficient level or inappropriate composition of capital supply to support its normal business activities while remaining within its Board capital target ranges and above RC requirements.
- **Interest rate risk in the banking book (IRRBB):** The risk that the Absa Group is exposed to capital or income volatility because of a mismatch between the interest rate exposures of its banking book assets and liabilities.

Governance

The three lines of defence model is followed in respect of treasury risk, with Treasury acting as first line of defence and Absa Group Risk acting as the second line of defence. In line with other risk types, internal audit serves as the third line of defence.

A set of policies and standards, with an overarching framework, is used in conjunction with the ERMF to manage and govern treasury risks.

The Treasury Risk Framework includes key control objectives that must be met. The liquidity and capital risk policies outline a minimum set of standards and requirements that should be maintained for the management of these risks, encompassing planning, limit setting, stress testing, contingency and recovery planning.

Key committees monitoring governing treasury risk include the ERC, Absa Absa Group Treasury Committee (ATC), Models Committee (MC); Models Committee (MC) and Absa Group Risk and Capital Management Committee (GRCCM).

Liquidity Risk

Priorities

- Manage the funding and High Quality Liquid Assets (HQLA) position in line with the Board-approved liquidity risk appetite (LRA) framework and ensure compliance with the regulatory requirements.
- Build and maintain adequate liquidity buffers to ensure the Absa Group continues to remain compliant with the Liquidity Coverage Ratio (LCR) while managing the phase-out of the CLF.
- Continue to grow and diversify the funding base to support asset growth and other strategic initiatives while optimising funding cost and complying with the Net Stable Funding Ratio (NSFR).
- Continue to focus on the growth of core Retail, Business Bank, Corporate and Public Sector deposits.
- Continue to work with regulatory authorities and other stakeholders on resolution planning and the introduction of a Deposit Insurance Scheme in South Africa.

Liquidity risk is monitored at a Absa Group level under a single comprehensive Treasury Risk Framework. The Treasury Risk Framework is designed to deliver an appropriate tenor structure and composition of funding consistent with the LRA set by the local Board. This framework is delivered through a combination of policy formation, review and governance, analysis, stress testing, limit setting and monitoring.

Risk identification and management

The efficient management of liquidity is essential for safeguarding the Absa Group's depositors, preserving market confidence and maintaining the Absa Group's brand. The Absa Group considers sustainable access to appropriate liquidity for each of its entities to be extremely important. Liquidity risk is managed in line with the Treasury Risk Framework, in order to:

- Maintain liquidity resources that are sufficient in amount and quality together with a funding profile that is appropriate to meet the LRA as expressed by the Board.

- Maintain market confidence.
- Set limits to control liquidity risk within and across lines of business and legal entities.
- Price liquidity costs accurately and incorporate these into product pricing and performance measurement.
- Set Early Warning Indicators (EWIs) to identify immediately the emergence of increased liquidity risk or vulnerabilities including events that would impair access to liquidity resources.
- Project fully over an appropriate set of time horizons cash flows arising from assets, liabilities and off-balance sheet items.
- Maintain a Recovery Plan that incorporates a Contingent Funding Plan (CFP) that is comprehensive and proportionate to the nature, scale and complexity of the business and that is regularly tested to ensure that it is operationally robust.

Funding planning	Liquidity risk monitoring	Execution and intra-day liquidity risk	Contingent funding planning	Regulatory compliance
<ul style="list-style-type: none"> • Funding plan • Concentration risk • Client behaviour • Pricing liquidity risk through funds transfer pricing 	<ul style="list-style-type: none"> • Treasury framework and policies • LRA • Stress testing • Limits and metrics • Intra-day liquidity risk monitoring • Monitoring other contingent liquidity risks • New product review • Debt buyback monitoring 	<ul style="list-style-type: none"> • Liquidity buffers • Funding execution • Daily clearing and settlement • Contingent liquidity risks in transaction documentation 	<ul style="list-style-type: none"> • CLF • EWIs • Liquidity simulations • Contingency planning and Recovery planning 	<ul style="list-style-type: none"> • Reserving • Liquid assets • Regulatory reporting • LCR • NSFR

Funding structure

Funding is sourced from a variety of depositors representing a diversity of economic sectors, with a wide range of products and maturities.

