

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE NOT U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**")) AND ARE OUTSIDE THE UNITED STATES.

IMPORTANT: You must read the following disclaimer before continuing. The following applies to the prospectus following this page (the "**Prospectus**"), whether received by e-mail, accessed from an internet page or received as a result of any other electronic transmission, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Prospectus. In accessing the Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from: (i) Absa Group Limited (the "**Issuer**"); or (ii) Absa Bank Limited, Barclays Bank PLC, HSBC Bank plc, Merrill Lynch International or Standard Chartered Bank as joint bookrunners (together, the "**Joint Bookrunners**") as a result of such access. The Prospectus has been prepared solely in connection with the proposed offering of the securities described therein to certain institutional and professional investors.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE OR A SOLICITATION OF AN OFFER TO BUY SECURITIES IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD DIRECTLY OR INDIRECTLY WITHIN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS (AS DEFINED UNDER REGULATION S) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

The Prospectus is being distributed only to and directed only at: (i) persons who are outside the United Kingdom, (ii) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Prevention) Order 2005, as amended, or (iii) persons in the United Kingdom in circumstances where section 21(1) of the Financial Services and Markets Act 2000, as amended, does not apply (all such persons together being referred to as "**relevant persons**"). The Prospectus is only directed at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which the Prospectus relates is available only to, and will be engaged in only with, relevant persons (and subject to the other restrictions referred to therein).

Prohibition on marketing and sales to retail investors

1. The Notes are complex financial instruments. They are not a suitable or appropriate investment for all investors, especially retail investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Notes. Potential investors in the Notes should inform themselves of, and comply with, any applicable laws, regulations or regulatory guidance with respect to any resale of the Notes (or any beneficial interests therein).
2.
 - a. In the United Kingdom (the "**UK**") the Financial Conduct Authority ("**FCA**") Conduct of Business Sourcebook ("**COBS**") requires, in summary, that the Notes should not be offered or sold to retail clients (as defined in COBS 3.4 and each a "**retail client**") in the UK.
 - b. Certain of the Joint Bookrunners are required to comply with COBS.

- c. By purchasing, or making or accepting an offer to purchase, any Notes (or a beneficial interest in the Notes) from the Issuer and/or the Joint Bookrunners, each prospective investor represents, warrants, agrees with and undertakes to the Issuer and each of the Joint Bookrunners that:
 - i. it is not a retail client in the UK; and
 - ii. it will not sell or offer the Notes (or any beneficial interest therein) to retail clients in the UK or communicate (including the distribution of the attached document) or approve an invitation or inducement to participate in, acquire or underwrite the Notes (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the UK.
 - d. In selling or offering the Notes or making or approving communications relating to the Notes you may not rely on the limited exemptions set out in COBS.
3. The obligations in paragraph 2 above are in addition to the need to comply at all times with all other applicable laws, regulations and regulatory guidance (whether inside or outside the European Economic Area (the "EEA") or the UK) relating to the promotion, offering, distribution and/or sale of the Notes (or any beneficial interests therein), whether or not specifically mentioned in the attached document, including (without limitation) any requirements under the Markets in Financial Instruments Directive 2014/65/EU (as amended) ("EU MiFID II") or the UK FCA Handbook as to determining the appropriateness and/or suitability of an investment in the Notes (or any beneficial interests therein) for investors in any relevant jurisdiction.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Notes (or any beneficial interests therein) from the Issuer and/or the Joint Bookrunners, the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

Prohibition of Sales to EEA Retail Investors – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of EU MiFID II or; (ii) a customer within the meaning of Directive 2016/97/EU, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "EU PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

Prohibition of Sales to UK Retail Investors – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act, 2000 (the "FSMA") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Confirmation of your Representation: In order to be eligible to view the Prospectus or make an investment decision with respect to the securities, you must be outside the United States investing in the securities in an offshore transaction in reliance on Regulation S. The Prospectus is being sent at your request and by accessing, reading or making any other use of the Prospectus, you shall be deemed to have represented and warranted to the Issuer and the Joint Bookrunners that (1) you understand and agree to the terms set out herein; (2) you are outside the United States and not a U.S. person (within the meaning of Regulation S), or acting for the account or benefit of a U.S. person, and that any e-mail address to which, pursuant to your request, the Prospectus has been delivered

by electronic transmission is not located in the United States for the purposes of Regulation S; (3) you consent to delivery by electronic transmission of the Prospectus; (4) you will not transmit the Prospectus (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the consent of the Joint Bookrunners; and (5) you acknowledge that you will make your own assessment regarding any legal, taxation or other economic considerations with respect to your decision to subscribe for or purchase any of the securities.

The Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer or the Joint Bookrunners or any of their respective subsidiaries, nor any person who controls any of them or any director, officer, employee or agent of any of them, or any affiliate of any such person, accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Joint Bookrunners. If you receive this document by e-mail, you should not reply by e-mail to this communication. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected. If you receive this document by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The distribution of the Prospectus in certain jurisdictions may be restricted by law. Persons into whose possession the Prospectus comes are required by the Issuer and the Joint Bookrunners to inform themselves about, and to observe, any such restrictions.

You are reminded that the Prospectus has been delivered to you on the basis that you are a person into whose possession the Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Prospectus to any other person. You may not transmit the Prospectus (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the consent of the Joint Bookrunners.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Bookrunners or any affiliate of the Joint Bookrunners is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Joint Bookrunner or such affiliate on behalf of the Issuer in such jurisdiction.



ABSA GROUP LIMITED

(incorporated under the laws of the Republic of South Africa)

U.S.\$500,000,000 Fixed Rate Reset Write-Off Notes

The issue price of the U.S.\$500,000,000 Fixed Rate Reset Write-Off Notes (the "**Notes**") of Absa Group Limited (the "**Issuer**") is 100% of their principal amount (the "**Issue Price**").

The Notes are perpetual securities for which there is no fixed redemption date and the Issuer shall (subject to the provisions of Condition 2 (*Form, Denomination and Status*) and Condition 10 (*Events of Default*) and without prejudice to the provisions of Condition 11 (*Prescription*)) only have the right to redeem or repurchase Notes in accordance with the provisions of Condition 6 (*Redemption and Purchase; Substitution and Variation*). See "*Terms and Conditions of the Notes - Redemption and Purchase; Substitution and Variation*". The Notes are unsecured.

From (and including) 27 May 2021 (the "**Issue Date**") to (but excluding) 27 November 2026 (the "**First Reset Date**"), the interest rate on the Notes will be 6.375% per annum. From (and including) the First Reset Date, the applicable per annum interest rate will be equal to the relevant Reset Interest Rate (as provided in "*Terms and Conditions of the Notes – Interest*"). Subject to the terms and conditions set out herein, interest will be payable semi-annually in arrear on 27 May and 27 November of each year (each, an "**Interest Payment Date**"), commencing on 27 November 2021.

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 in whole or in part and for any reason; (b) it is in breach of either (i) the Capital Regulations or (ii) 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.

The rights and claims of the Noteholders will be subordinated to the claims of Senior Creditors (as defined herein).

Payments on the Notes will be made in U.S. dollars, without deduction for or on account of taxes imposed or levied by the Republic of South Africa ("**South Africa**") to the extent described under "*Terms and Conditions of the Notes - Taxation*".

As further described herein, if a Non-Viability Trigger Event (as defined herein) occurs, a Write-off (as defined herein) of all or part of the principal amount of the Notes and the relevant proportion of any accrued interest may occur. The Notes will be cancelled in proportion to the principal amount so Written-off. Such a Write-off will result in the Noteholders losing the relevant principal amount of the Notes so Written-off, and losing the right to receive any accrued or future interest relating to the principal amount Written-off. Accordingly, Noteholders should be aware that they may lose their entire investment in the Notes. See "*Terms and Conditions of the Notes – Loss Absorption following a Non-Viability Trigger Event*".

This Prospectus has been approved by the United Kingdom Financial Conduct Authority (the "**FCA**"), which is the competent authority under Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended (the "**EUWA**") (the "**Prospectus Regulation**") as a prospectus issued in compliance with the Prospectus Regulation for the purpose of giving information with regard to the issue of the Notes. The FCA has only approved this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation Rules sourcebook in the FCA Handbook. Such an approval should not be considered as an endorsement of the Issuer nor as an endorsement of the quality of the Notes that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in such Notes. Applications have been made for the Notes to be admitted to listing on

the Official List of the FCA and to trading on the Main Market of the London Stock Exchange plc (the "**London Stock Exchange**").

The Issuer has obtained the prior written approval of the Financial Surveillance Department (the "FSD") of the South African Reserve Bank ("SARB") and the Prudential Authority for the issuance of the Notes.

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"). The Notes are being offered by the Joint Bookrunners outside the United States in accordance with Regulation S under the Securities Act ("**Regulation S**"), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Pursuant to the FCA Conduct of Business Sourcebook ("**COBS**"), the Notes are not intended to be offered, sold or otherwise made available and should not be offered, sold or otherwise made available to retail clients (as defined in COBS 3.4) in the United Kingdom (the "**UK**"). Prospective investors are referred to the section headed "*Important Notice*" of this Prospectus for further information.

The Notes will be in registered form in the denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.

The Notes will be represented by a global note certificate (the "**Global Note Certificate**") in registered form, without interest coupons attached, which will be registered in the name of a nominee for and will be deposited with a common depository for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**") on or about the Issue Date. Individual note certificates ("**Individual Note Certificates**") evidencing holdings of Notes will only be available in certain limited circumstances. See "*Summary of Provisions Relating to the Notes in Global Form*".

An investment in the Notes involves certain risks. Prospective investors in the Notes are recommended to read this Prospectus, including the section entitled "Risk Factors" carefully.

Investors should reach their own investment decision about the Notes only after consultation with their own financial and legal advisers about risks associated with an investment in the Notes and the suitability of investing in the Notes in light of the particular characteristics and terms of the Notes, which are complex in structure and operation, and in light of each investor's particular financial circumstances.

The Notes are expected to be rated B2 by Moody's Investors Service Cyprus Ltd ("**Moody's**"). Moody's is established in the European Economic Area (the "**EEA**") and registered under Regulation (EC) No. 1060/2009 on credit rating agencies (as amended) (the "**EU CRA Regulation**"). Moody's is not established in the United Kingdom. The rating Moody's has given to the Notes is endorsed by Moody's Investors Service Ltd in accordance with Regulation (EU) No 1060/2009 on credit rating agencies as it forms part of domestic law of the United Kingdom by virtue of the EUWA (the "**UK CRA Regulation**") and has not been withdrawn. As such, the ratings issued by Moody's may be used for regulatory purposes in the United Kingdom in accordance with the UK CRA Regulation. **A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.**

Joint Bookrunners

**Absa
BofA Securities**

**Barclays
HSBC**

Standard Chartered Bank

25 May 2021

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IMPORTANT NOTICES

The Issuer accepts responsibility for the information contained in this Prospectus and declares that the information contained in this Prospectus to the best of its knowledge is in accordance with the facts and this Prospectus contains no omission likely to affect its import.

Information contained in this Prospectus under the heading, "*Risk Factors – South African economic conditions*" relating to the growth of the South African economy and the outlook for public finances was derived from the National Treasury of South Africa (the "**National Treasury**") Investor Roadshow Presentation dated 4 March 2021. The Issuer confirms that this information has been accurately reproduced, and so far as the Issuer is aware and is able to ascertain from information available from such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The Issuer has confirmed to the Joint Bookrunners that this Prospectus contains all information which is (in the context of the issue, offering and sale of the Notes) material; such information is true and accurate in all material respects and is not misleading in any material respect; any opinions, predictions or intentions expressed in this Prospectus on the part of the Issuer are honestly held or made and are not misleading in any material respect; this Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in such context) not misleading in any material respect; and all proper enquiries have been made to ascertain and to verify the foregoing.

The Issuer has not authorised the making or provision of any representation or information regarding the Issuer or the Notes other than as contained in this Prospectus or as approved for such purpose by the Issuer. Any such representation or information should not be relied upon as having been authorised by the Issuer or the Joint Bookrunners.

Other than in relation to the documents which are deemed to be incorporated by reference (see "*Documents incorporated by reference*"), the information on the websites to which this Prospectus refers does not form part of this Prospectus and has not been scrutinised or approved by the FCA.

Neither the Joint Bookrunners nor any of their respective affiliates have authorised the whole or any part of this Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Prospectus or any responsibility for any acts or omissions of the Issuer or any other person (other than the relevant Joint Bookrunner) in connection with the issue and offering of the Notes. Neither the delivery of this Prospectus nor the offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer since the date of this Prospectus.

This Prospectus does not constitute an offer of, or an invitation to subscribe for or purchase, any Notes.

The distribution of this Prospectus and the offering, sale and delivery of Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Joint Bookrunners to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on distribution of this Prospectus and other offering material relating to the Notes, see "*Subscription and Sale*".

In particular, the Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States. The Notes may not be offered or sold within the United States or to, or for the account 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. The Notes are being offered and sold outside the United States in reliance on Regulation S.

Certain figures included in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Prohibition on marketing and sales to retail investors

1. The Notes are complex financial instruments. They are not a suitable or appropriate investment for all investors, especially retail investors. In some jurisdictions, regulatory authorities have adopted or

published laws, regulations or guidance with respect to the offer or sale of securities such as the Notes. Potential investors in the Notes should inform themselves of, and comply with, any applicable laws, regulations or regulatory guidance with respect to any resale of the Notes (or any beneficial interests therein).

2.

- a. In the UK the Financial Conduct Authority ("FCA") Conduct of Business Sourcebook ("COBS") requires, in summary, that the Notes should not be offered or sold to retail clients (as defined in COBS 3.4 and each a "retail client") in the UK.
- b. Certain of the Joint Bookrunners are required to comply with COBS.
- c. By purchasing, or making or accepting an offer to purchase, any Notes (or a beneficial interest in the Notes) from the Issuer and/or the Joint Bookrunners, each prospective investor represents, warrants, agrees with and undertakes to the Issuer and each of the Joint Bookrunners that:
 - i. it is not a retail client in the UK; and
 - ii. it will not sell or offer the Notes (or any beneficial interest therein) to retail clients in the UK or communicate (including the distribution of this Prospectus) or approve an invitation or inducement to participate in, acquire or underwrite the Notes (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the UK.
- d. In selling or offering the Notes or making or approving communications relating to the Notes you may not rely on the limited exemptions set out in COBS.

3. The obligations in paragraph 2 above are in addition to the need to comply at all times with all other applicable laws, regulations and regulatory guidance (whether inside or outside the EEA or the UK) relating to the promotion, offering, distribution and/or sale of the Notes (or any beneficial interests therein), whether or not specifically mentioned in this Prospectus, including (without limitation) any requirements under the Markets in Financial Instruments Directive 2014/65/EU (as amended) ("EU MiFID II") or the UK FCA Handbook as to determining the appropriateness and/or suitability of an investment in the Notes (or any beneficial interests therein) for investors in any relevant jurisdiction.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Notes (or any beneficial interests therein) from the Issuer and/or the Joint Bookrunners, the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

Prohibition of Sales to EEA Retail Investors – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of EU MiFID II; or (ii) a customer within the meaning of Directive 2016/97/EU, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "EU PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

Prohibition of Sales to UK Retail Investors – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act, 2000 ("FSMA") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "UK

PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Product Classification pursuant to Section 309B of the SFA – In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "SFA") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "CMP Regulations 2018"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are "prescribed capital markets products" (as defined in the CMP Regulations 2018).

UK MiFIR product governance / Professional investors and ECPs only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in COBS, and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA ("UK MiFIR"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturers' target market assessment; however, a distributor subject to UK MiFIR is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

In connection with the issue of the Notes, Merrill Lynch International (the "Stabilisation Manager") (or persons acting on behalf of the Stabilisation Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the Issue Date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager (or person(s) acting on behalf of the Stabilisation Manager) in accordance with all applicable laws and rules.

The Notes are complex financial instruments and such instruments may be purchased by investors as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. Each potential investor in the Notes should determine the suitability of such 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 in this Prospectus;
- (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) understand thoroughly the terms of the Notes, such as the provisions governing a Write-off; and
- (d) 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.

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: (i) Notes are legal investments for it; (ii) Notes can be used as collateral for various types of borrowing; and (iii) 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 the Notes under any applicable risk-based capital or similar rules.

Prior to making an investment decision, potential investors should consider carefully, in light of their own financial circumstances and investment objectives, all the information contained in this Prospectus.

FORWARD-LOOKING STATEMENTS

Certain information contained in this Prospectus and any documents incorporated by reference, including any information as to the strategy of the Group (as defined below), market position, plans or future financial or operating performance, constitutes "forward-looking statements". All statements, other than statements of historical fact, are forward-looking statements. These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "believe", "expect", "anticipate", "contemplate", "target", "plan", "intend", "continue", "budget", "project", "aim", "estimate", "may", "will", "could", "should", "seeks", "predicts", "schedule" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plan, objectives, goals, future events or intentions.

Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Issuer, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements. Such factors include, but are not limited to: general economic and business conditions in South Africa and internationally; inflation, deflation, interest rates and policies of the SARB; fluctuations in exchange rates, stock markets and currencies; changes to the Issuer's credit ratings; changing demographic developments, including mortality and changing customer behaviour, including consumer spending, saving and borrowing habits; changes in customer preferences; changes to borrower or counterparty credit quality; instability in the global financial markets and the impact of any sovereign credit rating downgrade or other sovereign financial issues; technological changes; natural and other disasters, adverse weather and similar contingencies outside the Group's control; inadequate or failed internal or external processes, people and systems; terrorist acts and other acts of war or hostility and responses to those acts; geopolitical, pandemic or other such events; the impact of the COVID-19 pandemic on the Group's operations and financial results; changes in laws, regulations, taxation, accounting standards or practices; regulatory capital or liquidity requirements and similar contingencies outside the Group's control; the policies and actions of governmental or regulatory authorities in South Africa or elsewhere; the ability to attract and retain senior management and other employees; the extent of any future impairment charges or write-downs caused by depressed asset valuations, market disruptions and illiquid markets; market relating trends and developments; exposure to regulatory scrutiny, legal proceedings, regulatory investigations or complaints; changes in competition and pricing environments; the inability to hedge certain risks economically; the adequacy of loss reserves; the actions of competitors, including non-bank financial services and lending companies; and the success of the Issuer in managing the risks of the foregoing. Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under the section of this Prospectus entitled "*Risk Factors*".

Investors are cautioned that forward-looking statements are not guarantees of future performance. Forward-looking statements may, and often do, differ materially from actual results. Any forward-looking statements in this Prospectus speak only as of the date they are made, reflect the view of the Issuer's board of directors (the "**Issuer's Board of Directors**") as of the date they are made with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group's operations, results of operations, strategy, capital and leverage ratios and the availability of new funding. Investors should specifically consider the factors identified in this Prospectus that could cause actual results to differ before making an investment decision. All of the forward-looking statements made in this Prospectus are qualified by these cautionary statements.

Except as required by the FCA, the London Stock Exchange or applicable law or regulation, the Issuer explicitly disclaims any intention or obligation or undertaking publicly to release the result of any revisions to any forward-looking statements in this Prospectus that may occur due to any change in the Issuer's expectations or to reflect events or circumstances after the date of it.

Any forward-looking statements made in this Prospectus have not been reviewed nor reported on by Ernst & Young Inc. ("EY"), the independent auditor of the Issuer.