Net Stable Funding Ratio (NSFR)

The objective of the NSFR is to promote the resilience in the banking sector by requiring banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities on an ongoing structural basis.

Diversification

The Absa Group has a well-diversified deposit base and concentration risk is managed within appropriate guidelines. Sources of funding target a wide diversity of depositor, product and tenor.

Foreign currency loans and advances as well as deposits make up c.5% of Absa Bank's balance sheet. The Absa Group is in the process of increasing long term foreign currency funding from international banks, to lengthen the contractual profile of the foreign currency book. Each entity within the Absa Group is required to ensure that funding diversification is taken into account in its business planning process and maintain a funding plan. This takes into account market conditions and the changes in factors that affect the entity's ability to raise funds.

Stress and scenario testing

Under the Treasury Risk Framework, the Absa Group has established the LRA, which sets the level of liquidity risk the Absa Group chooses to take in pursuit of its business objectives and in meeting its regulatory requirements. It is measured with reference to the anticipated stressed net contractual and contingent outflows for a variety of stress scenarios and is used to size the liquidity pool.

Each entity within the Absa Group undertakes a range of stress tests appropriate to its business. Stress tests consider both name-specific and market-wide scenarios. The results of the stress tests are used to determine the liquid asset buffer, to develop the CFP, and the liquidity related components of the Absa Group's Recovery plan. Stress testing results are also taken into account when setting limits for the management of liquidity risk and the business planning process.

As part of stress and scenario testing, the relevant liquid assets portfolio serves as the main source of liquidity under stress. Liquidity value is also assigned to unsecured funding lines, readily marketable investment securities and price sensitive overnight loans.

Contingency funding planning

Each banking entity within the Absa Group maintains its own CFP. The CFP includes, inter alia:

- The roles and responsibilities of senior management in a crisis.
- Authorities for invoking the plan.
- Communications and organisation.
- An analysis of a realistic range of market-wide and Absa Group specific liquidity stress tests.
- Scenario analyses and the extent to which each stress test and scenario can be mitigated by managing the balance sheet.
- A range of EWIs, which assist in informing management when deciding whether the CFP should be invoked.

Each banking entity within the Absa Group must establish local processes and procedures for managing local liquidity stresses that are consistent with the Absa Group's plan. The CFPs set out the specific requirements to be undertaken locally in a crisis. This could include monetising the liquidity pool, slowing the extension of credit, increasing the tenor of funding and securitising or selling assets. For Absa Bank the CFP has been merged with the Recovery Plan.

Liquidity coverage ratio (LCR)

The objective of the LCR is to ensure that banks maintain an adequate stock of HQLA to survive a significant stress scenario lasting 30 days. The LCR minimum requirement in 2018 of 90% increases by 10% on 1 January 2019 at which point the requirement reaches a level of 100%.

High quality liquid assets (HQLA)

Each bank holds a stock of HQLA to meet any unexpected liquidity outflows. In the majority of locations, local regulators impose rules on the quantum of reserve liquidity to be held.

HQLA consists of cash and cash equivalents, deposits with central banks, government debt, and other qualifying instruments under the Basel III framework. Each entity within the Absa Group maintains and demonstrates constant access to the relevant underlying asset market to avoid undue price movement if liquid assets need to be sold. Each operation ensures that its buffer can be liquidated at short notice.

Absa Bank successfully applied for a CLF from the SARB, which has been included in HQLA for LCR purposes, from January 2016.

Capital Risk

Priorities

- Maintain an optimal mix of high quality capital while continuing to generate sufficient capital to support profitable growth and a sustainable dividend.
- Continue to manage the capital position of the Absa Group and its subsidiaries, throughout the period of the separation from Barclays PLC.
- Continuously monitor and assess regulatory developments that may affect the capital position, such as the standard entitled 'Basel III: Finalising post-crisis reforms' published by the Basel Committee on Banking Supervision in December 2017; and the proposed amendments to the Regulations relating to Banks.
- Contribute at an industry level to the development of a financial conglomerate supervisory framework in South Africa, which outlines the requirements for the establishment of a resolution framework in South Africa.

Risk identification and management

The Absa Group's capital management strategy, which supports and aligns with the Absa Group's strategy, is to create sustainable value for shareholders within approved risk appetite through effective balance sheet management.

The Absa Group's capital management objectives are to:

- Maintain an adequate level of capital resources in excess of regulatory requirements and within capital targets, by optimising capital resources and raising capital where required.

- Ensure efficient deployment of capital to legal entities within the Absa Group.
- Assess, manage and efficiently implement regulatory changes to optimise capital usage.

Various processes play a role in ensuring that the Absa Group's capital management objectives are met, including:

- The ICAAP.
- Stress testing.
- Recovery and resolution planning.

Economic capital (EC) adequacy

EC provides a common basis on which to aggregate and compare different risks using a forward-looking, single measure of risk. It is a critical input into the ICAAP and in capital allocation decisions, which supports shareholder value creation. EC considers risk types, which not only lead to potential operating losses but can also result in lower than expected earnings.

Interest Rate Risk in the Banking Book (IRRBB)

Priorities

- Retain focus on regulatory changes, specifically preparing for the adoption of the BCBS standard on IRRBB.
- Continue to manage margin volatility through risk management processes, such as the structural hedge programme in South Africa and through appropriate asset and liability management processes in Absa Regional Operations.

IRRBB is the risk that the Absa Group's financial position might be adversely affected by changes in interest rate levels, yield curves and spreads. Non-traded interest rate risk arises in the banking book from the provision of retail and wholesale (non-traded) banking products and services, and certain structural exposures within the balance sheet from re-pricing differences between assets, liabilities and equity. These risks impact both the earnings and economic value of the Absa Group.

The Absa Group's objective for managing IRRBB is to ensure a higher degree of interest rate margin stability and reduced interest rate risk over an interest rate cycle. This is achieved by transferring the interest rate risk from the business to local treasury or Absa Group Treasury, which is mandated to hedge material net exposures with the external market. Interest rate risk may arise when some of the net position remains with treasury as a result of timing considerations. A limit framework is in place to ensure that the retained risk remains within approved risk appetite.

Key assumptions:

- Embedded optionality risk may also give rise to IRRBB:
 - Prepayment risk arises in relation to transactions where an early settlement option is embedded in the product. This risk most commonly arises in relation to fixed rate loans offered to retail customers, where the customer has an option to repay the loan prior to contractual maturity and where the Absa Group is unable to collect full market-related compensation. This risk is managed by modelling the loans on a behaviouralised basis for both pricing and risk measurement. This treatment is also applied to non-maturing customer deposits.

- Recruitment risk arises when the Absa Group commits to providing a product at a predetermined price for a period into the future. Customers have the option to take up this offer. Processes are in place to enable robust management of these additional forms of IRRBB.

The techniques that are used to measure IRRBB include:

- Re-pricing profiles.
- Annual earnings at risk (AEaR)/NII sensitivity.
- Daily value at risk (DVaR); and tail metrics.
- Economic value of equity (EVE) sensitivity.
- Stress testing.

DVaR and tail metrics are assessed on a daily basis while re-pricing profiles, AEaR and EVE are assessed on a monthly basis. These techniques are supported by non-VaR metrics (position and sensitivity limits). Limits are set and monitored through the formal governance process.

Re-pricing profiles

With the re-pricing profile, instruments are allocated to time periods with reference to the earlier of the next contractual interest rate re-pricing date and the maturity date. Instruments which have no explicit contractual re-pricing or maturity dates are placed in time buckets based on the most likely re-pricing behaviour. The re-pricing profiles take the assumed behavioural profile of structural product balances into account.

AEaR/NII sensitivity

AEaR/NII sensitivity measures the sensitivity of NII over the next 12 months to a specified shock in interest rates. AEaR is assessed across a range of interest rate scenarios, including parallel and key rate shocks and yield curve twists and inversions as appropriate for each business. AEaR is monitored against approved internal limits.