EXCHANGE RATE HISTORY

The following table sets out, for the periods indicated, certain information concerning the exchange rate of Rand expressed in Rand per U.S. dollar as provided by Bloomberg Finance LP. These translations should not be construed as representations that the Rand amounts actually represent U.S. dollar amounts or that the financial information appearing in this Prospectus could be converted into U.S. dollars at the rate indicated. On 20 May 2021, the exchange rate translated to R13.9747 = U.S.\$1.

South African Rand per U.S. dollar exchange rates (Rand per U.S.\$1.00) for the four months following 31 December 2020:

<u>Month</u>	<u>Period End</u>	<u>Average Rate⁽¹⁾</u>	<u>High</u>	<u>Low</u>
January 2021.....	15.1609	15.1487	15.5302	14.7258
February 2021.....	15.1204	14.7637	15.1204	14.4557
March 2021	14.7759	14.9921	15.5374	14.6542
April 2021.....	14.4950	14.4131	14.6740	14.1677

South African Rand per U.S. dollar exchange rates (Rand per U.S.\$1.00) for the previous two years:

<u>Year</u>	<u>Period End</u>	<u>Average Rate⁽¹⁾</u>	<u>High</u>	<u>Low</u>
2019.....	14.0000	14.4377	15.4664	13.2542
2020.....	14.6947	16.5933	19.0815	14.0132

Note:

(1) The average rate is calculated based on the rate on each business day of the month for monthly averages, and on the last business day of each month for annual averages.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The Issuer's annual consolidated and separate financial results are presented in Rand and have been prepared in accordance with the requirements of International Financial Reporting Standards ("IFRS"), interpretations issued by the IFRS Interpretations Committee ("IFRS-IC"), the South African Institute of Chartered Accountants' Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the listings requirements of the exchange operated by the JSE Limited (the Johannesburg Stock Exchange) ("JSE") (the "JSE Listings Requirements") and the requirements of the Companies Act, 2008 of South Africa (the "Companies Act"). The principal accounting policies applied are set out in the Issuer's most recent audited annual consolidated and separate financial statements.

The Issuer's audited annual consolidated and separate financial statements for the reporting period ended 31 December 2020 (the "2020 Financial Statements"), and for the reporting period ended 31 December 2019 (the "2019 Financial Statements" (collectively referred to as the "Annual Financial Statements")) are incorporated by reference in this Prospectus together with the audit reports thereon of EY.

The Annual Financial Statements were audited by EY in each case in accordance with International Standards on Auditing. EY is an independent auditor in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors and other independence requirements applicable to performing audits of financial statements in South Africa.

In 2017 a comprehensive separation programme for implementing the regulatory and accounting deconsolidation of the Issuer and Barclays Bank PLC (the "Separation") (the "Separation Programme") was initiated which was completed in December 2020 (see "Description of the Group's Business – History" for further detail). Barclays Bank PLC contributed R12.1 billion in 2017 (approximately \$1 billion at the time) towards the Separation Programme, which comprised mainly of information technology ("IT") and brand projects, and which commenced on 6 June 2017.

As a result of the Separation from Barclays Bank PLC, the Issuer also reports normalised results which have been referenced in the Prospectus. The normalised results reflect the removal of certain exceptional or non-recurring items that arose as a direct consequence of, or activities that directly relate to the Issuer's Separation from Barclays Bank PLC. Normalised results will continue to be disclosed while the underlying business performance is materially different from the IFRS financial results. The Issuer believes that this adjusted financial information more accurately reflects the Issuer's underlying performance. The adjusted financial information may not be comparable to other similarly titled measures of other companies and may have limitations as analytical tools. It should not be considered in isolation or as a substitute of the Issuer's operating results under IFRS.

Investors should note that certain financial information and data set forth herein has been derived from the unaudited management accounts of the Issuer. See "Alternative Performance Measures" below.

Rounding Adjustments

Certain amounts which appear in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Alternative Performance Measures

To supplement the Annual Financial Statements, the Issuer uses certain ratios and measures included in this Prospectus that might be considered to be "alternative performance measures" (each an "APM") as described in the ESMA Guidelines on Alternative Performance Measures (the "ESMA Guidelines") published by the European Securities and Markets Authority on 5 October 2015. The ESMA Guidelines provide that an APM is understood as "a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework." The ESMA Guidelines also note that they do not apply to APMs "disclosed in accordance with applicable legislation, other than the applicable financial reporting framework, that sets out specific requirements governing the determination of such measures".

The management of the Issuer believes that the APMs included and/or incorporated by reference in this Prospectus, when considered in conjunction with measures reported under IFRS, are useful to investors because they provide a basis for measuring the organic operating performance in the periods presented and enhance

investors' overall understanding of the Group's financial performance. In addition, these measures are used in the internal management of the Group, along with financial measures reported under IFRS, in measuring the Group's performance and comparing it to the performance of its competitors. In addition, because the Issuer has historically reported certain APMs to investors, the Issuer's management believes that the inclusion and/or incorporation by reference of APMs in this Prospectus provides consistency in the Issuer's financial reporting and thus improves investors' ability to assess the Group's trends and performance over multiple periods. APMs should not be considered in isolation from, or as a substitute for, financial information presented in compliance with IFRS. For the Issuer, measures that might be considered to be APMs in this Prospectus and/or incorporated by reference in this Prospectus (and that are not defined or specified by IFRS or any other legislation applicable to the Issuer) include (without limitation) the following (such terms being used in this Prospectus as defined below):

APM	Definition
Net interest margin on average interest-bearing assets / Net interest margin ("NIM")	Net interest income ("NII") for the reporting period, divided by average interest-bearing assets (calculated on a daily weighted average basis), expressed as a percentage of average interest-bearing assets.
Operating Jaws	A measure used to demonstrate the extent to which the Group's growth rate of total income during a period exceeds operating expenses growth rate for that period.
Cost-to-income ratio	Operating expenses as a percentage of total income. Income consists of net interest income and non-interest income.
Credit loss ratio	Annualised Expected credit losses ("ECL") for the reporting period, divided by total average gross loans & advances to customers and banks (calculated on a daily weighted average basis).
Expected credit loss ("ECL") coverage ratio	Expected credit loss allowances as a proportion of gross loans and advances to customers and banks, excluding the carrying amount of financial assets at fair value through profit or loss
Non-Performing Loans (Stage 3) ("NPL") coverage ratio	Stage 3 ECL divided by stage 3 gross carrying amount.
Loans-to-deposits and debt securities ratio	Loans and advances to customers as a percentage of deposits due to customers and debt securities in issue.
Liquidity coverage ratio ("LCR")	<p>Value of the stock of High-Quality Liquid Asset ("HQLA") Amount in stressed conditions, divided by the Total net cash outflows, over the next 30 calendar days.</p> <p>HQLA refers to assets held specifically to cover the total net cash outflows (as defined below) over a 30-day period under the prescribed stress scenario. These assets should be unencumbered and should be liquid in markets during a time of stress and, ideally, be central bank eligible. Eg South African Government Bonds.</p> <p>Total Net Cash Outflows = Total Cash Outflows, over the next 30 calendar days less Total Cash Inflows, over the next 30 calendar days</p> <p>Cash outflows takes into account outstanding balances of various categories or types of liabilities and off-balance sheet commitments and applies prescribed rates at which they are expected to run off or be drawn down within the next 30 calendar days.</p>

APM	Definition
	Cash inflows take into account outstanding balances of various categories of contractual receivables and applies prescribed rates at which they are expected to flow in within next 30 calendar days.
Net stable funding ratio (" NSFR ")	<p>The proportion of long-term assets funded by stable funding and is calculated as the amount of Available Stable Funding ("ASF") divided by the amount of Required Stable Funding ("RSF").</p> <p>Available Stable Funding (ASF) - comprises of a broad characteristics of an institution's funding sources and their assumed degree of stability.</p> <p>The ASF is determined by taking each bank liability and element of regulatory capital, multiplying it by an "ASF factor," and then adding up all the resulting, weighted numbers.</p> <p>The ASF factors, which vary between 0 and 100%, are meant to measure the stickiness of each liability – the less likely a liability is needed to be replaced or repaid, the higher the assigned ASF factor.</p> <p>Required Stable Funding (RSF) – is determined by summing the bank assets weighted by "RSF factors."</p> <p>The RSF is the amount of stable funding that it is required to hold given the liquidity characteristics and residual maturities of its assets and the contingent liquidity risk arising from its off-balance sheet exposures.</p> <p>The RSF factors are meant to measure the difficulty of liquidating an asset and, like ASF factors, they also vary from 0 to 100%.</p>
Headline earnings	Headline earnings is a measure used commonly in the South African market to measure core performance and is calculated as the profit attributable to the ordinary shareholders of the Group, excluding separately identifiable remeasurements, net of related tax and non-controlling interests.
Return on average equity	Annualised headline earnings as a proportion of average equity attributable to ordinary shareholders.
Return on average assets	Annualised headline earnings as a proportion of total average assets.
Return on average risk-weighted assets (" RoRWA ")	Annualised headline earnings as a proportion of average risk-weighted assets.
Dividend cover	Headline earnings per share divided by dividend per share.
Dividend per ordinary share relating to income for the reporting period	Actual interim dividends paid and the final dividends declared to ordinary shareholders for the reporting period under consideration, expressed as cents per share. Special dividend per ordinary share is a payment made by the Group that is considered separate from the typical recurring dividend cycle, expressed as cents per share.

APM	Definition
Pre-provision profit	Total income less operating expenses.
Portfolio performance	The difference between total impairment charge for the current year less the previous year, less macroeconomic variables ("MEVs") management adjustment less total single name impairments.

Certain Definitions

As used herein, the "**Group**" refers to the Issuer and its consolidated Subsidiaries and references to "**Absa Bank**" are to Absa Bank Limited (Registration Number 1986/004794/06, a bank registered in South Africa in terms of the Banks Act, 1990 of South Africa (the "**Banks Act**")) and references to Absa in its capacity as Joint Bookrunner are to Absa Bank Limited acting through its Corporate and Investment Banking division.

In this Prospectus, any reference to "**law**" shall (unless the context otherwise requires) be deemed to include legislation, regulations and other legal requirements and any reference to "**year-on-year**" refers to the change in the relevant statistic from the position as at the end of the financial year preceding the relevant financial year to the position as at the end of the relevant financial year. In this Prospectus, where "**n/a**" appears in tables of financial information, this means that the relevant number for a particular line item in that year is not available.

In this Prospectus, unless otherwise specified, references to "**U.S.\$**", "**U.S. dollars**" or "**dollars**" are to United States dollars, references to "**R**", "**ZAR**" and "**Rand**" refer to South African rand and references to "**billions**" are to thousands of millions and references to "**Rm**" are to one million Rand.

References herein to the "Group's management" are to the management of the Issuer and references to the Group's beliefs or expectations are to the beliefs and expectations of the management of the Issuer.

Third-Party Information Regarding the Company's Market and Industry

In the case of the statistical information, presented herein, similar statistics might be obtainable from other sources, although the underlying assumptions and methodology, and consequently the resulting data, might vary from source to source. Where information has been sourced from a third party, such publications generally state that the information they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of such information is not guaranteed.

Information in this Prospectus regarding the Issuer's shareholders has been based upon public filings, disclosure and announcements by such shareholders.

OVERVIEW

Issuer	Absa Group Limited (the " Issuer ")
The Notes	U.S.\$500,000,000 Fixed Rate Reset Write-Off Notes (the " Notes "). The proceeds of the Notes are intended to constitute Additional Tier 1 Capital of the Issuer.
Issue Date	27 May 2021
Issue Price	100 per cent. of the principal amount of the Notes
Form and Denomination	The Notes will be issued in registered form in the denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.
Interest Rate	Subject as provided below, from (and including) the Issue Date to (but excluding) the First Reset Date, the interest rate on the Notes will be 6.375 per cent. per annum. From (and including) the First Reset Date, the applicable per annum interest rate will be equal to the relevant Reset Interest Rate. Interest will be payable semi-annually in arrear on each Interest Payment Date.
Reset Dates	27 November 2026 and every fifth anniversary thereafter.
Interest Payment Dates	27 May and 27 November of each year, commencing on 27 November 2021.
Interest Payments	<p>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 in whole or in part and for any reason; (b) it is in breach of either (i) the Capital Regulations or (ii) 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.</p> <p>If the Issuer is not obliged to pay the relevant interest amount in respect of an interest period in accordance with the paragraph above, 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 Notes or for any other purpose and a Noteholder will have no claim in respect of any such non-payment. Payments of interest in respect of the Notes shall be made only out of distributable reserves of the Issuer.</p> <p>Interest payments on the Notes will not be cumulative. Accordingly, if any payment of interest (or any part thereof) is not made in respect of the Notes in accordance with the Conditions then the right of the Noteholders to receive the relevant interest amount (or part thereof) will be extinguished and the Issuer will have no obligation to pay such interest amount (or part thereof) or to pay any interest thereon, whether or not any interest amount is paid in respect of any future interest period.</p> <p>If the Issuer elects (pursuant to (a) above) not to pay interest on an Interest Payment Date, it shall give notice of such election to the Noteholders, the Trustee, the Principal Paying Agent and the Registrar as soon as reasonably practicable following the making of such election (or, where applicable, in accordance with any notice period that may be required by the Capital Regulations or the Prudential Authority at the relevant time). If the Issuer does not make payment of any interest amount (or any part thereof) on any Interest Payment Date such non-payment shall evidence the election of the Issuer not to pay such interest amount (or part thereof) and, accordingly, such interest amount (or part thereof) shall not in any such case be due and payable. If the Issuer is not obliged (pursuant to (b) and (c) above) to pay any interest on any Interest Payment Date, it shall (as soon as reasonably practicable) give notice of such fact to the Noteholders, the Trustee, the Principal Paying Agent and the Registrar and, in respect of (b) above, to the Prudential Authority. Any failure by the Issuer to give any such notice will not in any way impact on the effectiveness of, or otherwise invalidate, any such election or right</p>

not to pay interest on the Relevant Interest Payment Date or give Noteholders any rights as a result of such failure.

Payment of interest following a Capital Disqualification Event

If a Capital Disqualification Event has occurred and is continuing in respect of the Notes and the Notes are no longer eligible to comprise (in whole and not, for the purposes of this provision, part only) Additional Tier 1 Capital of the Issuer, to the extent that the Issuer does not exercise its right to (a) redeem the Notes as summarised in "*Capital Disqualification Event Redemption*" below or (b) substitute or vary the terms of the Notes so that they become or remain Qualifying Additional Tier 1 Securities pursuant to Condition 6(e) (*Substitution or Variation*), the Issuer shall not exercise its election as set out in limb (a) of the first paragraph of "*Interest Payments*" above to not pay any interest amount accrued and due on such Notes on any Interest Payment Date following the occurrence of the Capital Disqualification Event and limb (a) of the first paragraph of "*Interest Payments*" above shall cease to apply to the Notes and the Issuer shall no longer have the discretion to cancel any payment of interest accrued following the occurrence of the Capital Disqualification Event.

This provision is without prejudice to the remainder of the Terms and Conditions of the Notes (the "**Terms and Conditions of the Notes**"), including (without limitation) the continuing application of "*Status and Subordination*" below, (b) and (c) of the first paragraph of "*Interest Payments*" above and "*Loss Absorption following a Non-Viability Trigger Event*" below. Accordingly, the Notes are intended to continue to have certain other characteristics of Additional Tier 1 Capital (based on the Capital Regulations as of the Issue Date) (other than as set out in this provision) notwithstanding the occurrence of the relevant Capital Disqualification Event. For the avoidance of doubt, in the event that a Non-Viability Trigger Event has been determined by the Prudential Authority or the Issuer, such decision will not constitute a Capital Disqualification Event.

Restriction following non-payment of interest

If, on any Interest Payment Date (the "**Relevant Interest Payment Date**"), the interest amount in respect of the Notes shall not have been paid in full pursuant to the above provisions, 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 Notes, the Issuer shall not (and the Issuer shall procure that no member of the Group shall): (a) declare or pay a distribution or dividend or pay any interest on Junior Securities or Preference Share Parity Securities (other than an instrument under the terms of which the Issuer or other member of the Group must declare or pay a distribution or dividend or pay interest before such Relevant Interest Payment Date or intra-group dividends between members of the Group, which can be paid at any time); or (b) redeem, purchase, reduce or otherwise acquire any Junior Securities or Preference Share Parity Securities, and for the purposes of each of (a) and (b) Junior Securities shall include any securities of any of the Issuer's 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, junior to the Notes.

Status and Subordination

The Notes constitute direct, unsecured and, in accordance with the provisions below, 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.

The claims of the Trustee (on behalf of the Noteholders) and the Noteholders' entitled to be paid amounts due in respect of the Notes (including any damages or other amounts (if payable)) are subordinated to the claims of 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 Noteholder shall have proved a claim for any amount in respect of the Notes, in the event of the dissolution, liquidation or winding-up of the Issuer, no such amount shall be paid to the Trustee (on behalf of the Noteholders) or that Noteholder, as the case may be; and
- (b) no amount due under the Notes shall be eligible for set-off, counterclaim, abatement or other similar remedy which the Trustee (on behalf of the Noteholders) or a Noteholder, as the case may be, might otherwise have under the laws of any jurisdiction in respect of the Notes nor shall any amount due under the Notes be payable to the Trustee (on behalf of the Noteholders) or any Noteholder, as the case may be,

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

Subject to Applicable Laws, neither the Trustee (on behalf of the Noteholders) nor any 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 Notes and the Trustee (on behalf of the Noteholders) and each Noteholder, as the case may be, shall, by virtue of being the holder of any 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 Noteholder by the Issuer is discharged by set-off (whether by operation of law or otherwise), such 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 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 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.

Payments in respect of the principal of and interest on the Notes are 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 the foregoing paragraph, the Issuer shall be solvent if: (a) it is able to pay its debts owed to Senior Creditors as they fall due and (b) its Assets exceed its Liabilities to Senior Creditors (the "**Solvency Condition**").

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 the subordination provisions described above, in a winding-up, liquidation, or similar process of the Issuer and (b) subject to satisfying the Solvency Condition, on any redemption of the Notes (as described below), 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 Trustee, the Principal Paying Agent, and the Noteholders of such fact and the Solvency Claims shall, subject to satisfying the Solvency Condition, be due and payable on the sixteenth 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 "*Interest Rate*" above. In the event that the Issuer shall be so solvent once again,

the Issuer may not declare or pay a dividend (in accordance with "*Restriction following non-payment of interest*" above) 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.

Perpetual Securities The Notes have no maturity date and are only redeemable in the circumstances set out below.

Optional Redemption Subject as provided in Condition 6(f) (*Conditions to Redemption, Purchase, Modification, Substitution or Variation*), and the Issuer satisfying the Solvency Condition, the Notes may be redeemed at the option of the Issuer on the date falling one day after the fifth anniversary of the Issue Date and on any date thereafter up to and including the First Reset Date or on any Interest Payment Date after the First Reset Date, in whole but not in part, at their Current Principal Amount together with any accrued but unpaid interest to (but excluding) the date of redemption (excluding any interest amounts which the Issuer has elected not to pay or is not obliged to pay in accordance with Condition 5 (*Interest Cancellation*)), on giving not less than 15 nor more than 30 days' notice to the Noteholders (which notice shall be irrevocable).