DVaR

DVaR calculated at a 95% confidence level is used for measuring IRRBB. The DVaR is monitored against approved internal limits and is used as a complementary metric to AEaR. The DVaR is supplemented by non-DVaR, stress and tail metrics.

EVE sensitivity

EVE sensitivity measures the sensitivity of the present value of the banking book at a specific PIT to a specified shock to the yield curve. Similar to DVaR, EVE is present value sensitive and is complementary to income sensitivity measures such as AEaR. EVE sensitivity is measured against regulatory guidelines and not against approved internal limits.

Stress testing

Stress testing is tailored to each banking book and consists of a combination of stress scenarios and historical stress movements applied to the respective banking books. Stress testing is carried out by Market Risk to supplement the DVaR and AEaR metrics for South Africa. Stress testing for the Absa Regional Operations is carried out by Market Risk and the risk functions in-country and has

been adopted as one of the primary risk techniques for the Absa Regional Operations. It is monitored against formal internal limits.

Foreign exchange risk

Foreign exchange risk is regarded as an ancillary risk type under IRRBB. The Absa Group is exposed to two sources of foreign exchange risk, namely, transactional and translational risk.

Transactional foreign exchange risk arises when the banking assets and liabilities are not denominated in the functional currency of the transacting entity. The Absa Group's policy is for transactional foreign exchange risk to be managed within the trading book.

In accordance with the Absa Group's policy, there were no significant net open currency positions outside the trading book at the reporting date that would give rise to material foreign exchange gains and losses being recognised in the statement of comprehensive income or in equity as a result of a foreign exchange rate shock.

Risk reporting non-traded market risk

DVaR, supporting metrics and stresses are reported daily for Absa Group Treasury and the Absa Regional Operations businesses, with the exception of two businesses where reporting is done on a monthly basis. The re-pricing profiles, AEaR, EVE sensitivity and stress results are reported monthly for both Absa Group Treasury and the Absa Regional Operations.

Operational Risk

Operational risk is the risk of loss to the Absa Group as a result of inadequate or failed processes or systems, human factors or due to external events.

Priorities

Continue to focus on the Absa Group's:

- Cyber strategy, specifically implementing core security infrastructure.
- Rollout of the infrastructure, capability and control processes over key datasets, in line with the Absa Group's data standards.
- Privacy controls, including requirements of the draft Protection of Personal Information Act (PoPIA).
- Change book-of-work to ensure that business as usual, separation and strategic and organisational transition initiatives continue to be delivered in a safe and controlled manner.
- Strengthening of fraud capabilities, in particular over digital channels.
- Further enhancements to the toolsets and processes used in the management of operational risk.

Operational risk occurs in the natural course of business activity; and therefore it is not possible to eliminate all operational risk exposure. Operational risk is recognised as a significant risk type and the Operational Risk Management Framework (ORMF) establishes a set of interrelated quantitative and qualitative tools and processes to identify, assess, measure, mitigate, monitor and remediate risks within a defined appetite.

Approach to the management of operational risk

The Absa Group's objectives in the management of operational risk are to:

- Articulate an appropriate level of risk appetite for operational risk, which supports the business strategy.
- Manage risk and control effectively, thus maintaining the operational risk profile within appetite.
- Embed a positive risk culture across the organisation.
- Minimise the impact of losses suffered in the normal course of business (ELs) and to avoid or reduce the likelihood of suffering an extreme (or unexpected) loss.

The management of operational risk aligns to the 'three lines of defence' model as set out in the ERMF; with the primary responsibility (i.e. first line of defence) for the management of operational risk residing with the business and infrastructure functional units where the risk arises. The heads of these business and infrastructure functional units are required to implement appropriate organisational structures and processes in line with the ORMF to identify, assess, measure, mitigate, monitor and remediate risks in their respective areas within an agreed appetite. Business aligned Operational Risk Heads (i.e. second line of defence), reporting to the BU CROs, are responsible for the day-to-day management of their respective portfolios within risk appetite in line with the ORMF.

Enterprise-wide specialist risk type owners, reporting to the relevant Absa Group function (e.g. technology, finance), support the businesses and infrastructure functional units in managing the day-to-day risk activities including definition of control standards, oversight and challenge and aggregation of risk type profiles.