Tax Redemption Subject as provided in Condition 6(f) (*Conditions to Redemption, Purchase, Modification, Substitution or Variation*) and the Issuer satisfying the Solvency Condition, if at any time a Tax Event occurs and is continuing, the Notes may be redeemed at the option of the Issuer, in whole but not in part, at their Current Principal Amount together with any accrued but unpaid interest to (but excluding) the date of redemption (excluding any interest amounts which the Issuer has elected not to pay or is not obliged to pay in accordance with Condition 5 (*Interest Cancellation*)), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), *provided, however, that* no such notice of redemption shall be given earlier than 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.

Capital Disqualification Event Redemption Subject as provided in Condition 6(f) (*Conditions to Redemption, Purchase, Modification, Substitution or Variation*) and the Issuer satisfying the Solvency Condition, if at any time a Capital Disqualification Event occurs and is continuing, the Notes may be redeemed at the option of the Issuer, in whole but not in part, at their Current Principal Amount together with any accrued but unpaid interest to (but excluding) the date of redemption (excluding any interest amounts which the Issuer has elected not to pay or is not obliged to pay in accordance with Condition 5 (*Interest Cancellation*)), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable).

Substitution or Variation If a Capital Disqualification Event or a Tax Event has occurred and is continuing, then the Issuer may, subject to the Solvency Condition and as provided in Condition 6(f) (*Conditions to Redemption, Purchase, Modification, Substitution or Variation*), and having given not less than 60 nor more than 90 days' notice to the Trustee, the Principal Paying Agent and the Noteholders (which notice shall be irrevocable), but without any requirement for the consent or approval of the Noteholders, at any time either substitute all (but not some only) of the Notes for, or vary the terms of the Notes so that they remain or, as appropriate, become, Qualifying Additional Tier 1 Securities.

Purchase Subject to the applicable Capital Regulations, Condition 6(f) (*Conditions to Redemption, Purchase, Modification, Substitution or Variation*), and compliance with the Solvency Condition, the Issuer or any of its Subsidiaries may at any time purchase the Notes in the open market or otherwise and at any price.

All Notes so redeemed or purchased by the Issuer or any of its Subsidiaries may at the option of the Issuer be held or surrendered to the Principal Paying Agent for cancellation and may, if cancelled, not be re-issued or re-sold.

Conditions to Redemption, Purchase, Modification, Substitution or Variation

Subject to the applicable Capital Regulations, the Notes may be redeemed, substituted, varied or purchased by the Issuer in the circumstances described above, provided that, for so long as is, and to the extent required by the Capital Regulations:

- (a) the Notes may only be redeemed at the option of the Issuer after a minimum initial period of issue of five years from the Issue Date of the Notes, provided that unless the Prudential Authority determines that the Issuer is duly capitalised above the minimum capital requirements after the relevant redemption option is exercised, the Issuer may not redeem such Notes unless such 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, purchase, substitution or variation (as applicable), subject to such conditions (if any) as the Prudential Authority may specify in writing; and
- (c) the redemption, substitution, variation or purchase of the Notes is not prohibited by the Capital Regulations.

In the case of a redemption (other than with respect to any redemption of the Notes pursuant to Condition 6(d) (*Redemption at the option of the Issuer*)) and in the case of any substitution or variation in accordance with Condition 6(e) (*Substitution or Variation*), prior to the publication of any notice of redemption, substitution or variation, the Issuer shall deliver to the Trustee and the Principal Paying Agent a certificate signed by two Authorised Signatories (as defined in the "*Terms and Conditions of the Notes*"), which they are entitled to rely on without any liability thereof, 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 Notes and will as from the date of such substitution or variation otherwise comply with the requirements of the definition of Qualifying Additional Tier 1 Securities.

In the case of a redemption, substitution or variation upon the occurrence of a Tax Event in accordance with Condition 6(b) (*Redemption for tax reasons*) or Condition 6(e) (*Substitution or Variation*), prior to the publication of any notice of redemption, substitution or variation, the Issuer shall deliver to the Trustee an opinion in form and substance satisfactory to the Trustee of independent legal advisers of recognised standing to the effect that the relevant Tax Event has occurred.

In the case of a redemption, substitution or variation upon the occurrence of a Capital Disqualification Event in accordance with Condition 6(c) (*Redemption following the occurrence of a Capital Disqualification Event*) or Condition 6(e) (*Substitution or Variation*), unless the Prudential Authority has confirmed to the Issuer that a Capital Disqualification Event has occurred (or been deemed to have occurred) in respect of the Notes (and the Issuer has certified to the Trustee that the Prudential Authority has provided such confirmation), prior to the publication of any notice of redemption, substitution or variation, the Issuer shall deliver to the Trustee an opinion of independent legal advisers of recognised standing in form and substance satisfactory to the Trustee to the effect that a Capital Disqualification Event has occurred (or been deemed to have occurred).

For the avoidance of doubt, no consent of the Noteholders shall be required for a redemption, purchase, modification, substitution, variation or cancellation of the Notes in accordance with this Condition 6 (*Redemption and Purchase; Substitution and Variation*) and the Trustee shall be obliged to effect such matters provided it would not (i) impose, in the Trustee's opinion, more onerous obligations on it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the rights and/or protective provisions afforded to the Trustee in the Conditions, the Trust Deed or the Agency Agreement (including, for the avoidance of doubt, any supplemental trust deed or supplemental agency agreement) in any way or (ii)

expose it to any liability against which it has not been indemnified and/or secured and/or prefunded to its satisfaction.

Events of Default and Enforcement

If default shall be made in the payment of any principal or interest due on the Notes 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, then the Trustee at its discretion may and, if so requested in writing by Noteholders of at least one quarter of the aggregate Current Principal Amount of the outstanding Notes, shall, 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 the Trustee 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 by a court of competent jurisdiction).

Without prejudice to the above, if the Issuer breaches any of its obligations under the Notes (other than any obligation in respect of the payment of principal or interest on such Notes) then the Trustee at its discretion may and, if so requested in writing by Noteholders of at least one quarter of the aggregate Current Principal Amount of the outstanding Notes, shall, 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 the Notes sooner than the same would otherwise have been payable by it.

Loss Absorption following a Non-Viability Trigger Event

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 Trustee and the Noteholders.

Upon the occurrence of a Non-Viability Trigger Event, the Issuer will notify the Trustee, the Principal Paying Agent, the Registrar and the Noteholders (a "**Non-Viability Trigger Event Notice**") and subsequently Write-off the Current Principal Amount of the 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 Notes need only occur up until the point where (i) the Issuer is deemed by the Prudential Authority to be viable again, as specified in writing by the Prudential Authority, and (ii) 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 in order for the Notes to qualify as Additional Tier 1 Capital) to the extent that the Notes are liability accounted; and
- (b) the Notes shall be Written-off in whole, or in part, on a pro rata basis with other Loss Absorbing Instruments,

(the "**Non-Viability Loss Absorption Condition**").

In addition, and without prejudice to the Issuer not being under any obligation to pay any interest amount for any other reason pursuant to the provisions of "*Interest Payments*" above, the Issuer shall not be obliged to pay any interest amount on the Current Principal Amount accrued to and including the date on which the Notes are Written-off in accordance with the Non-Viability Loss Absorption Condition, and payment of such interest amount shall be cancelled, to the extent such payment is prohibited by the Prudential Authority as provided in Condition 5(a)(iii) (*Interest Cancellation*).

Any delay in delivery or failure to deliver a Non-Viability Trigger Event Notice shall not affect the validity of any Write-off or the timing of any Write-off.

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 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 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 Notes may be Written-off on more than one occasion. To the extent that the write-off or conversion of any Loss Absorbing Instruments is not effective for any reason: (a) the ineffectiveness of any such write-off or conversion shall not prejudice the requirement to effect a Write-off of the Notes; and (b) the write-off or conversion of any Loss Absorbing Instrument which is not effective shall not be taken into account in determining the Written-off Amount of the Notes. For the avoidance of doubt, following any Write-off of the 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 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 Terms and Conditions of the Notes, and shall not entitle the Trustee or 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 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 Trustee (on behalf of the Noteholders) 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 Written-off Amount prior to the Write-off Date and repayment of the Written-off Amount; provided that, if the Notes are Written-off in part, interest will continue to accrue on the Current Principal Amount.

If a Statutory Loss Absorption Regime is implemented in South Africa and the 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 Noteholders (and copied to the Trustee) (which Amendment Notice shall be irrevocable), to elect that the Non-Viability Loss Absorption Condition shall cease to apply and that the Statutory Loss Absorption Regime will apply to the Notes, in each case to the extent to which such Statutory Loss Absorption Regime addresses the relevant provisions of the Non-Viability Loss Absorption Condition that are to cease to apply, 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 disapply the Non-Viability Loss Absorption Condition and apply the Statutory Loss Absorption Regime to the 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 Notes under any Applicable Law which results in the 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.

If:

- (i) the Issuer exercises the Amendment Option; or
- (ii) the Statutory Loss Absorption Regime is applied mandatorily to the Notes under any Applicable Law,

the Non-Viability Loss Absorption Condition will (in the case of (i) above, only to the extent required by the Statutory Loss Absorption Regime and the extent to which the Statutory Loss Absorption Regime addresses the relevant provisions of the Non-

Viability Loss Absorption Condition) cease to apply and the Notes will be subject to such minimum requirements of the Statutory Loss Absorption Regime required to ensure that the Notes continue to qualify as Additional Tier 1 Capital with effect from (in the case of (a) above) the Amendment Date and (in the case of (ii) above) 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) or to the extent that the Statutory Loss Absorption Regime does not address the relevant provisions of the Non-Viability Loss Absorption Condition, then the Notes will not be subject to the Statutory Loss Absorption Regime and the Non-Viability Loss Absorption Condition will continue to apply to the Notes.

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 Notes as is required or permitted by such Statutory Loss Absorption Regime.

Withholding tax	All payments of principal and interest in respect of the Notes by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of South Africa or any political subdivision thereof or any authority thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer will, save in certain limited circumstances (described in the " <i>Terms and Conditions of the Notes</i> "), pay additional amounts to cover the amounts so withheld or deducted.
Governing law	The Notes will be governed by English law, save that the status, subordination and loss absorption provisions (including the interest deferral and write off provisions) will be governed by South African law.
Contractual recognition of powers exercised under Statutory Loss Absorption Regime	Notwithstanding and to the exclusion of any other term of the Notes, or any other agreements, arrangements or understandings between any of the parties thereto or between the Issuer and any Noteholder (including each holder of a beneficial interest in the Notes), each Noteholder by its acquisition of the Notes will be deemed to acknowledge, accept, and agree: (i) that any liability of the Issuer in respect of the Notes may be subject to the exercise of any powers by the Prudential Authority or any other dedicated authority under any Statutory Loss Absorption Regime; and (ii) to any variation of the Conditions deemed necessary by the Prudential Authority or such other dedicated authority to give effect to the exercise of any such powers.
Listing and trading	Applications will be made for the Notes to be admitted to listing on the Official List of the UK Financial Conduct Authority and to trading on the Main Market of the London Stock Exchange.
Rating	The Notes are expected to be rated B2 by Moody's. A security rating is not a recommendation to buy, sell or hold securities and may be subject to change, suspension, reduction or withdrawal at any time by the assigned rating agency.
Clearing Systems	Euroclear and Clearstream, Luxembourg.
ISIN	XS2339102878
Common Code	233910287
Legal Entity Identifier (LEI)	2138006IPPRD4N6XLT30
Joint Bookrunners	Absa Bank Limited (acting through its Corporate and Investment Banking division), Barclays Bank PLC, HSBC Bank plc, Merrill Lynch International and Standard Chartered Bank

Trustee	Deutsche Trustee Company Limited
Principal Paying Agent and Calculation Agent	Deutsche Bank AG, London Branch
Registrar and Transfer Agent	Deutsche Bank Luxembourg S.A.
Use of Proceeds	The net proceeds of the issue of the Notes will be used by the Issuer for its general corporate purposes and to further strengthen the Issuer's regulatory capital base.
Selling Restrictions:	For a description of certain restrictions on offers and sales of the Notes and on the distribution of offering material, including in the United Kingdom, the United States, the EEA, South Africa, Hong Kong, Singapore, Switzerland, the Dubai International Financial Centre, the United Arab Emirates (excluding the Dubai International Financial Centre) and Mauritius, see " <i>Subscription and Sale</i> ".

RISK FACTORS

Any investment in the Notes is subject to a number of risks. Prior to investing in the Notes, prospective investors should carefully consider risk factors associated with any investment in the Notes, the business of the Issuer and the industries in which it operates together with all other information contained in this Prospectus, including, in particular the risk factors described below. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Prospectus have the same meanings in this section.

The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Notes and should be used as guidance only. Additional risks and uncertainties relating to the Issuer that are not currently known to the Issuer or that it currently deems immaterial may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of the Issuer and, if any such risk should occur, the value of the Notes may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Notes is suitable for them in light of the information in this Prospectus and their personal circumstances.

Risks relating to the Issuer

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

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

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

The Government has responded to the pandemic by mandating restrictions upon international travel, imposing temporary lockdowns, restricting certain business activities and instituting social distancing rules. Following the end of the second wave of infections, the Government substantially relaxed many of the lockdown restrictions on economic activity and the movement of people. These measures have had and are likely to continue to have, an adverse effect on the level of economic activity in South Africa and have negatively impacted, and could continue to negatively impact businesses, market participants and clients of the Group. Moreover, given the relatively slow rollout of vaccines, South Africa remains at risk of experiencing additional surges in virus infections, which may bring about an escalation in lockdown restrictions.

The COVID-19 pandemic has had a material impact on the risks that the Issuer is exposed to and the output of financial models, most specifically those used to determine credit risk exposures. The high degree of uncertainty resulting from this has resulted in the Issuer reassessing assumptions underpinning such financial models, and existing methods of estimation and judgements used in the preparation of these financial results. The temporary payment relief provided to eligible customers as part of the Group's COVID-19 response (see "*Risk Management – Risk Types – Credit Risk*" for further information) created added complexity and there is a risk that actual loss experienced may differ from that suggested by the judgements and assumptions used. The full extent to which the COVID-19 pandemic impacts the Issuer's business, financial condition and results of operations, as well as its regulatory capital and liquidity ratios, will depend on future developments, which are highly uncertain and cannot

be predicted, including the scope and duration of the COVID-19 pandemic and the impact of actions taken by regulators, governmental authorities and other third parties in response to the COVID-19 pandemic.

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

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

Global economic conditions

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

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

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

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

South African economic conditions

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

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

As a result of weak economic growth which has adversely affected tax receipts, and strong growth in expenditure, particularly on the government wage bill, South Africa's public finances have deteriorated significantly over the

past decade. The 2021 Budget tabled by Finance Minister Mboweni presented a plan to lower budget deficits significantly over the coming years by implementing wage freezes for public sector employees. The National Treasury expects that this should narrow the main budget deficit to 6.5% of GDP in fiscal year 2023/24 and stabilise the debt-to-GDP ratio at 88.9% in fiscal year 2025/26. However, implementation risks are high. An inability to stabilise public finances could have negative implications for economic growth.

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

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

South Africa has experienced ongoing problems with the reliability of its electricity supply due to structural problems at the state-owned power utility Eskom. Despite the recorded sharp decline in GDP during 2020 and low demand for electricity, Eskom implemented the highest level of rotational power cuts since 2015, indicating a severe worsening in the state of the utility's generation system. Eskom's energy availability factor was on average 65% in 2020 and has been around 60% in 2021 to the date of this Prospectus with unplanned outages forcing the utility to implement rotational power cuts several times. Eskom's structural problems are not only operational, they are also financial. Eskom had total debt amounting to R464 billion as of September 2020. The utility has previously indicated that it cannot sustain this level of debt. However, the Government has not made much progress to address Eskom's level of debt.

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

South African political conditions

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

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

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

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

South African socio-economic conditions

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

South African conditions specific to the banking sector

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

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

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

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

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

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 (see "*Risk Management – Risk Types – Credit Risk*" for further detail). Changes in the credit quality of the Issuer's borrowers and counterparties or arising from systemic risk in the financial systems could reduce the value of the Issuer's assets, and require increased provisions for bad and doubtful debts. In addition, changes in economic conditions may result in deterioration in the value of security held against lending exposures and increase the risk of loss in the event of borrower default.

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

Credit Concentration Risk

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

- Due to the Issuer's position as a major retail bank in the South African market, should private household clients, and specifically the home loans asset class, experience economic stress, this may have an adverse impact on the Issuer's business, results, financial condition or prospects.
- Large sovereign exposure that is mainly due to the Issuer's liquid asset portfolio holdings. Should a deterioration in the South African sovereign credit rating be experienced, this may have an adverse impact on the Issuer's business, results, financial condition or prospects.
- The Issuer's financial performance is expected to remain linked to the performance of the South African economy due to the Issuer being headquartered in South Africa. Should the South African economy deteriorate, this may have an adverse impact on the Issuer's business, results, financial condition or prospects.
- The Issuer's funding and hedging activities may be negatively impacted in the event that other South African banks experience stress.

Market Risk

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

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

The Issuer's primary non-trading related exposures to foreign currency risk arise as a result of the translation effect on the Group's net assets in foreign operations, intragroup foreign-denominated debt and 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 which, in turn, could have a material adverse impact on the Issuer's business, results, financial condition or prospects.

Liquidity Risk

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

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

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

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

Operational Risk

The Issuer is susceptible to direct or indirect loss resulting from human errors/failures, inadequate or failed internal processes, systems or external events (see "*Risk Management – Risk Types – Operational Risk*" for more detail). 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 Group has been party to proceedings against it during the financial year ending 31 December 2020, including the following material cases:

- **MyRoof:** During 2015, Absa Bank terminated an agreement in terms of which MyRoof provided an online electronic system to Absa Bank that facilitated the advertising and sale of distressed home loans properties. A dispute subsequently arose, with MyRoof contending that Absa Bank owed to it certain commission-based fee revenue. This resulted in the institution of arbitration proceedings in which MyRoof claims a statement and debatement of account. Absa Bank is disputing both the substance and the quantum of the claim.

- Absa Bank has received a claim under a guarantee issued by it to secure the obligations of a subsidiary, for an amount of US\$64m. Absa Bank is defending the matter.

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

The Group 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 Group is or has been engaged.

At the present time, the Group 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 Group's results of operations or cash flow for a particular period, depending on, amongst other things, the amount of the loss resulting from the matter(s) and the amount of income otherwise reported for the reporting period.

The Group 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 Group does, however, report its contingent liabilities on an aggregated basis. Provision is made for all liabilities which are expected to materialise.

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

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

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

The Issuer has a high dependency on its own IT systems and operations infrastructure in addition to those of third party service providers to conduct its business. The Issuer regards these systems as critical to improving productivity and ensuring the Group and the Issuer remain 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, any systems that do not have a disaster recovery backup operational mode could be unable to serve some or all customers' needs on a timely basis which could result in a loss of business.

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

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

The Issuer's credit ratings affect the cost and other terms upon which the Issuer is able to obtain funding. Rating agencies regularly evaluate the Issuer and their ratings of its long-term debt are based on a number of factors, including capital adequacy levels, quality of earnings, credit exposure, the risk management framework and

funding diversification. These parameters and their possible impact on the Issuer's credit rating are monitored closely and incorporated into its liquidity risk management and contingency planning considerations.

The Issuer's long-term foreign currency rating is Ba3 (Negative outlook) by Moody's and the Issuer's long-term foreign currency default rating is BB- (negative outlook) by Fitch Ratings Limited.