Absa Group Operational Risk (second line of defence) is accountable for the Absa Group-wide management of operational risk, establishing strategic direction and risk appetite, ownership of the ORMF and its supporting policies and enterprise-wide standards, and independent oversight over businesses.

Governance

The GCRO appoints the head of Absa Group Operational Risk who is accountable for the design, implementation and maintenance of an effective, efficient and regulatory compliant ORMF.

An Absa Group Operational Risk Management Committee (ORMC) chaired by the head of Absa Group Operational Risk is in place providing an aggregation and challenge viewpoint of the Absa Group's operational risk profile across the 'three lines of defence' prior to submission to the ERC. Additionally, it serves as the vehicle to drive development, implementation and embedment of the framework, policies and Absa Group-wide standards.

The ERC, chaired by the GCRO, is the senior management body responsible for the oversight and challenge of operational risk in the Absa Group.

The GCRO presents the Absa Group's operational risk profile, alongside the other risk types as specified in the ERMF, to the GRCMC, as well as the GACC.

Business and infrastructure functional unit risk committees monitor risk management and control effectiveness, with progress reporting to the ERC by the respective executive.

Management of operational risk

The suite of risks considered within the remit of operational risk include:

- Technology
- Cyber
- Fraud
- Data management and information
- Change
- Resilience
- People
- Payments
- Transaction operations
- Financial reporting
- Taxation
- Premises and security
- Supplier

Whilst legal, conduct, reputational and model risks are managed individually; they eventually incorporate into Operational Risk for capital requirement measurement.

In order to address the wide remit of operational risk, the ORMF establishes a suite of management techniques applicable to its underlying risk types. These include:

Critical process assessments (CPAs)

CPA is an integrated assessment that enables the Absa Group to focus on processes which are essential to executing on strategy and delivering for customers and stakeholders. This approach ensures that material risks and rewards are holistically understood and decisively managed, resulting in consistent monitoring of the operational risk profile in the context of business objectives and appetite. It requires the assessment of risks and controls in critical processes on an end-to-end basis, enabling a view across functions and supporting enablers, such as systems and suppliers. Utilising key indicators which monitor risks, controls and process performance, this approach promotes performance and service efficiencies.

Further, a comprehensive understanding of all business enablers is obtained, by considering all supporting dependencies and the end-to-end resilience of processes and capabilities. CPA enables management of the prioritised enablers and a focus on the most material risks and key controls. The outcome of CPA is a consolidated view of all material risks in the critical business processes and information on the drivers of risk, such as risk events, root causes, indicators, issues, and management responses.

Internal risk events

An operational risk event is any circumstance where there is a potential or actual impact to the Absa Group resulting from inadequately controlled or failed internal processes, people and systems, or from an external event. The definition includes situations in which a loss could have been incurred, but in fact a gain was realised, as well as incidents resulting in customer detriment, reputational damage or regulatory impact.

Boundary events, such as operational risk materialising within credit risk, are also tracked. The analysis of internal risk events assists the Absa Group in identifying areas of improvements to processes or controls, to reduce the likelihood of recurrence and/or magnitude of risk events.

External risk events

Applicable external loss information is regularly considered to support and inform risk identification, assessment, and measurement, and provide management with insight into possible emerging risks. The Absa Group is a member of the Operational Risk Data Exchange (ORX), a not-for-profit association of international banks formed to share anonymous loss data information.

Risk mitigation

It is not always possible or cost effective to eliminate all operational risks, nor is this the objective of operational risk management. Achieving the correct balance of focus and effort is pivotal to the Absa Group's operational risk management strategy and this is underpinned by a defined risk appetite, established governance and oversight structures, monitoring and escalation criteria, clarity of roles across the three lines of defence and clear direction and tone from the top driving a transparent and accountable risk culture in the organisation.

The mitigation of residual risks (i.e. risks post consideration of existing controls), depending on their likelihood and impact, is achieved by one or a combination of the following responses:

- **Accept:** Maintain the control environment.
- **Mitigate the risk:** Implement actions and strategies to reduce the residual risk level to within acceptable levels.
- **Avoid the risk:** Do not take the risk and stop the related activity.
- **Transfer the risk:** This involves a third party sharing some part of the risk, or taking over all of the risk. This could be in the form of insurance, partnerships and joint ventures.