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

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

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

Competitive landscape

The Group is subject to significant competition from other major banks operating in its markets, including competitors such as international banks that may have greater financial and other resources, particularly in the corporate and investment banking market. Many of these banks compete for substantially the same customers as the Issuer and/or other members of the Group. The Issuer also faces competition from other non-bank entities that increasingly provide similar services to those offered by banks, including entities such as retailers, mobile telephone companies and other technology companies, including "fintech", and entities in the shadow banking industry. Increased competition from non-bank entities in the money markets and capital markets could impact the Issuer's ability to attract funding. Competition may 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 may not achieve its strategic goals

The Issuer announced a refreshed corporate strategy in March 2021 (see "*Description of the Group's Business – Strategy*"). This strategy, or the implementation of it, may not achieve some or all of the Issuer's objectives. If the strategy is not successful, the Issuer's financial prospects and results of operations may not develop in the way it expects. The Issuer may not be able to achieve all or some of its strategic objectives, including as a result of internal and external factors, such as management's ability to implement the strategic priorities, economic conditions, competition, and changes in government policy, laws and regulations. Failure by the Issuer to achieve its strategic objectives could have an adverse impact on the Issuer's competitive position and its results.

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

The Issuer is subject to capital adequacy requirements specified by the Prudential Authority, which provide for a minimum common equity tier 1 ("CET1") ratio, tier 1 ratio and total capital adequacy ratio ("CAR") (see "*Regulatory Environment – South Africa – Current*" for more details on the South African capital and liquidity requirements for banks).

The Third Basel Accord, introduced by the Basel Committee on Banking Supervision ("BCBS"), ("**Basel III**") introduced capital buffers which continue to make it more challenging for banks to comply with minimum capital ratios. Failure by the Issuer to meet certain of these buffers, for example the capital conservation and counter-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.

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

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

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

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

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

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

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

The Issuer's performance is dependent on the talents and efforts of key personnel, some of whom may have been employed by the Group for a substantial period of time and have developed with the business. Loss of key staff could have a financial and operational impact on the Issuer. The Issuer's continued ability to compete effectively and further develop its businesses also depends on its ability to attract new employees. In relation to the development and training of new staff, the Issuer is reliant on the continued development of the educational sector within South Africa, including access to facilities and educational programmes by its future employees. However, there is no assurance that the educational sector within South Africa will continue to develop in the way the Issuer anticipates which may, in turn, result in a staffing shortages which could have a material adverse impact on the Issuer's operations and financial results.

Risk relating to emerging markets

Whilst the Issuer is headquartered in South Africa, the Group also has a presence in 11 other African countries (see "*Description of the Group's Business - Overview*"). South Africa and the other African countries in which the Group operates are generally considered by international investors to be emerging market countries. Investors in emerging markets such as South Africa should be aware that these markets may be subject to greater risk than more developed markets. These risks include economic instability as well as, in some cases, significant legal and political risks.

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

- labour unrest;

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

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

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

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

Risks Relating to the Notes

There is no scheduled redemption or maturity of the Note

The Notes are undated Notes without any fixed redemption or maturity date. The Issuer is under no obligation to redeem the Notes at any time. Any optional redemption, substitution, variation or purchase of the Notes by the Issuer is subject to the prior approval of the Prudential Authority. There is no redemption at the option of the holders of the Notes. Noteholders may therefore be required to bear the risks of an investment in the Notes for an indefinite period of time.

Cancellation of, or election not to pay, interest payments

Subject to Condition 5(e) (*Payment of Interest following a Capital Disqualification Event*), the Issuer will be obliged to pay interest on each Interest Payment Date unless it elects for any reason not to pay the whole or part of any interest payment. The Issuer will also not be obliged to pay interest in relation to the Notes if it is in breach of either (i) the Capital Regulations or (ii) 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 at any time the Prudential Authority imposes a mandatory prohibition on the payment by the Issuer of such interest amount. If the Issuer does not make an interest payment on the Relevant Interest Payment Date (or if the Issuer elects to make a payment of a portion, but not all, of such interest payment), such non-payment shall evidence the Issuer's exercise of its discretion to cancel such interest payment (or the portion of such interest payment not paid), and accordingly such interest payment (or the portion thereof not paid) shall not be due and payable. Cancelled interest shall not be due and shall not accumulate or be payable at any time thereafter, and Noteholders shall have no rights thereto or to receive any additional interest or compensation as a result of such cancellation. Furthermore, no cancellation of interest in accordance with the terms of the Notes shall constitute a default in payment or otherwise under the terms of the Notes.

In addition, if a Non-Viability Trigger Event occurs, the Issuer will cancel all interest accrued up to (and including) the Write-off Date.

Any election not to pay or where the Issuer is not obliged to pay interest payments in respect of the Notes may have an adverse effect on the market price of the Notes. In addition, as a result of an election by the Issuer not to pay interest payments on the Notes or where the Issuer is not obliged to pay such interest, the market price of the Notes may be more volatile than the market prices of other debt instruments of the Issuer on which original issue discount or interest accrues that are not subject to such cancellation and may be more sensitive generally to adverse changes in the Issuer's financial condition.

If on an Interest Payment Date in respect of the Notes, the interest amount in respect of the Notes shall not have been paid in full then 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 Notes, the Issuer and members of the Group will be restricted from declaring or paying distributions or dividends or paying any interest on, or from redeeming or purchasing, any Junior Securities or Preference Shares Parity Securities, except in limited circumstances, all as more fully described in Condition 5(d) (*Restrictions following non-payment of Interest*).

The Issuer's ability to make payments in respect of the Notes is dependent on the satisfaction of the Solvency Condition

The terms of the Notes provide that no payment of principal, interest or any other amount in respect of the Notes shall become due and payable unless, and to the extent that, the Issuer is able to make such payment and still be solvent immediately thereafter (except in the winding-up or liquidation of the Issuer) (the "**Solvency Condition**"). For these purposes, the Issuer shall be considered to be solvent if (x) it is able to pay its debts to Senior Creditors as they fall due and (y) its Assets exceed its Liabilities to Senior Creditors.

If and to the extent that the Issuer is unable to make a scheduled interest payment and still be solvent immediately thereafter, such interest payment shall not become due and will be cancelled.

As a holding company, the level of the Issuer's distributable reserves and its available funding may be affected by a number of factors. Insufficient distributable reserves or funding may restrict the Issuer's ability to make interest payments on the Notes

Should the Issuer pay any distribution or coupon in respect of an instrument or shares of which the proceeds rank as Additional Tier 1 Capital, such distribution or coupon shall be paid out of the distributable reserves only, as envisaged by Regulation 38(11)(b)(vi)(D) of the Regulations Relating to Banks.

As a holding company, the level of the Issuer's distributable reserves is affected by a number of factors, principally its ability to receive funds, directly or indirectly, from its operating Subsidiaries in a manner which creates distributable reserves for the Issuer. The Issuer is also reliant on the receipt of distributions from its Subsidiaries for funding the Issuer's payment obligations. Consequently, the level of the Issuer's distributable reserves and available funding, and therefore its ability to make interest payments on the Notes, are a function of its existing distributable reserves, future Group profitability, the ability of the Issuer's operating Subsidiaries to distribute or pay dividend profits up the Group structure to the Issuer and other factors such as the amount and availability of such profits and how they are calculated in accordance with accounting rules including the valuation of investment in Subsidiaries. In addition, the Issuer's distributable reserves available for making payments to Noteholders may also be adversely affected by the servicing of other instruments issued by the Issuer or by Subsidiaries in the Group.

The level of the Issuer's distributable reserves may be further affected by changes to regulation or the requirements and expectations of applicable regulatory authorities.

In addition, the ability of the Subsidiaries in the Group to make distributions and the Issuer's ability to receive distributions and other payments from its investments in other entities is subject to applicable local laws and other restrictions, including such Subsidiaries' respective regulatory, capital and leverage requirements, statutory reserves, financial and operating performance and applicable tax laws.

These factors could, in turn, restrict the Issuer's ability to make interest payments on the Notes.

Further, the Issuer's distributable reserves and its available funding, and therefore its ability to make interest payments, may be adversely affected by the performance of the Group's business in general, factors affecting its financial position (including capital and leverage), the economic environment in which the Group operates and other factors outside of the Issuer's control (see "*Risk Factors – Risks relating to the Issuer*" for further detail). In addition, adjustments to earnings, as determined by the Issuer's Board of Directors, may fluctuate significantly and may materially adversely affect distributable reserves. The Issuer shall not make an interest payment on the

Notes on any Interest Payment Date (and such interest payment shall therefore be deemed to have been cancelled and thus shall not be due and payable on such Interest Payment Date) if the level of distributable reserves is insufficient to fund that payment. In addition, if the Issuer's ability to receive distributions from its Subsidiaries is restricted and alternative sources of funding are not available, the Issuer may exercise its discretion to cancel interest payments in respect of the Notes. Cancelled interest shall not be due and shall not accumulate or be payable at any time thereafter and a Noteholder shall have no rights thereto.

The Issuer is a holding company, which means that its right to participate in the assets of any of its Subsidiaries (including those of Absa Bank Limited or any other present or future Subsidiary) upon the liquidation of such Subsidiaries and the extent to which the Issuer suffers losses if it or any of its Subsidiaries are subject to bank resolution proceedings, may depend, amongst other things, upon the degree to which the Issuer's loans to, and investments, in such Subsidiaries are subordinated

The Issuer is a holding company that currently has no significant assets other than its loans to, and investments in, its Subsidiaries such as Absa Bank Limited and any other present or future Subsidiary, which means that if any such Subsidiary is liquidated, the Issuer's right to participate in the assets of such Subsidiary will depend upon the ranking of the Issuer's claims against such Subsidiary according to the ordinary hierarchy of claims in insolvency. So, for example, insofar as the Issuer is a holder of ordinary shares in a Subsidiary, the Issuer's recovery in the liquidation of such Subsidiary will be subject to the prior claims of such Subsidiary's third party creditors and preference shareholders (if any). To the extent the Issuer holds other claims against any Subsidiary that are recognised to rank *pari passu* with any third party creditors' or preference shareholders' claims, such claims of the Issuer should in liquidation be treated *pari passu* with those third party claims.

As well as the risk of losses in the event of a Subsidiary's insolvency, the Issuer may suffer losses if any of its loans to, or investments in, such Subsidiary are subject to write-down and conversion by statutory power or regulatory direction or if the Subsidiary is otherwise subject to resolution proceedings.

In general terms, the more junior in the capital structure the investments in, and loans made to, any Subsidiary are, relative to third party investors, the greater the losses likely to be suffered by the Issuer in the event that any Subsidiary enters into resolution proceedings or is subject to write-down or conversion of its capital instruments or other liabilities.

Furthermore, as a result of the structural subordination of the Notes described above, if any Subsidiary were to be wound up, liquidated or dissolved, (i) the Holders would have no right to proceed against the assets of such Subsidiary, and (ii) the liquidator of such Subsidiary would first apply the assets of such Subsidiary to settle the claims of the creditors (and holders of preference shares or other tier 1 capital instruments ranking ahead of any such entity's ordinary shares) of such Subsidiary (such creditors and holders of preference shares may include the Issuer) ranking ahead of the holders of ordinary shares of such Subsidiary. Similarly, if any of the Subsidiaries were subject to resolution proceedings (i) the Noteholders would have no direct recourse against such Subsidiary, and (ii) the Noteholders themselves may also be exposed to losses pursuant to the exercise by the relevant resolution authority of the stabilisation powers.

The Notes may be traded with accrued interest, but under certain circumstances described above, such interest may be cancelled and not paid on the Relevant Interest Payment Date

The Notes may trade, and/or the prices for the Notes may appear, on the London Stock Exchange and in other trading systems with accrued interest. If this occurs, purchasers of Notes in the secondary market will pay a price that includes such accrued interest upon purchase of the Notes. However, if a payment of interest on any Interest Payment Date is cancelled or deemed cancelled (in each case, in whole or in part) as described herein and thus is not due and payable, purchasers of such Notes will not be entitled to that interest payment (or if the Issuer elects to make a payment of a portion, but not all, of such interest payment, the portion of such interest payment not paid) on the Relevant Interest Payment Date.

The interest rate on the Notes will reset on each Reset Date

The interest rate on the Notes will initially be 6.375 per cent. per annum. However, the interest rate will be reset on each Reset Date such that from (and including) the First Reset Date, the applicable interest rate per annum will be equal to the sum of the then applicable Reset Rate plus the Reset Margin. The interest rate following any Reset Date may be less than the Initial Rate of Interest and/or the interest rate that applies immediately prior to such Reset Date, which could affect the amount of any interest payments under the Notes and so the market value of the Notes.

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 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 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 for additional tier 1 instruments which are accounted for as equity will be the occurrence of the "trigger event" specified in writing by the Prudential Authority, provided that, as a minimum, that "trigger event" must be is 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; and (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 by the Prudential Authority.

The trigger event for additional tier 1 instruments which are accounted for as liabilities will be the first to occur of the following events:

- the occurrence of the trigger event specified in writing by the Prudential Authority (as described above); and
- the Common Equity Tier 1 Capital Ratio of the Issuer equals or falls below 5.875 per cent. (or such other percentage determined by the Prudential Authority from time to time in order for the Notes to qualify as Additional Tier 1 Capital).

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 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 among others, Guidance Note 6 of 2017 (*Loss absorbency requirements for Additional Tier 1 and Tier 2 capital*) ("**Guidance Note 6**"), paragraph 1.3 of which provides that the SARB will continue to monitor international developments around loss absorbency requirements, and if necessary, will issue further guidance.

The phased approach the SARB has previously articulated it intends taking in relation to the development of bank resolution plans and a SLAR has taken a step forward with the approval by the South African Cabinet in June 2020 for tabling in the South African Parliament ("**Parliament**") of the Financial Sector Laws Amendment Bill (the "**FSLAB**"). The FSLAB has been tabled in the South African National Assembly (the "**National Assembly**") and is being considered by the required parliamentary committee. The FSLAB proposes to amend a number of pieces of legislation including the Insolvency Act, 1936 of South Africa (the "**Insolvency Act**"), the Banks Act; the Companies Act; and the Financial Sector Regulation Act, 2017 of South Africa (the "**FSR Act**") in order to assist with the implementation of the resolution framework for "designated institutions" and the creation of a privately funded deposit insurance scheme. The FSLAB will still need to follow the parliamentary process and may be revised before being implemented. It is not possible at this stage to accurately determine when the FSLAB and the SLAR it contemplates will be implemented. The relevant regulators are continuously engaging with industry to continue working on the resolution framework.

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 the Notes accordingly provide for the Write-off of the Notes, as 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 Notes (subject to Conditions 9(h) (*Statutory Loss Absorption Regime*) and 9(i) (*Exercise of Amendment Option or mandatory application of Statutory Loss Absorption Regime*)).

Notwithstanding the requirement to provide for Write-off 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 provisions of any additional tier 1 instruments issued prior to the implementation of the SLAR replaced with the Write-off provisions in the legislation and/or regulations which implement(s) the SLAR (see Conditions 9(h) (*Statutory Loss Absorption Regime*) and 9(i) (*Exercise of Amendment Option or mandatory application of Statutory Loss Absorption Regime*)). Accordingly, Conditions 9(h) (*Statutory Loss Absorption Regime*) and 9(i) (*Exercise of Amendment Option or mandatory application of Statutory Loss Absorption Regime*) provide that the Issuer may elect to apply the SLAR to the Notes following its commencement.

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

Despite the above, whether regulated by the contractual Write-off provisions or the Write-off provisions in the legislation and/or regulations which implement(s) the SLAR, paragraph 2.6 of Guidance Note 6 provides that Write-off 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 of the Notes will generally be effected to ensure compliance with these minimum requirements only.

Payment of any amounts of principal and interest in respect of the 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, the Notes will be cancelled (in the case of a Write-off in whole) or written-off in part on a pro rata basis (in the case of a Write-off in part) in accordance with the Capital Regulations.

Under the terms of the Notes, a "Non-Viability Trigger Event" shall occur:

- (a) if at any time 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 in order for the Notes to qualify as Additional Tier 1 Capital) as determined by the Issuer or the Prudential Authority; or
- (b) when a "trigger event", specified in a notice in writing by the Prudential Authority to the Issuer 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 (on a consolidated basis or as otherwise required by the Capital Regulations) would become non-viable, is necessary as determined by the Prudential Authority; and
 - (ii) a decision to make a public sector injection of capital, or equivalent support, without which the Issuer (on a consolidated basis or as otherwise required by the Capital Regulations) would have become non-viable as determined by the Prudential Authority,

whichever is the earlier to occur, provided that (a) will only apply if the Notes are liability accounted by the Issuer.

Further to a cancellation or Write-off, Noteholders will no longer have any rights against the Issuer with respect to any amounts cancelled or Written-off and the Issuer shall not be obliged to pay compensation in any form to Noteholders. Furthermore, any such cancellation or Write-off will not constitute an event of default or any other breach of the Issuer's obligations under the Notes.

The circumstances surrounding or triggering a Write-off are unpredictable, and there are a number of factors that could cause a Non-Viability Trigger Event

The occurrence of a Non-Viability Trigger Event is inherently unpredictable and depends on a number of factors, which may be outside the control of the Issuer. The Common Equity Tier 1 Capital Ratio of the Issuer can be expected to fluctuate on an on-going basis and could be affected by one or more factors, including, among other things, changes in the mix of the business of the Issuer and the Group, major events affecting their respective earnings, distributions payments and regulatory changes (including changes to definitions and calculations of the Common Equity Tier 1 Capital Ratio and its components).

In making strategic decisions, including in respect of capital management, the Issuer is required to have regard to the interests of all relevant stakeholders as a whole and not to prioritise the particular interests of any group of stakeholders (such as Noteholders or other capital providers). Noteholders will not have any claim against the Issuer or any other member of the Group or in relation to strategic decisions that affect the business and operations of the Issuer or the Group, including if such decisions result in a deterioration in their capital position and an increased risk of the occurrence of a Non-Viability Trigger Event.

Further, the calculation of the Common Equity Tier 1 Capital Ratio of the Issuer and/or the Group may also be affected by changes in applicable accounting rules, or by changes to regulatory adjustments which modify the regulatory capital impact of accounting rules, whether or not the fundamental data of the Issuer and/or the Group which feeds into such accounting or regulatory framework changes.

It will be difficult to predict when, if at all, a Non-Viability Trigger Event may occur. Accordingly, the trading behaviour of the Notes is not necessarily expected to follow the trading behaviour of other types of Notes without this feature.

Any indication that a Non-Viability Trigger Event may occur can be expected to have a material adverse effect on the market price of the Notes.

Holders will bear the risk of fluctuations in the Common Equity Tier 1 Capital Ratio

The market price of Notes is expected to be affected by fluctuations in the Issuer's Common Equity Tier 1 Capital Ratio. Fluctuations in the Common Equity Tier 1 Capital Ratio may be caused by changes in the amount of the Issuer's Common Equity Tier 1 Capital and/or its risk weighted assets, as well as changes to their respective definitions under the capital adequacy standards and guidelines. Any indication that the Common Equity Tier 1 Capital Ratio is moving towards the level of a Non-Viability Trigger Event (where the Notes are accounted for as liabilities) may have an adverse effect on the market price of the Notes. The level of the Common Equity Tier 1 Capital Ratio may significantly affect the trading price of the Notes.

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

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

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, the Issuer may, subject as provided in Condition 6(e) (*Substitution or Variation*) and without the need for any consent of the Noteholders, substitute all (but not some only) of the Notes, or vary the terms of all (but not only some) of the Notes so that they remain or, as appropriate, become Qualifying Additional Tier 1 Capital Notes.

There can be no assurance that, due to the particular circumstances of each Noteholder, any Qualifying Additional Tier 1 Capital Notes will be as favourable to each Noteholder in all respects or that, if it were entitled to do so, a particular Noteholder would make the same determination as the Issuer as to whether the terms of the relevant Qualifying Additional Tier 1 Capital Notes are not materially less favourable to Noteholders than the terms of the Notes. The Issuer bears no responsibility towards the Noteholders for any adverse effects of such substitution or variation (including, without limitation, with respect to any adverse tax consequences suffered by any Noteholder).

The Issuer may redeem the Notes at its option in certain situations

Upon the occurrence and continuation of a Capital Disqualification Event or a Tax Event, but subject to Condition 6(f) (*Conditions to Redemption, Purchase, Modification, Substitution or Variation*), the Issuer may, at its option, redeem all (but not some only) of the Notes at their Current Principal Amount together with any unpaid accrued interest. In addition, the Issuer may at its option redeem the Notes in whole but not in part on the date falling one day after the fifth anniversary of the Issue Date and on any date thereafter up to and including the First Reset Date or on any Interest Payment Date after the First Reset Date at their Current Principal Amount together with any unpaid accrued interest. Noteholders will not receive a make-whole amount or any other compensation in the event of any early redemption of the Notes.

The Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low or in other circumstances favourable to the Issuer. There can be no assurance that Noteholders 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 Notes.

In addition, any early redemption of the Notes may be subject to, among other things, receipt of the prior consent of the Prudential Authority (if such consent is then required by the Capital Regulations), regardless of whether such redemption would be favourable or unfavourable to Holders.

Furthermore, Holders have no right to request the redemption of the Notes and should not invest in the Notes in the expectation that the Issuer would exercise its option to redeem the Notes. Any decision by the Issuer as to whether it will exercise its option to redeem the Notes will be taken at the absolute discretion of the Issuer with regard to factors such as, but not limited to, the economic impact of exercising such option to redeem the Notes, any tax consequences, the regulatory capital requirements and the prevailing market conditions.

The Issuer's obligations under the Notes are unsecured and deeply subordinated and investors assume an enhanced risk of loss in the event of the Issuer's insolvency

The Issuer's obligations under the 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.

If the Issuer is wound-up or put into liquidation, voluntarily or involuntarily, Noteholders will not be entitled to any payments of principal or interest in respect of the 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 Noteholders will not receive any payment in respect of their Notes.

In addition, the rights of Noteholders are limited in certain respects. In particular, if the Issuer defaults on any payment due on the Notes for a period of seven days or more in respect of principal or fourteen days or more in respect of interest, Noteholders may only institute proceedings for the winding-up of the Issuer but take no other action in respect of that default.

Noteholders will not be able to exercise any rights of set-off (if any) in respect of any amounts owed to them by the Issuer in respect of the Notes.

Accordingly, although the Notes may pay a higher rate of interest (subject to the Issuer's right to cancel interest payments) than comparable Notes which are not subordinated, there is a real risk that an investor in the Notes will lose all or some of its investment should the Issuer become insolvent.

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

There is no restriction on the amount of Notes or indebtedness which the Issuer may issue or incur which rank senior to, or *pari passu* with, the Notes. The issue of any such Notes 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.

Limitation on remedies

If default is made in the payment of any principal or interest due on the Notes and such default continues for a period of seven days or more after the date on which payment of such principal is due or fourteen days or more after the date on which payment of such interest is due, then the Trustee at its discretion may and, if so requested in writing by Noteholders of at least one quarter of the aggregate Current Principal Amount of the outstanding Notes, shall, 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. The remedies under the Notes are more limited than those typically available to the Issuer's unsubordinated creditors.

Changes in law may adversely affect the rights of Holders and the market value of the Notes

The Conditions are based on English law (save for the status, subordination and loss absorption provisions (including the interest deferral and write off provisions) which will be governed by South African law) in effect as at the Issue Date. No assurance can be given as to the impact of any possible judicial decision or change to English or South African law or administrative practice after the Issue Date. Such changes in law may include changes in statutory, tax and regulatory regimes during the life of the Notes, which may have an adverse effect on an investment in the Notes.

In addition, any change in law or regulation that triggers a Capital Disqualification Event or a Tax Event would entitle the Issuer, at its option (subject to, amongst other things, receipt of the prior consent of the Prudential Authority (if such consent is then required by the Capital Regulations)), to redeem the Notes in whole but not in part.

Such legislative and regulatory uncertainty could also affect an investor's ability to accurately value the Notes and, therefore, affect the trading price of the Notes given the extent and impact on the Notes that one or more regulatory or legislative changes, including those described above, could have on the Notes.

There may not be any trading market for the Notes

The Notes are a new issue of securities and have no established trading market. Although application will be made to have the Notes admitted to listing and to trading on the London Stock Exchange, there can be no assurance that an active trading market will develop. Even if an active trading market does develop, it may not be liquid and may not continue for the term of the Notes. The liquidity and the market prices for the Notes can be expected to vary with changes in market and economic conditions, the Group's financial condition and prospects and other factors that generally influence the market prices of securities. If the secondary market for the Notes is limited, there may be few buyers and this may reduce the relevant market price of the Notes.

A downgrade of the credit rating assigned by any credit rating agency to the Issuer or to the Notes could adversely affect the liquidity or market value of the Notes. Credit ratings downgrades could occur as a result of, among other causes, changes in the ratings methodologies used by credit rating agencies

Upon issuance, it is expected that the Notes will be rated by Moody's and may in the future be rated by additional credit rating agencies, although the Issuer is under no obligation to ensure that the Notes are rated by any credit rating agency. Credit ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed in these Risk Factors and other factors that may affect the liquidity or market value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the credit rating agency at any time.

Any rating assigned to the Issuer and/or the Notes may be withdrawn entirely by a credit rating agency, may be suspended or may be lowered, if, in that credit rating agency's judgment, circumstances relating to the basis of the rating so warrant. Ratings may be impacted by a number of factors which can change over time, including the credit rating agency's assessment of: the Issuer's strategy and management's capability; the Issuer's financial condition including in respect of capital, funding and liquidity; competitive and economic conditions in the Issuer's key markets; the level of political support for the industries in which the Issuer operates; the implementation of structural reform; and legal and regulatory frameworks affecting the Issuer's legal structure, business activities and the rights of its creditors. The credit rating agencies may also revise the ratings methodologies applicable to issuers within a particular industry or political or economic region. If credit rating agencies perceive there to be adverse changes in the factors affecting an issuer's credit rating, including by virtue of change to applicable ratings

methodologies, the credit rating agencies may downgrade, suspend or withdraw the ratings assigned to an issuer and/or its securities. Revisions to ratings methodologies and actions on the Issuer's ratings or Absa Bank's ratings by the credit rating agencies may occur in the future.

If the Issuer determines to no longer maintain one or more ratings, or if any credit rating agency withdraws, suspends or downgrades the credit ratings of the Issuer or the Notes, or if such a withdrawal, suspension or downgrade is anticipated (or any credit rating agency places the credit ratings of the Issuer or, if applicable, the Notes on "credit watch" status in contemplation of a downgrade, suspension or withdrawal), whether as a result of the factors described above or otherwise, such event could adversely affect the liquidity or market value of the Notes (whether or not the Notes had an assigned rating prior to such event).

The Notes are not investment grade and are subject to the risks associated with non-investment grade securities

The Notes, upon issuance, will not be considered to be investment grade securities, and as such will be subject to a higher risk of price volatility than higher-rated securities. Furthermore, increases in leverage or deteriorating outlooks for the Issuer, or volatile markets, could lead to a significant deterioration in market prices of below-investment grade rated securities such as the Notes.

Because the global certificate is held by or on behalf of the Clearing Systems, investors will have to rely on the Clearing Systems' procedures for transfer, payment and communication with the Issuer

The Notes will be represented by a global certificate except in certain limited circumstances described in "Summary of Provisions Relating to the Notes in Global Form" below. Such global certificate will be deposited with a common depository for Euroclear and/or Clearstream, Luxembourg and registered in the name of such depository or its nominee, and beneficial interests in the global certificate will be held through the Clearing Systems and their respective direct or indirect participants, and such direct and indirect participants will record beneficial interests on their books. While the Notes are represented by the global certificate, the Issuer will discharge its payment obligations under the Notes by making payments to or to the order of the common depository for Euroclear and/or Clearstream, Luxembourg, for distribution to its account holders. A holder of a beneficial interest in a global certificate must rely on the procedures of the Clearing Systems to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the global certificate. Holders of beneficial interests in the global certificate may have to rely on the Clearing Systems to exercise their voting rights in any creditors' meeting in relation to the Notes or to appoint appropriate proxies.

The Trust Deed contains provisions which may permit modification of the Notes without the consent of all Holders

The Trust Deed contains provisions permitting modifications and amendments to the Notes without the consent of the Noteholders and with the consent of a specified quorum and majority of the outstanding Notes in other circumstances. Valid resolutions passed by such Holders will bind all Holders including those Noteholders that did not attend and vote at the relevant meeting and those Holders who voted in a manner contrary to the majority.

Minimum Denomination

As the Notes have a denomination consisting of the minimum denomination plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of U.S.\$200,000. In such a case, a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum denomination may not receive an Individual Note Certificate in respect of such holding (should Individual Note Certificates be printed) and would need to purchase a principal amount of Notes such that its holding amounts to the minimum denomination.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Prospectus shall be incorporated in, and form part of, this Prospectus:

- (a) the audited annual consolidated and separate financial statements of the Issuer for the reporting period ended 31 December 2020 together with the audit report thereon, which may be obtained from the website of the Issuer at:

<https://www.absa.africa/content/dam/africa/absafrica/pdf/2021/absa-group-annual-consolidated-and-separate-financial-statements.pdf>;

- (b) the audited annual consolidated and separate financial statements of the Issuer for the reporting period ended 31 December 2019 together with the audit report thereon, which may be obtained from the website of the Issuer at:

<https://www.absa.africa/content/dam/africa/absafrica/pdf/reports/2019/Absa-Group-Annual-consolidated-and-separate-financial.pdf>;

- (c) the Pillar 3 risk management report for the Issuer for the reporting period ended 31 December 2020, which may be obtained from the website of the Issuer at:

<https://www.absa.africa/content/dam/africa/absafrica/pdf/2021/absa-group-pillar-3-risk-management-report.pdf>

- (d) the Pillar 3 risk management report for the Issuer for the reporting period ended 31 December 2019, which may be obtained from the website of the Issuer at:

<https://www.absa.africa/content/dam/africa/absafrica/pdf/sens/2019/jul-dec/Absa-Group-Pillar-3-risk-management-report.pdf>

The documents referred to above shall be incorporated in, and form part of this Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

Following the publication of this Prospectus but prior to the Issue Date a supplement may be prepared by the Issuer and approved by the FCA in accordance with Article 23 of the Prospectus Regulation. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Prospectus or in a document which is incorporated by reference in this Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Terms and Conditions of the Notes which (subject to completion and amendment) will be endorsed on each Note in definitive form:

The U.S.\$500,000,000 Fixed Rate Reset Write-Off Notes (the "**Notes**", which expression includes any further notes issued pursuant to Condition 15 (*Further Issues*) and forming a single series therewith) of Absa Group Limited (the "**Issuer**") are constituted by, are subject to, and have the benefit of, a trust deed dated 27 May 2021 (as amended or supplemented from time to time, the "**Trust Deed**") between the Issuer and Deutsche Trustee Company Limited as trustee (the "**Trustee**", which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed) and are the subject of an agency agreement dated 27 May 2021 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer, Deutsche Bank Luxembourg S.A. as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes), Deutsche Bank AG, London Branch as principal paying agent (the "**Principal Paying Agent**" (which expression includes any successor principal paying agent appointed from time to time in connection with the Notes) and, together with any further or other paying agents appointed from time to time in respect of the Notes, the "**Paying Agents**") and calculation agent (the "**Calculation Agent**", which expression includes any successor calculation agent appointed from time to time in connection with the Notes), Deutsche Bank Luxembourg S.A. as transfer agent (the "**Transfer Agent**", which expression includes any successor or additional transfer agent appointed from time to time in connection with the Notes) and the Trustee. References herein to the "**Agents**" are to the Registrar, the Principal Paying Agent, the Transfer Agent, the Calculation Agent and any other Paying Agents and any reference to an "**Agent**" is to any one of them. Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and subject to their detailed provisions. The Noteholders (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement shall on request by Noteholders, having provided satisfactory proof of holding, at all reasonable times during normal business hours be made available by email.

1. Interpretation

(a) Definitions

In these Conditions, the following expressions have the following meanings:

"**Additional Amounts**" has the meaning given to such term in Condition 8 (*Taxation*).

"**Additional Tier 1 Capital**" means "additional tier 1 capital" as defined in section 1(1) of the Banks Act.

"**Applicable Laws**" means, in relation to a person, all and any:

- (a) statutes and subordinate legislation;
- (b) regulations, ordinances and directives;
- (c) by-laws;
- (d) codes of practice, circulars, guidance notices, judgments and decisions of any competent authority; and
- (e) other similar provisions,

from time to time.

"**Assets**" means the total amount of the non-consolidated gross assets of the Issuer as shown in its latest published audited non-consolidated balance sheet, 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, business rescue practitioner, administrator or curator of the Issuer (if applicable) may determine.

"**Authorised Denomination**" has the meaning given to such term in Condition 2(a) (*Form and denomination*).

"Authorised Signatories" has the meaning given to it in the Trust Deed.

"Banks Act" means the Banks Act, 1990 of South Africa.

"Bloomberg Screen" means page H15T5Y on the Bloomberg L.P. service or any successor service or such other page as may replace that page on that service for the purpose of displaying, "treasury constant maturities" as reported in H.15.

"Business Day" means, unless otherwise specified, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London, New York and Johannesburg.

"Calculation Amount" means U.S.\$1,000.

"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 Notes are fully or, to the extent permitted by the Capital Regulations, partially excluded from the Additional Tier 1 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).

"Capital Regulations" means, at any time, any legislation, regulations, rules, requirements, guidelines and policies relating to capital adequacy then in effect in South Africa and applicable to the Issuer in relation to banks registered under the Banks Act and licensed to conduct the business of a bank in South Africa (and, where relevant, in relation to a "controlling company" (as defined in the Banks Act) as applied by the Prudential Authority.

"CMT Rate" means, in relation to any Reset Date, the rate determined by the Calculation Agent and expressed as a percentage equal to:

- (a) the yield for United States Treasury Securities at "constant maturity" for a designated maturity of five years, as published in the H.15 under the caption "treasury constant maturities (nominal)", as that yield is displayed on the relevant Reset Determination Date, on the Bloomberg Screen; or
- (b) if the yield referred to in paragraph (a) above is not published by 4:00 p.m. (New York City time) on the Bloomberg Screen on the relevant Reset Determination Date, the yield for the United States Treasury Securities at "constant maturity" for a designated maturity of five years as published in the H.15 under the caption "treasury constant maturities (nominal)" on the relevant Reset Determination Date; or
- (c) if the yield referred to in paragraph (b) above is not published by 4:30 p.m. (New York City time) on the relevant Reset Determination Date, the Reset Reference Dealer Rate on the relevant Reset Determination Date; or
- (d) if fewer than three Reference Dealers selected by the Issuer (following consultation with an independent financial adviser of international repute with experience in the international debt capital markets) provide bid prices for the purposes of determining the Reset Reference Dealer Rate referred to in paragraph (c) above, the CMT Rate for the immediately preceding Reset Period or if none, 0.964 per cent.

"Common Equity Tier 1 Capital" means "common equity tier 1 capital" as defined in section 1(1) of the Banks Act.

"Common Equity Tier 1 Capital Ratio" means, with respect to the Issuer, at any time, the ratio of Common Equity Tier 1 Capital of the Issuer as at such time to the risk weighted assets of the Issuer at the same time, expressed as a percentage.

"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).

"Conditions" means these terms and conditions of the Notes.

"Current Principal Amount" means:

- (a) with respect to the Notes or a Note (as the context requires), the principal amount thereof, calculated on the basis of the Original Principal Amount, as such amount may be reduced, on one or more occasions, pursuant to a Write-off following the occurrence of a Non-Viability Trigger Event; or
- (b) with respect to 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 Notes.

"Day Count Fraction" means the number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed).

"Extraordinary Resolution" has the meaning given to such term in the Trust Deed.

"First Reset Date" means 27 November 2026.

"Group" means the Issuer and any of its wholly-owned Subsidiaries.

"H.15" means the weekly statistical release designated as H.15, or any successor publication, published by the board of governors of the Federal Reserve System at <http://www.federalreserve.gov/releases/H15> or any successor site or publication.

"Initial Rate of Interest" has the meaning given to such term in Condition 4(b) (*Rate of interest*).

"Interest Payment Date" has the meaning given to such term in Condition 4(c) (*Interest Payment Dates*).

"Issue Date" means 27 May 2021.

"Issuer Ordinary Shares" means ordinary shares in the share capital of the Issuer.

"Junior Securities" means, in relation to the Notes:

- (a) the Issuer Ordinary Shares, other share capital or any other securities issued by the Issuer which rank, or are expressed to rank, equally with Common Equity Tier 1 Capital; and
- (b) any other shares or securities issued by, or any other obligations of the Issuer which rank, or are expressed to rank, junior to the Notes on liquidation, winding-up or bankruptcy of the Issuer.

"Liabilities" means the total amount of the non-consolidated gross liabilities of the Issuer as shown in its latest published audited non-consolidated balance sheet, 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, business rescue practitioner, administrator or curator of the Issuer (if applicable) may determine.

"Loss Absorbing Instrument" means, 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 to the most subordinated form of equity of the Issuer (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.

"Non-Redeemable Non-Cumulative Preference Shares" means non-redeemable non-cumulative preference shares in the issued share capital of the Issuer, if any.

"Non-Viability Loss Absorption Condition" has the meaning given to such term in Condition 9(a) (*Non-Viability Trigger Event*:).

A "**Non-Viability Trigger Event**" shall occur:

- (a) if at any time 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 in order for the Notes to qualify as Additional Tier 1 Capital) as determined by the Issuer or the Prudential Authority; or
- (b) when a "trigger event", specified in a notice in writing by the Prudential Authority to the Issuer 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 (on a consolidated basis or as otherwise required by the Capital Regulations) would become non-viable, is necessary as determined by the Prudential Authority; and
 - (ii) a decision to make a public sector injection of capital, or equivalent support, without which the Issuer (on a consolidated basis or as otherwise required by the Capital Regulations) would have become non-viable as determined by the Prudential Authority,

whichever is the earlier to occur, provided that (a) will only apply if the Notes are liability accounted by the Issuer.

"**Non-Viability Trigger Event Notice**" has the meaning given to such term in Condition 9(a) (*Non-Viability Trigger Event*).

"**Note Certificate**" has the meaning given to such term in Condition 3(a) (*Register, Title and Transfers - Register*).

"**Noteholder**" and "**Holder**" have the meaning given to such terms in Condition 3(a) (*Register*).