Lessons learnt reviews

Lessons learnt is targeted root cause analysis of significant risk events experienced within the Absa Group with the outcomes of such reviews including:

- Establishing what went wrong.
- Early detection and prevention of systemic issues.
- Address of thematic concerns.
- Determining whether cultural, operating model, governance or risk practices may have contributed to the risk event. This process enables the sustained and shared learning across the organisation; promoting stronger risk management.

Key indicators

Key indicators are metrics that are used to monitor the Absa Group's operational risk profile. They include measurable thresholds that reflect the risk appetite of the business and are designed to monitor risk, control and business factors that influence the operational risk profile. Key indicators serve as alerts to management when risk levels exceed acceptable ranges and drive timely decision-making and actions.

Measurement of Operational Risk

The Absa Group assesses its operational risk capital requirements using the AMA which involves estimating the potential range of losses that could be incurred in a year from operational risk events, using statistical distributions. In certain operations outside South Africa and joint ventures and associates where the Absa Group is not able to apply the AMA model; the BIA or TSA is utilised.

The potential frequency and severity of losses is estimated for each of the risks within the suite of operational risks based on internal loss data, extreme scenarios (from the Key Risk Scenario Process) as well as external loss data from ORX. The capital calculation also considers the possibility of correlations between operational risk losses occurring in a year.

Regulatory Capital requirements are set to cover 99.9% of estimated unexpected losses with Economic Capital requirements covering estimated losses that exceed the typical losses.

Key risk scenarios

Key risk scenarios are a summary of the extreme potential risk exposure for each of the risks within the suite of operational risks and includes quantitative and qualitative assessment of the potential frequency of risk events, the average size of losses and extreme scenarios. The assessment considers internal and external loss experiences, key indicators, CPAs and other relevant risk information.

Factors incorporated into the analyses of potential extreme scenarios include:

- The circumstances and contributing factors that could lead to an extreme event.
- The potential financial and non-financial impacts (e.g. reputational damage).

The controls and other mitigants that seek to limit the likelihood of such an event occurring, and the actions that would be taken if the event were to occur (e.g. crisis management procedures, business continuity or disaster recovery plans, etc.)

Insurance

The Absa Group utilises insurance to mitigate certain operational risks, however it is not used to offset operational risk capital requirements. The cover and associated cost is regularly reviewed, and is presented annually to the GRCMC.

Model Risk

Model risk is the risk of potential adverse consequences from financial assessments or decisions based on incorrect or misused model outputs and reports.

Priorities

- Enhance model risk management and governance through the implementation of a new workflow tool.
- Continue to focus on the enhancement of the current model suites that support the Absa Group risk appetite assessment.
- Complete migration of existing models to the new platform by 2020.

Risk identification and management

Model risk has been identified as a principal risk to be managed under the ERMF, with specific guidelines set out in the Group Model Risk Policy (GMRP) and relevant standards covering model ownership, model development, model approval, model implementation, model monitoring and model validation.

A model is defined as a quantitative method, system or approach that applies statistical, economic, financial, or mathematical theories, techniques, parameters and assumptions to process input data into outputs. A model comprises inputs, parameters and calculations that produce outputs.

A model is considered as an end-to-end concept, including the sourcing of inputs, the selection and specification of methodology, the calibration of parameters, the implementation of the model and the usage of the outputs.

The model risk process is a structured, practical set of three steps, evaluate, respond and monitor, that enables management to identify and assess risks, determine the appropriate risk response, and then monitor the effectiveness of the risk response and any changes to the risk profile.

The Absa Group defines model risk as including the following components:

- Models in use are not identified and correctly registered to facilitate appropriate and effective governance.
- Models are poorly designed, developed, documented and implemented, resulting in model error.
- Models are not monitored, reviewed and updated to assess ongoing fitness for purpose, resulting in model error or misuse.