"**Original Principal Amount**" means the principal amount (which, for these purposes, is equal to the nominal amount) of the Notes at the Issue Date without having regard to any subsequent Write-off.

"**Other Additional Tier 1 Securities**" means any obligations or securities of the Issuer (other than the Notes):

- (a) which qualify as Additional Tier 1 Capital; or
- (b) which otherwise rank or are expressed to rank on a liquidation, bankruptcy or winding-up of the Issuer *pari passu* with the Notes or with other obligations or securities falling within paragraph (a) above.

"**Payment Business Day**" means any weekday, other than one on which banking institutions are authorised or obligated by law or executive order to close in New York City and, in the case of surrender (or, in the case of part payment only, endorsement) of a Note Certificate, in the place in which the Note Certificate is surrendered (or, as the case may be, endorsed).

a "**person**" includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity) or other legal entity.

"**Preference Share Parity Securities**" means 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 Notes and the proceeds from the issue of which securities qualify as Additional Tier 1 Capital.

"Prudential Authority" means the Prudential Authority established in terms of section 32 of the Financial Sector Regulation Act, 2017 of South Africa and any successor or replacement thereto.

"Qualifying Additional Tier 1 Securities" means securities issued by the Issuer that:

- (a) have terms not materially less favourable to an investor than the terms of the Notes being substituted or varied (as reasonably determined by the Issuer in consultation with an investment bank or financial adviser of international standing (which in either case is independent of the Issuer), and provided that a certification to such effect by two Authorised Signatories of the Issuer shall have been delivered to the Trustee prior to the issue or, as appropriate, variation of the relevant securities), and, subject thereto, which:
 - (i) contain terms which comply with the then current minimum requirements of the Prudential Authority in relation to Additional Tier 1 Capital, required to ensure that such Qualifying Additional Tier 1 Securities qualify as Additional Tier 1 Capital;
 - (ii) include terms which provide for the same Rate of Interest or rate of return from time to time applying to the Notes, and preserve the Interest Payment Dates;
 - (iii) rank senior to, or *pari passu* with, the ranking of the Notes;
 - (iv) preserve any existing rights under the Conditions to any accrued interest or other amounts which have not been paid in respect of the period from (and including) the Interest Payment Date last preceding the date of substitution or variation (but without prejudice to the right of the Issuer to cancel the same under the terms of the Qualifying Additional Tier 1 Securities);
 - (v) preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer as to redemption of the Notes, including (without limitation) as to timing of, and amounts payable upon, such redemption;
 - (vi) have the same currency as the Notes; and
 - (vii) to the extent that such securities are issued indirectly, benefit from a subordinated guarantee from the Issuer which ranks at least *pari passu* with the Notes and the Other Additional Tier 1 Securities; and
- (b) if the Notes are listed on the main market of the London Stock Exchange (i) are listed on the main market of the London Stock Exchange, or (ii) listed on such other international stock exchange at that time as selected by the Issuer.

"Rate of Interest" shall mean the Initial Rate of Interest and/or the relevant Reset Interest Rate, as the case may be.

"Record Date" has the meaning given to such term in Condition 7(f) (*Record date*).

"Register" has the meaning given to such term in Condition 3(a) (*Register*).

"Regulatory Change" means a change in, or amendment to, the Capital Regulations and/or any change in the application of or official or generally published guidance or interpretation of the Capital Regulations, which change or amendment becomes effective on or after the Issue Date.

"Relevant Date" means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received in New York by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders.

"Relevant Part" means the portion of the aggregate Current Principal Amount of the Notes which the Prudential Authority requires to be Written-off 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.

"Reset Date" means the First Reset Date and every fifth anniversary thereafter.

"Reset Determination Date" means the second Payment Business Day immediately preceding each Reset Date.

"Reset Interest Rate" means a rate per annum equal to the then applicable Reset Rate plus the Reset Margin.

"Reset Margin" means 5.411% per annum.

"Reset Period" means the period from (and including) each Reset Date to (but excluding) the next following Reset Date.

"Reset Rate" means the prevailing CMT Rate on the Reset Determination Date.

"Reset Reference Dealer Rate" means, on the Reset Determination Date, the rate calculated by the Calculation Agent as being a yield-to-maturity based on the arithmetic mean of the secondary market bid prices for Reset United States Treasury Securities at approximately 4:30 p.m. (New York City time) on the Reset Determination Date, of leading primary United States government securities dealers in New York City (each, a **"Reference Dealer"**). The Issuer (following consultation with an independent financial adviser of international repute with experience in the international debt capital markets) will select five Reference Dealers to provide such bid prices and will eliminate the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest); provided, however, that, if fewer than five but more than two such bid prices are provided, then neither the highest nor the lowest of those quotations will be eliminated prior to calculating the arithmetic mean of such bid prices.

"Reset United States Treasury Securities" means, on the Reset Determination Date, United States Treasury Securities with an original maturity equal to five years, a remaining term to maturity of no more than one year shorter than five years and in a principal amount equal to an amount that is representative for a single transaction in such United States Treasury Securities in the New York City market. If two United States Treasury Securities have remaining terms to maturity equally close to five years, the United States Treasury Security with the shorter remaining term to maturity will be used.

"Senior Creditors" means creditors of the Issuer:

- (a) who are unsubordinated creditors of the Issuer; and
- (b) who are subordinated creditors of the Issuer (including holders of instruments the proceeds of which qualify as "tier 2 capital" as defined in the Banks Act) other than those whose claims rank, or are expressed to rank, *pari passu* with, or junior to the claims of the Noteholders under the Notes.

"Solvent Reconstruction" means 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 involving a bankruptcy, insolvency, curatorship, resolution, business rescue, or analogous proceedings) 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.

"South Africa" means the Republic of South Africa.

"Statutory Loss Absorption Regime" means any legal, statutory or regulatory regime or requirement implemented in South Africa which provides the Prudential Authority or another

dedicated authority with (i) special resolution powers in respect of systemically-important and other financial institutions and/or (ii) the power to implement principal loss absorption measures in respect of capital instruments (such as the Notes), including, but not limited to, any such regime or requirement which is implemented pursuant to Basel III (being the set of minimum global standards for banks issued by the Basel Committee on Banking Supervision in December 2010 and revised in July 2011, or its successor or replacement standard).

"**Subsidiary**" means, in relation to any person (the "**first person**") at any particular time, any other person whose financial statements are, in accordance with Applicable Laws and generally accepted accounting principles, consolidated with those of the first person.

"**Tax Event**" means an event where as a result of a Tax Law Change:

- (a) the Issuer has paid or will or would on the next Interest Payment Date be required to pay Additional Amounts; or
- (b) in respect of the Issuer's obligation to make any payment of interest on the next 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,

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).

"**Tax Law Change**" means a change or proposed change in, or amendment or proposed amendment to, the tax 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 tax laws or regulations (including a judgment by a court of competent jurisdiction), whether or not having retrospective effect, which actual or proposed change or amendment is announced on or after the Issue Date.

"**United States Treasury Securities**" means securities that are direct obligations of the United States Treasury, issued other than on a discount rate basis.

"**US\$**", "**U.S. dollars**" or "**dollars**" means the lawful currency for the time being of the United States of America.

"**Write-off**" means, in respect of the Notes:

- (a) the Notes shall be cancelled (in the case of a Write-off in whole) or written-off 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
- (b) all rights of any Noteholder for payment of any amounts under or in respect of the Notes (including, without limitation, any amounts arising as a result of, or due and payable upon the occurrence of, an event of default) 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,

and the term "**Written-off**" shall be construed accordingly.

"**Written-off Amount**" has the meaning given to such term in Condition 9(a) (*Non-Viability Trigger Event*:).

(b) *Construction of certain references*

In these Conditions, unless otherwise specified or unless the context otherwise requires:

- (i) references to Notes being "outstanding" shall be construed in accordance with the Trust Deed;
- (ii) references to any act or statute or any provision of any act or statute shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under such modification or re-enactment; and
- (iii) headings and sub-headings are for ease of reference only and shall not affect the construction of these Conditions.

2. Form, Denomination and Status

(a) *Form and denomination:* The Notes are in registered form in the denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof (each, an "Authorised Denomination").

(b) *Status of the Notes:* The Notes constitute direct, unsecured and, in accordance with Condition 2(c) (*Subordination*), subordinated obligations of the Issuer and rank *pari passu* without any preference among themselves and (save for the claims of those creditors that have been accorded preferential rights by law):

- (i) *pari passu* with Other Additional Tier 1 Securities;
- (ii) senior to Common Equity Tier 1 Capital Securities and the obligations of the Issuer under any Junior Securities; and
- (iii) junior to the present and/or future claims of Senior Creditors.

(c) *Subordination:* The claims of the Trustee (on behalf of the Noteholders but not the rights and claims of the Trustee in its personal capacity under the Trust Deed) and the Noteholders entitled to be paid amounts due in respect of the Notes (including any damages or other amounts (if payable)) are subordinated to the claims of 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):

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

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

(d) *Set-off:* Subject to Applicable Laws, neither the Trustee (on behalf of Noteholders) nor any 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 Notes and the Trustee (on behalf of the Noteholders) and each Noteholder (by virtue of being the holder of any Notes), as the case may be, shall 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 Noteholder by the Issuer is discharged by set-off (whether by operation of law or

otherwise), such 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 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 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.

(e) *Solvency Condition:*

- (i) Payments in respect of the principal of and interest on the Notes are 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 2(e)(i), the Issuer shall be solvent if: (a) it is able to pay its debts owed to Senior Creditors as they fall due and (b) its Assets exceed its Liabilities to Senior Creditors (the "**Solvency Condition**").
- (ii) 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 the subordination provisions above, in a winding-up, liquidation, or similar process of the Issuer and (b) subject to satisfying the Solvency Condition, on any redemption of the Notes (as described below), 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 Trustee, the Principal Paying Agent, and the Noteholders of such fact and the Solvency Claims shall, subject to satisfying the Solvency Condition, be due and payable on the sixteenth 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 4(b) *Rate of 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 5(d) *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.

3. **Register, Title and Transfers**

- (a) *Register:* The Registrar will maintain a register (the "**Register**") in respect of the Notes in accordance with the provisions of the Agency Agreement. In these Conditions, the "**Holder**" of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "Noteholder" shall be construed accordingly. A certificate (each, a "**Note Certificate**") will be issued to each Noteholder in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.
- (b) *Title:* The Holder of each Note shall (except as otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Note Certificate) and no person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of the Notes or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.
- (c) *Transfers:* Subject to Conditions 3(f) (*Closed periods*) and (g) (*Regulations concerning transfers and registration*), a Note may be transferred upon surrender of the relevant Note

Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or the Transfer Agent, together with such evidence as the Registrar or (as the case may be) the Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided, however, that* a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a Holder are being transferred) the principal amount of the balance of Notes not transferred are Authorised Denominations. Where not all the Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Notes will be issued to the transferor.

- (d) *Registration and delivery of Note Certificates:* Within five business days of the surrender of a Note Certificate in accordance with Condition 3(c) (*Transfers*), the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of the Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the Transfer Agent has its Specified Office.
- (e) *No charge:* The transfer of a Note will be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agent but against such indemnity as the Registrar or (as the case may be) the Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.
- (f) *Closed periods:* Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes.
- (g) *Regulations concerning transfers and registration:* All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

4. Interest

(a) *Interest accrual*

The Notes bear interest on their Current Principal Amount at the applicable Rate of Interest from (and including) the Issue Date and the amount of such interest will (subject to Condition 5(a) (*Interest Cancellation*), Condition 7 (*Payments*) and Condition 9 (*Loss Absorption following a Non-Viability Trigger Event*)) be payable on each Interest Payment Date, in accordance with the provisions of this Condition 4 (*Interest*). Each Note will cease to bear interest from the date fixed for redemption (if any) unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest in accordance with, and subject to, these Conditions (both before and after judgment) until the day on which such principal is received by or on behalf of the relevant Holder.

(b) *Rate of interest*

- (i) The rate of interest in respect of the period from (and including) the Issue Date to (but excluding) the First Reset Date will be 6.375% per annum (the "**Initial Rate of Interest**").
- (ii) Thereafter the Rate of Interest for each Reset Period shall be the applicable Reset Rate of Interest for such Reset Period.

(c) *Interest Payment Dates*

Interest will be payable semi-annually in arrear on 27 May and 27 November of each year (each, an "**Interest Payment Date**"), commencing on 27 November 2021.

(d) *Payments out of distributable reserves only*

Payments of interest in respect of the Notes shall be made only out of distributable reserves of the Issuer.

(e) *Calculation of interest amount*

Subject to Condition 7 (*Payments*), the amount of interest payable in respect of each Note shall be calculated by applying the relevant Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest cent (half a cent being rounded upwards) and multiplying such rounded figure by a fraction equal to the Current Principal Amount of such Note divided by the Calculation Amount.

(f) *Determination of Reset Interest Rate*

The Reset Interest Rate for each Reset Period shall be determined by the Calculation Agent on the relevant Reset Determination Date.

(g) *Publication*

The Calculation Agent will cause the Reset Interest Rate determined by it to be notified to the Issuer, the Paying Agents, the Trustee and any competent authority and/or stock exchange by which the Notes have then been admitted to listing and/or trading as soon as possible after such determination but in any event not later than the relevant Reset Date. Notice thereof shall also be given by the Issuer to the Holders in accordance with Condition 16 (*Notices*) as soon as possible after the determination thereof.

(h) *Notifications etc.*

All notifications, opinions, communications, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4 (*Interest*) by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Trustee, the Paying Agents and the Holders. No Holder shall be entitled to proceed against the Calculation Agent, the Trustee, the Paying Agents or any of them in connection with the exercise or non-exercise by them of their powers, duties and discretions hereunder, including without limitation in respect of any notification, opinion, determination, certificate, calculation, quotation or decision given, expressed or made for the purposes of this Condition 4 (*Interest*). The Calculation Agent shall not be responsible to the Issuer, the Holders or any third party for any failure of the Reference Dealers to provide quotations as requested of them or as a result of the Calculation Agent having acted on any quotation or other information given by any Reference Dealers which subsequently may be found to be incorrect or inaccurate in any way.

5. Interest Cancellation

(a) *Interest Cancellation*

Subject to Condition 5(e) (*Payment of Interest following a Capital Disqualification Event*), the Issuer shall be obliged to pay interest on each Interest Payment Date unless:

- (i) it elects not to pay the relevant interest amount on such Interest Payment Date in whole or in part and for any reason;
- (ii) it is in breach of either (A) the Capital Regulations or (B) 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
- (iii) at any time the Prudential Authority imposes a mandatory prohibition on the payment by the Issuer of such interest amount.

(b) *Effect of Interest Cancellation*

If the Issuer is not obliged to pay the relevant interest amount in respect of an interest period in accordance with Condition 5(a) (*Interest Cancellation*), 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 Notes or for any other purpose and a Noteholder will have no claim in respect of any such non-payment.

If the Issuer does not make payment of any interest amount (or any part thereof) on any Interest Payment Date such non-payment shall evidence the election of the Issuer not to pay such interest amount (or part thereof) and, accordingly, such interest amount (or part thereof) shall not in any such case be due and payable.

Interest payments on the Notes will not be cumulative. Accordingly, if any payment of interest (or any part thereof) is not made in respect of the Notes in accordance with these provisions then the right of the Noteholders to receive the relevant interest amount (or part thereof) will be extinguished and the Issuer will have no obligation to pay such interest amount (or part thereof) or to pay any interest thereon, whether or not any interest amount is paid in respect of any future interest period.

(c) *Notice of Interest Cancellation*

If the Issuer elects (pursuant to Condition 5(a)(i) (*Interest Cancellation*)) not to pay interest on an Interest Payment Date, it shall give notice of such election to the Noteholders in accordance with Condition 16 (*Notices*), the Trustee, the Principal Paying Agent and the Registrar as soon as reasonably practicable following the making of such election (or, where applicable, in accordance with any notice period that may be required by the Capital Regulations or the Prudential Authority at the relevant time).

If the Issuer is not obliged (pursuant to Condition 5(a)(ii) or Condition 5(a)(iii)) to pay any interest on any Interest Payment Date, it shall (as soon as reasonably practicable) give notice of such fact to the Noteholders in accordance with Condition 16 (*Notices*), the Trustee, the Principal Paying Agent and the Registrar and, in respect of Condition 5(a)(ii), to the Prudential Authority.

Any failure by the Issuer to give any such notice will not in any way impact on the effectiveness of, or otherwise invalidate, any such election or right not to pay interest on the Relevant Interest Payment Date or give Noteholders any rights as a result of such failure.

(d) *Restrictions following non-payment of Interest*

If, on any Interest Payment Date (the "**Relevant Interest Payment Date**"), the interest amount in respect of the Notes shall not have been paid in full pursuant to the above provisions, 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 Notes, the Issuer shall not (and the Issuer shall procure that no member of the Group shall):

- (i) declare or pay a distribution or dividend or pay any interest on Junior Securities or Preference Share Parity Securities (other than an instrument under the terms of which the Issuer or other member of the Group must declare or pay a distribution or dividend or pay interest before such Relevant Interest Payment Date or intra-group dividends between members of the Group, which can be paid at any time); or
- (ii) redeem, purchase, reduce or otherwise acquire any Junior Securities or Preference Share Parity Securities,

and for the purposes of each of (i) and (ii) Junior Securities shall include any securities of any of the Issuer's 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, junior to the Notes.

(e) *Payment of Interest following a Capital Disqualification Event*

If a Capital Disqualification Event has occurred and is continuing in respect of the Notes and the Notes are no longer eligible to comprise (in whole and not, for the purposes of this provision, part only) Additional Tier 1 Capital of the Issuer, to the extent that the Issuer does not exercise its right to (i) redeem the Notes as provided in Condition 6(c) (*Redemption following the occurrence of a Capital Disqualification Event*) or (ii) substitute or vary the terms of the Notes so that they become or remain Qualifying Additional Tier 1 Securities pursuant to Condition 6(e) (*Substitution or Variation*), the Issuer shall not exercise its election as set out in Condition 5(a)(i) (*Interest Cancellation*) to not pay any interest amount accrued and due on such Notes on any Interest Payment Date following the occurrence of the Capital Disqualification Event and Condition 5(a)(i) (*Interest Cancellation*) shall cease to apply to the Notes and the Issuer shall no longer have the discretion to cancel any payment of interest accrued following the occurrence of the Capital Disqualification Event.

This provision is without prejudice to the remainder of the Conditions, including (without limitation) the continuing application of Condition 2 (*Form, Denomination and Status*), Conditions 5(a)(ii) and 5(a)(iii) (*Interest Cancellation*) and Condition 9 (*Loss Absorption following a Non-Viability Trigger Event*). Accordingly, the Notes are intended to continue to have certain other characteristics of Additional Tier 1 Capital (based on the Capital Regulations as of the Issue Date) (other than as set out in this provision) notwithstanding the occurrence of the relevant Capital Disqualification Event. For the avoidance of doubt, in the event that a Non-Viability Trigger Event has been determined by the Prudential Authority or the Issuer, such decision will not constitute a Capital Disqualification Event.

6. Redemption and Purchase; Substitution and Variation

- (a) *No fixed redemption date:* The Notes are perpetual securities for which there is no fixed redemption date and the Issuer shall (subject to the provisions of Condition 2 (*Form, Denomination and Status*) and Condition 10 (*Events of Default*) and without prejudice to the provisions of Condition 11 (*Prescription*)) only have the right to redeem or repurchase Notes in accordance with the following provisions of this Condition 6 (*Redemption and Purchase; Substitution and Variation*).
- (b) *Redemption for tax reasons:* Subject to the provisions of Condition 6(f) (*Conditions to Redemption, Purchase, Modification, Substitution or Variation*) and the Issuer satisfying the Solvency Condition, if at any time a Tax Event occurs and is continuing, the Issuer may, at its option at any time having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and the Noteholders (in accordance with Condition 16 (*Notices*)), which notice shall be irrevocable, redeem the Notes in whole, but not in part, at their Current Principal Amount together with unpaid interest accrued thereon to (but excluding) the date of redemption (excluding any interest amounts which the Issuer has elected not to pay or is not obliged to pay in accordance with Condition 5(a) (*Interest Cancellation*) above), provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (i) would be obliged to pay such Additional Amounts if a payment in respect of the Notes were then due or (ii) would not be entitled (or such entitlement is materially reduced) to claim a deduction in respect of computing its taxation liabilities. Upon the expiry of any such notice as is referred to in this Condition 6(b) (*Redemption for tax reasons*), the Issuer shall be bound to redeem the Notes in accordance with this Condition 6(b) (*Redemption for tax reasons*).
- (c) *Redemption following the occurrence of a Capital Disqualification Event:* Subject to Condition 6(f) (*Conditions to Redemption, Purchase, Modification, Substitution or Variation*) and the Issuer satisfying the Solvency Condition, if at any time a Capital Disqualification Event occurs and is continuing, the Issuer may, at its option at any time having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and the Noteholders (in accordance with Condition 16 (*Notices*)), which notice shall be irrevocable, redeem the Notes in whole, but not in part, at their Current Principal Amount together with unpaid interest accrued thereon to (but excluding) the date of redemption (excluding any interest amounts which the Issuer has elected not to pay or is not obliged to pay in accordance with Condition 5(a) (*Interest Cancellation*) above). Upon the expiry of any such notice as is referred to in this

Condition 6(c) (*Redemption following the occurrence of a Capital Disqualification Event*), the Issuer shall be bound to redeem the Notes in accordance with this Condition 6(c) (*Redemption following the occurrence of a Capital Disqualification Event*).

- (d) *Redemption at the option of the Issuer*: Subject to Condition 6(f) (*Conditions to Redemption, Purchase, Modification, Substitution or Variation*) and the Issuer satisfying the Solvency Condition, the Notes may be redeemed at the option of the Issuer in whole, but not in part, on the date falling one day after the fifth anniversary of the Issue Date and on any date thereafter up to and including the First Reset Date, or on any Interest Payment Date after the First Reset Date at their Current Principal Amount together with unpaid interest accrued thereon to (but excluding) the date fixed for redemption (excluding any interest amounts which the Issuer has elected not to pay or is not obliged to pay in accordance with Condition 5(a) (*Interest Cancellation*)) on the Issuer giving not less than 15 nor more than 30 days' notice to the Trustee, the Principal Paying Agent and the Noteholders (in accordance with Condition 16 (*Notices*)) (which notice shall be irrevocable). Upon the expiry of any such notice as is referred to in this Condition 6(d) (*Redemption at the option of the Issuer*), the Issuer shall be bound to redeem the Notes in accordance with this Condition 6(d) (*Redemption at the option of the Issuer*).
- (e) *Substitution or Variation*: If a Capital Disqualification Event or a Tax Event has occurred and is continuing, then the Issuer may, subject to Condition 6(f) (*Conditions to Redemption, Purchase, Modification, Substitution or Variation*) and the Issuer satisfying the Solvency Condition and/or as directed or approved by the Prudential Authority and having given not less than 60 nor more than 90 days' notice to the Trustee, the Principal Paying Agent and the Noteholders (in accordance with Condition 16 (*Notices*)) (which notice shall be irrevocable) but without any requirement for the consent or approval of the Noteholders, at any time either substitute all (but not some only) of the Notes for, or vary the terms of the Notes so that they remain or, as appropriate, become, Qualifying Additional Tier 1 Securities.
- (f) *Conditions to Redemption, Purchase, Modification, Substitution or Variation*:
- (i) Subject to the applicable Capital Regulations, the Notes may be redeemed, substituted, varied or purchased by the Issuer in the circumstances described in this Condition 6 (*Redemption and Purchase; Substitution and Variation*), provided that, for so long as is, and to the extent required by the Capital Regulations:
- (A) the Notes may only be redeemed at the option of the Issuer after a minimum initial period of issue of five years from the Issue Date of the Notes, provided that unless the Prudential Authority determines that the Issuer is duly capitalised above the minimum capital requirements after the relevant redemption option is exercised, the Issuer may not redeem such Notes unless such 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, purchase, substitution or variation (as applicable), subject to such conditions (if any) as the Prudential Authority may specify in writing; and
- (C) the redemption, substitution, variation or purchase of the Notes is not prohibited by the Capital Regulations.
- (ii) In the case of a redemption (other than with respect to any redemption of the Notes pursuant to Condition 6(d) (*Redemption at the option of the Issuer*)) and in the case of any substitution or variation in accordance with Condition 6(e) (*Substitution or Variation*), prior to the publication of any notice of redemption, substitution or variation, the Issuer shall deliver to the Trustee and the Principal Paying Agent a certificate signed by two Authorised Signatories, which they are entitled to rely on without any liability thereof, 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 Notes and will as from the date of such substitution or variation otherwise comply with the requirements of the definition of Qualifying Additional Tier 1 Securities.

- (iii) In the case of a redemption, substitution or variation upon the occurrence of a Tax Event in accordance with Condition 6(b) (*Redemption for tax reasons*) or Condition 6(e) (*Substitution or Variation*), prior to the publication of any notice of redemption, substitution or variation, the Issuer shall deliver to the Trustee an opinion in form and substance satisfactory to the Trustee of independent legal advisers of recognised standing to the effect that the relevant Tax Event has occurred.
- (iv) In the case of a redemption, substitution or variation upon the occurrence of a Capital Disqualification Event in accordance with Condition 6(c) (*Redemption following the occurrence of a Capital Disqualification Event*) or Condition 6(e) (*Substitution or Variation*), unless the Prudential Authority has confirmed to the Issuer that a Capital Disqualification Event has occurred (or been deemed to have occurred) in respect of the Notes (and the Issuer has certified to the Trustee that the Prudential Authority has provided such confirmation), prior to the publication of any notice of redemption, substitution or variation, the Issuer shall deliver to the Trustee an opinion of independent legal advisers of recognised standing in form and substance satisfactory to the Trustee to the effect that a Capital Disqualification Event has occurred (or been deemed to have occurred).

For the avoidance of doubt, no consent of the Noteholders shall be required for a redemption, purchase, modification, substitution, variation or cancellation of the Notes in accordance with this Condition 6 (*Redemption and Purchase; Substitution and Variation*) and the Trustee shall be obliged to effect such matters provided it would not (i) impose, in the Trustee's opinion, more onerous obligations on it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the rights and/or protective provisions afforded to the Trustee in these Conditions, the Trust Deed or the Agency Agreement (including, for the avoidance of doubt, any supplemental trust deed or supplemental agency agreement) in any way or (ii) expose it to any liability against which it has not been indemnified and/or secured and/or prefunded to its satisfaction.

- (g) *No other redemption*: The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Condition 6(a) (*No fixed redemption date*) to (d) (*Redemption at the option of the Issuer*).
- (h) *Purchase*: Subject to the applicable Capital Regulations and Condition 6(f) (*Conditions to Redemption, Purchase, Modification, Substitution or Variation*) and compliance with the Solvency Condition, the Issuer or any of its Subsidiaries may at any time purchase any outstanding Notes in the open market or otherwise and at any price.
- (i) *Cancellation*: All Notes so redeemed or purchased by the Issuer or any of its Subsidiaries may (subject to the Capital Regulations) at the option of the Issuer be held or surrendered to the Principal Paying Agent for cancellation and may, if cancelled, not be re-issued or re-sold.

7. Payments

- (a) *Principal*: Payments of principal shall be made by U.S. dollar cheque drawn on, or, upon application by a Holder of a Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.
- (b) *Interest*: Payments of interest shall be made by U.S. dollar cheque drawn on, or, upon application by a Holder of a Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City and (in the case of interest

payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

- (c) *Payments subject to fiscal laws:* All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 8 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.
- (d) *Payments on business days:* Where payment is to be made by transfer to a U.S. dollar account, payment instructions (for value the due date, or, if the due date is not a Payment Business Day, for value the next succeeding Payment Business Day) will be initiated and, where payment is to be made by U.S. dollar cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a Payment Business Day or (B) a cheque mailed in accordance with this Condition 7 (*Payments*) arriving after the due date for payment or being lost in the mail.
- (e) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Note, the Registrar shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.
- (f) *Record date:* Each payment in respect of a Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

8. Taxation

- (a) *Additional Amounts:* All payments of principal and interest in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of South Africa or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In such event, the Issuer will pay such additional amounts ("**Additional Amounts**") as shall be necessary in order that the net amounts received by the Holders 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:
 - (i) held by or on behalf of a Noteholder, who is liable for such taxes or duties in respect of such Note by reason of his having some connection with South Africa other than the mere holding of such Note or the receipt of principal or interest in respect thereof;
 - (ii) presented for payment by or on behalf of, or held by, a Noteholder who could lawfully avoid (but has not so avoided) such withholding or deduction by complying with any statutory requirements in force at the present time or in the future by making a declaration of non-residency or other similar claim or filing for exemption to which it is entitled to the relevant tax authority, the Issuer or the Principal Paying Agent (the effect of which is not to require the disclosure of the identity of the relevant Noteholder); or
 - (iii) where (in the case of a payment of principal or interest on redemption) the relevant Note Certificate is surrendered for payment more than 30 days after the Relevant Date

except to the extent that the relevant Holder would have been entitled to such additional amounts if it had surrendered the relevant Note Certificate on the last day of such period of 30 days; or

- (iv) if such withholding or deduction arises through the exercise by revenue authorities of special powers in respect of Noteholders being disputers or alleged tax defaulters.
- (b) *FATCA withholding*: Notwithstanding any other provision in these Conditions, the Issuer, the Trustee and the Paying Agents shall be permitted to withhold or deduct any amounts required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto ("**FATCA withholding**"). The Issuer will have no obligations to pay Additional Amounts or otherwise indemnify a holder for any FATCA withholding deducted or withheld by the Issuer, the Trustee or a Paying Agent or any other party as a result of any person (other than an agent of the Issuer) not being entitled to receive payments free of FATCA withholding.
- (c) *Other references*: Any reference in these Conditions to principal or interest shall be deemed to include any Additional Amounts which may be payable under this Condition 8 (*Taxation*) or any undertaking given in addition to or in substitution of this Condition 8 (*Taxation*) pursuant to the Trust Deed.
- (d) *Other taxing jurisdiction*: If the Issuer becomes subject at any time to any taxing jurisdiction other than South Africa, references in these Conditions to South Africa shall be construed as references to the Republic of South Africa and/or such other jurisdiction.
- (e) *Redemption*: Save as described in Condition 8(a) (*Taxation*), a Noteholder whose Notes are redeemed shall pay all taxes payable in connection with the payment of interest, or the redemption of such Notes and/or the payment of the Current Principal Amount as a result of such redemption. The Issuer is not liable for or otherwise obliged to pay any taxes that may arise as a result of the ownership, transfer, redemption or enforcement of any Note.

9. Loss Absorption following a Non-Viability Trigger Event

- (a) *Non-Viability Trigger Event*:

Upon the occurrence of a Non-Viability Trigger Event, the Issuer will as soon as reasonably possible notify the Trustee, the Principal Paying Agent, the Registrar and the Noteholders in accordance with Condition 16 (*Notices*) (a "**Non-Viability Trigger Event Notice**") and subsequently Write-off the Current Principal Amount of the 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:

- (i) a Write-off of the Notes need only occur up until the point where (i) the Issuer is deemed by the Prudential Authority to be viable again, as specified in writing by the Prudential Authority, and (ii) 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 in order for the Notes to qualify as Additional Tier 1 Capital) to the extent that the Notes are liability accounted; and
- (ii) the Notes shall be Written-off in whole, or in part, on a pro rata basis with other Loss Absorbing Instruments,

(the "**Non-Viability Loss Absorption Condition**").

- (b) *Determination*: 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 Trustee and the Noteholders. Any delay in delivery or failure to deliver a Non-Viability Trigger Event Notice shall not affect the validity of any Write-off or the timing of any Write-off.

- (c) *Interest Cancellation:* In addition, and without prejudice to the Issuer not being under any obligation to pay any interest amount for any other reason pursuant to the provisions of Condition 5(a) (*Interest Cancellation*), the Issuer shall not be obliged to pay any interest amount on the Current Principal Amount accrued to and including the date on which the Notes are Written-off in accordance with the Non-Viability Loss Absorption Condition, and payment of such interest amount shall be cancelled, to the extent such payment is prohibited by the Prudential Authority as provided in Condition 5(a)(iii) (*Interest Cancellation*).
- (d) *Write-off Date:* 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 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 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.
- (e) *Write-off:* A Write-off may occur on more than one occasion following the occurrence of a Non-Viability Trigger Event and the Notes may be Written-off on more than one occasion. To the extent that the Write-off or conversion of any Loss Absorbing Instruments is not effective for any reason: (i) the ineffectiveness of any such Write-off or conversion shall not prejudice the requirement to effect a Write-off of the Notes; and (ii) the Write-off or conversion of any Loss Absorbing Instrument which is not effective shall not be taken into account in determining the Written-off Amount of the Notes. For the avoidance of doubt, following any Write-off of the Notes (or the Relevant Part thereof) the Issuer shall not be obliged to pay compensation in any form to the Noteholders.
- (f) *No event of default:* Any Write-off of the 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 Conditions, and shall not entitle the Trustee or the Noteholders to petition or apply for the liquidation, winding-up or dissolution of the Issuer.
- (g) *No restoration of Written-off Amount:* Once a Write-off of all or the Relevant Part of the Current Principal Amount of the 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 Trustee (on behalf of the Noteholders) 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 Written-off Amount prior to the Write-off Date and repayment of the Written-off Amount; provided that, if the Notes are Written-off in part, interest will continue to accrue on the Current Principal Amount.
- (h) *Statutory Loss Absorption Regime:* If a Statutory Loss Absorption Regime is implemented in South Africa and the 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 Noteholders, in accordance with Condition 16 (*Notices*) and the Trustee (which Amendment Notice shall be irrevocable), to elect that the Non-Viability Loss Absorption Condition shall cease to apply and that the Statutory Loss Absorption Regime will apply to the Notes, in each case to the extent to which such Statutory Loss Absorption Regime addresses the relevant provisions of the Non-Viability Loss Absorption Condition that are to cease to apply, 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: (i) the Issuer will only elect to disapply the Non-Viability Loss Absorption Condition and apply the Statutory Loss Absorption Regime to the Notes from the Amendment Date, if such election does not give rise to a Capital Disqualification Event; and (ii) a mandatory application of the Statutory Loss Absorption Regime to the Notes under any Applicable Law which results in the 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.

- (i) *Exercise of Amendment Option or mandatory application of Statutory Loss Absorption Regime:* If:

- (i) the Issuer exercises the Amendment Option; or
- (ii) the Statutory Loss Absorption Regime is applied mandatorily to the Notes under any Applicable Law,

the Non-Viability Loss Absorption Condition will (in the case of (i) above, only to the extent required by the Statutory Loss Absorption Regime and the extent to which the Statutory Loss Absorption Regime addresses the relevant provisions of the Non-Viability Loss Absorption Condition) cease to apply and the Notes will be subject to such minimum requirements of the Statutory Loss Absorption Regime required to ensure that the Notes continue to qualify as Additional Tier 1 Capital with effect from (in the case of (i) above) the Amendment Date and (in the case of (ii) above) 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) or to the extent that the Statutory Loss Absorption Regime does not address the relevant provisions of the Non-Viability Loss Absorption Condition, then the Notes will not be subject to the Statutory Loss Absorption Regime and the Non-Viability Loss Absorption Condition will continue to apply to the Notes.

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 Notes as is required or permitted by such Statutory Loss Absorption Regime.

- (j) *Contractual Acknowledgement:* Notwithstanding and to the exclusion of any other term of the Notes, or any other agreements, arrangements or understandings between any of the parties thereto or between the Issuer and any Noteholder (including each holder of a beneficial interest in the Notes), each Noteholder by its acquisition of the Notes will be deemed to acknowledge, accept, and agree: (i) that any liability of the Issuer in respect of the Notes may be subject to the exercise of any powers by the Prudential Authority or any other dedicated authority under any Statutory Loss Absorption Regime; and (ii) to any variation of these Conditions deemed necessary by the Prudential Authority or such other dedicated authority to give effect to the exercise of any such powers. For the avoidance of doubt, the Trustee shall be obliged, without the consent of the Noteholders, to give effect to such variations subject to the terms of the Trust Deed.

10. Events of Default

- (a) *Non-payment:* 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 in respect of the Notes. If default shall be made in the payment of any principal or interest due on the Notes for a period of seven days or more after any date on which the payment of principal is due or fourteen days or more after any date on which the payment of interest is due (as the case may be), then the Trustee at its discretion may and, if so requested in writing by Noteholders of at least one quarter of the aggregate Current Principal Amount of the outstanding Notes, shall, subject to the Trustee being indemnified and/or secured and/or prefunded to its satisfaction and Conditions 2(c) (*Subordination*) and 10(b) (*Breach of obligation*), 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 the Trustee 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 Trustee.
- (b) *Breach of obligation:* Without prejudice to Condition 10(a) (*Non-payment*), if the Issuer breaches any of its obligations under the Notes (other than any payment obligation of the Issuer

under or arising from the Notes or the Trust Deed, including, without limitation, payment of any principal or interest) then the Trustee at its discretion may and, if so requested in writing by Noteholders of at least one quarter of the aggregate Current Principal Amount of the outstanding Notes, shall (subject to the Trustee having been indemnified and/or secured and/or prefunded to its satisfaction) 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 the Notes sooner than the same would otherwise have been payable by it.

- (c) *No other remedies*: No Holder of any Notes shall be entitled to institute any of the proceedings or take the steps or actions referred to in Conditions 10(a) (*Non-payment*) or (b) (*Breach of obligation*) or to prove in the winding up of the Issuer except that if the Trustee, having become bound to proceed against the Issuer and/or prove in any winding-up of the Issuer as aforesaid, fails to do so within a reasonable period, and in each such case such failure shall be continuing, then any such Holder may itself institute such proceedings or take such steps or actions and/or prove in such winding up to the same extent (but not further or otherwise) that the Trustee would have been entitled so to do in respect of its Notes. No remedy against the Issuer other than the institution of the proceedings referred to in Conditions 10(a) (*Non-payment*) or (b) (*Breach of obligation*) or proving in the winding up of the Issuer, shall be available to the Trustee or the holders of such Notes whether for the recovery of amounts owing in respect of such Notes or under the Trust Deed in relation thereto or in respect of any breach by the Issuer of any of its other obligations under or in respect of such Notes or under the Trust Deed in relation thereto.

11. Prescription

Claims for principal and interest on redemption shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

12. Replacement of Note Certificates

If any Note Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar, subject to all Applicable Laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Note Certificates must be surrendered before replacements will be issued.