The elements of model risk are assessed through evaluating critical controls and framework compliance:

- The Group Model Database (GMD) which records the model inventory and tracks the elements of the model lifecycle.
- Model validation and approval, where the model performance is assessed relative to its objectives and for compliance with the governance framework.
- Model implementation controls.
- Regulatory and audit issues are identified.

Risk Management

Model risk is governed and defined by the GMRP which also establishes requirements for assessing model risk for all models in use, assigns clear responsibilities and accountabilities for the management of model risk, mitigates model risk through controlled model design, development, implementation, use and change processes, and institutionalizes independent validation and approval of models. The GMRP is supported by standards addressing the requirements of the following:

- Model development and documentation.
- Model validation.
- Model materiality.
- Model risk management workflow.
- Model monitoring.
- Model implementation.
- Model annual review.
- Post model adjustment.
- Vendor models.

Model risk is managed within approved risk appetite and defined limits. Risk appetite is defined as the level of risk that Absa Group is prepared to accept given available capacity whilst pursuing its business strategy and recognising a range of possible outcomes as business plans are implemented.

As Absa Group does not actively seek model risk, its appetite is expressed in terms of risk tolerance thresholds and does not have a target range.

A model risk control framework is established and overseen by the PRO for model risk to manage model risk in accordance with the Absa Group's model risk tolerance. In addition to policies and standards, the control framework identifies risks and controls to establish a consistent approach to managing model risk across the Absa Group. Compliance to controls is assessed through key risk assessments (KRAs) and control testing is conducted to provide assurance around the effective design and operation of controls.

The second line of defence in relation to model risk comprises of Model Governance and Control (MGC) and the Independent Validation Unit (IVU). MGC establishes the framework, policy and standards to manage model risk, sets limits consistent with the Absa Group's risk appetite and monitors performance of the model ownership areas against these limits. It also performs conformance reviews to provide assurance around control effectiveness.

IVU is responsible for independently validating each model and assessing whether it is fit for purpose. Models are validated and approved prior to use.

Governance

Model risk is managed throughout the model lifecycle. The model lifecycle and associated controls are depicted in the Absa Group's Pillar 3 Risk Management Report, and is in line with the GMRP.

The GMRP sets out the accountabilities and controls pertaining to this risk, and relevant standards have been developed for risk types. The GMRP identifies Model Approvers based on the materiality of models. Material models are designated by the MC (Board Committee) for approval while models of lesser materiality are approved by the Business Unit Chief Risk Officers (BU CROs) through a model approval forum.

The scope of the GMRP includes models such as RC, EC, stress testing, impairment and scorecards for both the bank and insurance businesses. Model risk controls have been documented in KRAs and are tested on an annual basis. In accordance with the GMRP, model ownership vests with the businesses which use the output of models to quantify risk. The BU CRO takes responsibility for model approval and compliance with the policy.

Reporting

A model risk report is produced on a monthly basis and submitted to a number of committees attended by senior management as well as to the MC.

The report focuses on the following:

- Progress on regulatory and other model development.
- Adherence to policy and standards including any model related audit findings and control issues.
- Models in governance coverage, i.e. models monitored, reviewed and validated.
- Model risk assessment (High, Medium, Low) including Model Uncertainty and Operational Uncertainty.
- Model Risk Appetite status.

Financial Performance

Potential investors are hereby referred to Absa Group's Pillar 3 Risk Report, incorporated herein by reference and available at <https://www.absa.africa/absafrica/investor-relations/financial-results/> and/or at the Issuer's Specified Office as set out at the end of this Programme Memorandum.

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 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, Société Générale, 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.

(i) 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.

(ii) *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.

(iii) *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.

(iv) *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 pursuant to 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 (*Redemption and Purchase*) 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 (“**Absa CIB**”) 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. This Programme Memorandum 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 this Programme Memorandum 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 Programme Memorandum 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**”) and may not be offered or sold within the United States or to, or for the account of or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. 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 and may not be offered or sold within the United States or to, or for the account of or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act;
- (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
- (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) it has not offered or sold, and prior to the expiry of a period 6 months from the Issue Date in respect of each Tranche of Notes will not offer or sell, any Notes in that Tranche to persons in the United Kingdom, except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations, 1995 of the United Kingdom;
- (b) it has complied with and will comply with all applicable provisions of the Financial Services and Markets Act, 2000 (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 which has implemented the Prospectus Directive (each a “**Relevant Member State**”), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of any of such Notes to the public in that Relevant Member State except that it may, with effect from and including the

Relevant Implementation Date, make an offer of any of such Notes to the public in that Relevant 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 Relevant Member State in accordance with the Prospectus Directive and/or, where appropriate, published in another Relevant Member State and notified to the competent authority in that Relevant Member State in accordance with Article 18 of the Prospectus Directive 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 of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes in any Relevant 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, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan, Law No. 25 of 1948, as amended, (the “**FIEL**”) and the Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and ministerial guidelines of Japan.

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.

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.

GENERAL INFORMATION

AUTHORISATION

All consents, approvals, authorisations or other orders of all regulatory authorities required by the Issuer under the laws of South Africa have been given for the update of the Programme and will be obtained from time to time for the issue of Notes under the Programme, and for the Issuer, Transfer Agent, Calculation Agent and Paying Agent to undertake and perform their respective obligations under the Notes and the Programme Memorandum.

No exchange control approval is required for the establishment of the Programme. If exchange control approval is required for the issue of any Tranche of Notes, such exchange control approval will be obtained prior to the issue of such Tranche of Notes.

The update of the Programme in terms of this Programme Memorandum was duly authorised in terms of a resolution of the board of directors of the Issuer passed at a meeting of the board of directors held on 8 August 2019.

LISTING

This Programme has been registered and approved by the JSE. Notes to be issued under the Programme may be listed on the Interest Rate Market of the JSE or any successor exchange and/or such other or further Financial Exchange(s) as may be agreed between the Issuer and the Dealer(s) and subject to any relevant ruling law. Unlisted Notes may also be issued.

CLEARING SYSTEMS

The Notes listed on the Interest Rate Market of the JSE have been accepted for clearance through the Central Securities Depository, which forms part of the JSE clearing system and may be accepted for clearance through any additional clearing system as may be agreed between the JSE, the Issuer and the Dealer(s).

The settlement, clearing and redemption procedures for trades of Notes issued on an exchange other than the JSE, irrespective of whether the Notes are listed on the Interest Rate Market of the JSE as well, will be specified in the Applicable Pricing Supplements.

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 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, Société Générale, 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.

AUDITORS

Ernst & Young Inc. and KPMG have acted as the auditors of the financial statements of the Issuer for the financial years ended 31 December 2016 and 2017, and Ernst & Young Inc. acted as the auditors of the financial statements of the Issuer for the financial year ended 31 December 2018. In respect of these years, the auditors have issued unqualified audit reports in respect of the Issuer.

LITIGATION

Other than those disclosed in this Programme Memorandum under the heading “*Legal Proceedings*” of the “*Risk Factors*” section, the Issuer is not engaged in any legal, arbitration, administration or other proceedings, including any proceedings that are pending or threatened, of which the Issuer is aware, that may have or have had in the recent past being at least the previous 12 months, a material effect on the financial position of the Issuer.

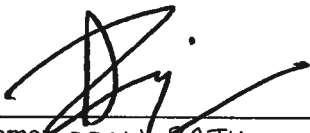
DOCUMENTS

So long as any Note remains outstanding, one copy of this Programme Memorandum and each of the documents referred to in the section of this Programme Memorandum headed “*Documents Incorporated by Reference*” will be available for inspection by the Noteholders at the Specified Office of the Issuer.


MATERIAL CHANGE

As at the Programme Date, and after due and careful enquiry, there has been no material change in the financial or trading conditions of the Issuer and its subsidiaries since the date of its latest audited financial statements. As at the Programme Date, there has been no involvement by Ernst & Young Inc. in making the aforementioned statement.

Signed at Johannesburg on behalf of Absa Bank Limited on 15 November 2019.


Name: DEON RAJU
Capacity: AUTHORIZED SIGNATORY
Who warrants his/her authority
hereto

Signed at Johannesburg on behalf of Absa Bank Limited on 15 November 2019.


Name: Jason Quon
Capacity: Director
Who warrants his/her authority
hereto

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