13. Trustee and Agents

Under the Trust Deed, the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit.

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequence for individual Holders of Notes as a result of such Holders being connected in any way with a particular territory or taxing jurisdiction.

In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

The initial Agents and their initial Specified Offices are listed below. The Issuer reserves the right (with the prior written approval of the Trustee (to be given in accordance with the terms of the Trust Deed)) at any time to vary or terminate the appointment of any Agent or the calculation agent and to appoint a successor registrar, principal paying agent or calculation agent and additional or successor paying agents and transfer agents; *provided, however, that* the Issuer shall at all times maintain a principal paying agent and a registrar.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders.

14. Meetings of Noteholders; Modification and Waiver; Substitution

- (a) *Meetings of Noteholders:* The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer or by the Trustee and shall be convened by the Trustee upon the request in writing of Noteholders holding not less than one-tenth of the aggregate Current Principal Amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more persons holding or representing more than 50% of the aggregate Current Principal Amount of the outstanding Notes or, at any adjourned meeting, one or more persons being or representing Noteholders whatever the Current Principal Amount of the Notes held or represented; provided, however, that certain proposals (including any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of payments under the Notes, to modify the provisions of Condition 2 (*Form, Denomination and Status*) (save for Condition 2(a) (*Form and denomination*)) or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a "**Reserved Matter**") may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which one or more persons holding or representing not less than 75% or, at any adjourned meeting, 25% of the aggregate Current Principal Amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of Noteholders, who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed, holding not less than 75% in aggregate Current Principal Amount of the Notes outstanding, will take effect as if it were an Extraordinary Resolution, other than in respect of the appointment of a new Trustee or co-trustee (which may only be effected at a meeting of Noteholders). Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) *Modification and waiver:* The Trustee may, without the consent of the Noteholders, agree to any modification of the Notes or the Trust Deed (other than in respect of a Reserved Matter, any matter described in Clauses 12.1 (Appointment of Trustees) and 12.2 (Co-trustees) of the Trust Deed or the definition of "Extraordinary Resolution" in and paragraphs 13, 17(e) and 21 of Schedule 3 to the Trust Deed) if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Noteholders and to any modification of the Notes or the Trust Deed which is of a formal, minor or technical nature or is to correct a manifest error. In addition, the Trustee may, without the consent of the Noteholders, authorise or waive any proposed breach or breach of the Notes or the Trust Deed (other than a proposed breach or breach relating to the subject of a Reserved Matter, any matters described in Clauses 12.1 (Appointment of Trustees) and 12.2 (Co-trustees) of the Trust Deed or the definition of "Extraordinary Resolution" in and paragraphs 13, 17(e) and 21 of Schedule 3 to the Trust Deed) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby. Unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified to the Noteholders as soon as practicable thereafter.
- (c) *Consent:* Any modification of or waiver in respect of the Notes in accordance with this Condition 14 (*Meetings of Noteholders; Modification and Waiver; Substitution*) is subject to the Issuer obtaining the consent of the Prudential Authority (if and to the extent that such consent is required by the Capital Regulations) pursuant to Condition 6(f) (*Conditions to Redemption, Purchase, Modification, Substitution or Variation*).
- (d) *Substitution:* The Trustee may, without the consent of the Noteholders, agree with the Issuer (the "**Current Issuer**") to the substitution in place of the Current Issuer (or of any previous substitute under this Condition 14(d) (*Substitution*)) of any of the Current Issuer's Subsidiaries

(the "**Substitute Issuer**") as the principal debtor under the Notes and the Trust Deed, subject to:

- (i) the Notes being unconditionally and irrevocably guaranteed by the Current Issuer to the satisfaction of the Trustee (on a subordinated basis to the extent required in order for the Notes to qualify as Additional Tier 1 Capital of the Issuer);
- (ii) the Current Issuer not being in default in respect of any amounts payable under the Notes at the time of such substitution;
- (iii) the Trustee being satisfied that such substitution is not materially prejudicial to the interests of the Noteholders;
- (iv) confirmation being received by the Issuer from any rating agency then rating the Notes that there is no adverse change to the credit rating granted by such rating agency in respect of the Notes (provided that, if no rating agency is currently rating the Notes, two Authorised Signatories of the Current Issuer shall certify to the Trustee that it has used its reasonable endeavours to procure a rating for the purposes of such confirmation, to be assessed against the most recent equivalent rating granted to the Notes prior to such proposed substitution (and the Trustee shall rely absolutely on such certification without further enquiry and without liability to any person));
- (v) the consent of the Prudential Authority (if and to the extent that such consent is then required by the Capital Regulations);
- (vi) two Authorised Signatories of the Current Issuer shall certify to the Trustee that no Capital Disqualification Event or Tax Event shall arise as a result of such substitution and the Trustee shall rely absolutely on such certification without further enquiry and without liability to any person;
- (vii) the Current Issuer and the Substitute Issuer have entered into such documents (the "**Substitution Documents**") as are necessary to give effect to such substitution and pursuant to which the Substitute Issuer has (A) undertaken in favour of each Noteholder to be bound by these terms and conditions as the principal debtor (on a subordinated basis corresponding to Condition 2(c) (*Subordination*)) under the Notes in place of the Current Issuer and (B) assumed the obligations of the Current Issuer under the Trust Deed, and procured that all actions, conditions and things required to be taken, fulfilled and done (including, without limitation, the obtaining of any necessary consents) to ensure that the Substitution Documents represent valid, legally binding and enforceable obligations of the Substitute Issuer have been taken, fulfilled and done and are in full force and effect;
- (viii) if the Substitute Issuer is resident for tax purposes in a jurisdiction (the "**New Residence**") other than that in which the Current Issuer prior to such substitution was resident for tax purposes (the "**Former Residence**"), the Substitution Documents contain an undertaking by the Substitute Issuer and/or such other provisions as may be necessary to ensure that each Noteholder has the benefit of an undertaking in terms corresponding to the provisions of Condition 8(a) (*Taxation*) in relation to the payment of all amounts due and payable under, or in respect of, the Notes, with the substitution of references to the Former Residence with references to the New Residence, and an undertaking by the Substitute Issuer to indemnify each Noteholder against any tax that is imposed on it by (or by any authority in or of) the New Residence and, if different, the jurisdiction of the Substitute Issuer's organisation with respect to any Note and that would not have been so imposed had the substitution not been made, as well as against any tax, and any cost or expense, relating to such substitution; and
- (ix) compliance with certain other conditions set out in the Trust Deed.

15. Further Issues

The Issuer may from time to time, without the consent of the Noteholders and in accordance with the Trust Deed, create and issue further notes having the same terms and conditions as the Notes in all

respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes. The Issuer may from time to time, with the consent of the Trustee, create and issue other series of notes having the benefit of the Trust Deed.

16. Notices

Notices to the Noteholders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

17. Governing Law and Jurisdiction

- (a) *Governing law:* The Notes and the Trust Deed and any non-contractual obligations arising out of or in connection with the Notes and the Trust Deed are governed by English law, save that Conditions 2(b) (*Status of the Notes*), 2(c) (*Subordination*), 2(d) (*Set-off*), 2(e) (*Solvency Condition*), Condition 5(a) (*Interest Cancellation*) and Condition 9 (*Loss Absorption following a Non-Viability Trigger Event*) and related provisions of the Trust Deed (as specified therein) are governed by South African law.
- (b) *Jurisdiction:* The Issuer has in the Trust Deed (i) agreed for the benefit of the Trustee and the Noteholders that the courts of England shall have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Notes (including any non-contractual obligation arising out of or in connection with the Notes); (ii) agreed that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient; (iii) designated a person in England to accept service of any process on its behalf. The Trust Deed also states that nothing contained in the Trust Deed prevents the Trustee or any of the Noteholders from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction and that, to the extent allowed by law, the Trustee or any of the Noteholders may take concurrent Proceedings in any number of jurisdictions.

There will appear at the foot of the Conditions endorsed on each Note in definitive form the names and Specified Offices of the Registrar, the Transfer Agent and the Principal Paying Agent as set out at the end of this Prospectus.

SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

The Notes will be represented by a Global Note Certificate which will be registered in the name of a nominee for, and deposited with, the common depository for Euroclear and Clearstream, Luxembourg.

The Global Note Certificate will become exchangeable in whole, but not in part, for Individual Note Certificates if (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or (b) any of the circumstances described in Condition 10 (*Events of Default*) occurs; or (c) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Global Note Certificate in definitive form.

Whenever the Global Note Certificate is to be exchanged for Individual Note Certificates, such Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Note Certificate within five business days of the delivery, by or on behalf of the registered Holder of the Global Note Certificate and/or Euroclear and/or Clearstream, Luxembourg, to the Registrar of such information as is required to complete and deliver such Individual Note Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Note Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Note Certificate at the Specified Office of the Registrar. Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any Holder or the Trustee, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

In addition, the Global Note Certificate will contain provisions that modify the Terms and Conditions of the Notes as they apply to the Notes evidenced by the Global Note Certificate. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Global Note Certificate which, according to the Terms and Conditions of the Notes, require presentation and/or surrender of a Note Certificate will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note Certificate to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes.

Payments on business days: In the case of all payments made in respect of the Global Note Certificate, "**Payment Business Day**" means any day which is a day on which banks are open for general business (including dealings in foreign currencies) in New York City.

Payment Record Date: Each payment in respect of the Global Note Certificate will be made to the person shown as the holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means a day on which each clearing system for which the Global Note Certificate is being held is open for business.

Notices: Notwithstanding "*Terms and Conditions of the Notes – Notices*", while all the Notes are represented by the Global Note Certificate and such Global Note Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with "*Terms and Conditions of the Notes – Notices*" on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Write-off

For so long as the Notes are represented by the Global Note Certificate, any Write-off (as defined in the "*Terms and Conditions of the Notes*") will be effected in Euroclear and Clearstream, Luxembourg in accordance with their operating procedures by way of a reduction in the pool factor.

Written Resolution and Electronic Consent

For so long as the Notes are represented by the Global Note Certificate, then:

Electronic Consent: where the terms of the resolution proposed by the Issuer or the Trustee (as the case may be) have been notified to the Noteholders through the relevant clearing system(s) (subject to and in accordance with the provisions of the Trust Deed), each of the Issuer and the Trustee shall be entitled to rely upon approval of such resolution given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75% in Current Principal Amount of the Notes outstanding ("**Electronic Consent**") by close of business on the relevant time and date for the blocking of their accounts in the relevant clearing system(s).

Written Resolution: where Electronic Consent is not being sought, for the purpose of determining whether a written resolution has been validly passed, the Issuer and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Issuer and/or the Trustee, as the case may be, (a) by accountholders in the clearing system(s) with entitlements to such Global Note Certificate and/or (b) where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held.

THE BANKING SECTOR IN SOUTH AFRICA

The South African banking system is well developed and effectively regulated, comprising a central bank, several large, financially strong banks and investment institutions, and a number of smaller banks. Many foreign banks and investment institutions have also established operations in South Africa over the past decade. South African banks are regulated by the SARB.

International standard setting bodies and forums

South Africa is a member of the G20 and an active participant on various international standard setting bodies and forums and as such financial regulation in South Africa aims to comply with, as far as possible, international best practice and standards through the accords of international bodies such as the Bank of International Settlements; the International Organization of Securities Commissions; and the International Association of Insurance Supervisors, Financial Action Task Force and International Accounting Standards Board. As a member of the G20, South Africa is an early adopter of standards and regulations developed by the various G20 standard setting bodies. In addition, independent authorities such as the World Bank, the International Monetary Fund and the Financial Action Task Force on Money Laundering ("FATF") also conduct assessments of compliance on a regular basis. South Africa is compelled to participate in these assessments as part of its G20 membership commitments. Banks in South Africa are governed by various acts and legislation, most significantly the Banks Act, which is primarily based on similar legislation in the United Kingdom, Australia and Canada.

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 Basel III 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 Regulations Relating to Banks provide for minimum regulatory capital ratios that were phased in for the period 2013 to 2019 in line with Basel III requirements. The minimum CET1 ratio for 2020 was 7.75%. The minimum Tier 1 ratio for 2020 was 9.625%. The minimum total CAR for 2020 was 12.0%. These minimum regulatory capital requirements include the capital conservation buffer and the Domestic Systemically Important Bank ("**D-SIB**") add-on but exclude the bank-specific individual capital requirement and countercyclical buffer.

South Africa is a member of the International Liaison Group of the Basel Committee. The South African banking regulator actively participates in international regulatory and supervisory standard-setting forums at which it is represented and provides input into the continued refinement of the supervisory framework in terms of Basel III.

South African Government Policy Priorities and "Twin Peaks" Supervision Model

Although the financial sector in South Africa was resilient through the period of the 2008 global financial crisis, the Government issued a policy paper on 1 February 2013 titled, "*Implementing a "twin peaks" model of financial regulation in South Africa*", which follows the original policy paper issued on 23 February 2011, "*A Safer Financial Sector to Serve South Africa Better*", taking into account the lessons learnt from the global financial crisis.

These documents outline the Government's strategic regulatory objectives. The documents identify four policy priorities to reform the financial sector, namely: financial stability; consumer protection and market conduct; expanding access of financial services through inclusion; and combating financial crime. Achieving these objectives has and will continue to necessitate a change in the South African regulatory landscape from both a structural and a policy perspective including the introduction of a "twin peaks" approach to financial sector regulation in terms of which macro prudential regulation will be mandated separately from market conduct and consumer protection regulation.

The "twin peaks" approach to financial sector regulation is primarily aimed at the enhancement of systemic stability, improving market conduct regulation, sound micro and macro prudential regulation and the strengthening of the operational independence, governance and accountability of regulators. The perimeters of regulation will continue to be expanded to cover all sources of systemic risk, the regulation of all private pools of capital (for example, hedge funds and over-the-counter derivatives), in respect of which final regulations were published under the Financial Markets Act, 2012 of South Africa (the "**Financial Markets Act**") (the Financial Markets Act Regulations on 9 February 2018 (the "**FMA Regulations**")) and unregulated financial activities such as the functioning of credit rating agencies (now regulated by the Credit Rating Services Act, 2012 of South Africa).

To pave the way for the phasing-in of the "twin peaks" model, Parliament enacted the Financial Services Laws General Amendment Act, 2013 of South Africa (the "**Amendment Act**"). The Amendment Act took effect for the most part on 28 February 2014, with all of the provisions of the Amendment Act becoming effective on 1 January 2018. The Amendment Act contains amendments to 11 key pieces of financial sector legislation, and seeks to ensure that South Africa continues to have a sound and well regulated financial services industry which promotes financial stability by strengthening the financial sector regulatory framework, enhancing the supervisory powers of the regulators and enhancing the powers of the Government to address potential risks to the financial system even during the transition to the "twin peaks" system. The explanatory memorandum published together with the Amendment Act states that the Amendment Act does not cover the more fundamental reforms envisaged in the shift towards a "twin peaks" model of financial regulation, but rather addressed the more urgent legislative gaps and the removal of inconsistencies in current legislation.

The FSR Act was assented to on 21 August 2017 and came into effect on 1 April 2018. The FSR Act is the first in a series of acts that will give effect to the Government's decision to implement the "twin peaks" model of financial regulation (discussed above) with a view to ensuring that the sector is safer and more effective.

The FSR Act reflects the Government's undertaking to eliminate lending malpractices, protect customers and reduce systemic risk through increased market conduct regulation. The FSR Act established two financial sector regulators namely a financial market conduct regulator (referred to as the Financial Services Conduct Authority ("**FSCA**") in the FSR Act) and the Prudential Authority. The FSCA has been appointed with a purview over the full range of financial services related matters, such as the regulation of banking charges. The FSCA has been mandated to protect customers of financial service providers, improve the way in which financial service providers conduct their business, ensure that the integrity and efficiency of the financial markets is maintained, and promote effective financial consumer education.

The Prudential Authority is responsible for regulating all banks i.e. commercial, mutual and co-operative banks, insurers, co-operative financial institutions, financial conglomerates as well as certain market infrastructures. The objective of the Prudential Authority is to promote and enhance the safety and soundness of financial institutions that provide financial products, market infrastructures and payment systems to protect financial customers, including depositors, against the risk that those financial institutions may fail to meet their obligations.

The current legislative framework that underpins market conduct and consumer protection includes the following legislation: the FSR Act, the Financial Markets Act, the Financial Advisory and Intermediary Services Act, 2002 of South Africa ("**FAIS**"), the Consumer Protection Act, 2008 of South Africa, the National Credit Amendment Act, 2014 of South Africa, the Retail Distribution Review, 2014 as well as a comprehensive set of principles relating to Treating Customers Fairly ("**TCF**").

The Government seeks to ensure financial stability through macro-prudential regulation in line with international standards and measures including: improving the quality of capital; reducing pro-cyclicality; setting leverage and liquidity ratios; and issuing compensation guidelines. It further requires swift regulatory action to prevent contagion and proposes a more intense, intrusive and effective form of regulation. The Government has commenced with the process of implementing regulations that will eventually be expanded to cover all sources of systemic risk including the regulation of all private pools of capital. In this regard, the Minister of Finance signed into law the FMA Regulations on 9 February 2018. The FMA Regulations provide the framework for regulation of over-the-counter derivative transactions in South Africa and the FSCA conduct standards, published in connection with the FMA Regulations, set out the reporting requirements and code of conduct for over-the-counter derivative providers. On 2 June 2020 the FSCA and Prudential Authority published Joint Standard 2 of 2020, dealing with margin requirements for non-centrally cleared OTC derivative transactions, which will come into effect on a date to be determined by the FSCA and Prudential Authority. The objectives of the standard include achieving consistent pricing across the OTC derivatives market and international compliance. As at the date of this Prospectus the FSCA and Prudential Authority have not yet determined the effective date of the standard.

SOUTH AFRICAN RESERVE BANK (SARB)

The SARB performs its function of bank regulation and supervision through the Prudential Authority, which issues banking licences to institutions and monitors their activities under the applicable legislation. . The Prudential Authority has extensive regulatory and supervisory powers. Every bank is obliged to furnish certain prescribed returns to the Prudential Authority in order to enable the banking regulator to monitor compliance with the formal, prudential and other requirements imposed on banks in terms of, *inter alia*, the Banks Act and the Regulations Relating to Banks. Such regulations may be, and are, amended from time to time in order to provide for amendments and additions to the prescribed returns, and the frequency of submission thereof. The Prudential

Authority independently executes his duties, but has to report annually to the Minister of Finance, who in turn has to table this report in Parliament.

In terms of the Banks Act, the Prudential Authority, among other things, supervises banking groups on a consolidated basis from the bank controlling company downwards. In this regard, controlling companies of banks are required to submit, on a quarterly basis, a consolidated supervision return which includes information on all of the entities within that banking group that potentially constitute a material or significant risk to that banking group. The return covers issues such as group capital adequacy, group concentration risk, intra-group exposures and group currency risk. Moreover, a bank controlling company is also required to furnish the regulator, on a quarterly basis, with bank consolidated and group consolidated information which includes a detailed balance sheet, an off-balance sheet activities return and an income statement.

A banking group is required to satisfy the regulator's requirements in respect of the adequacy and effectiveness of its management systems for monitoring and controlling risks, including those in its offshore operations, and the integrity of its accounting records and systems. Banking groups are required to comply with the provisions of the Banks Act as well as with all financial and prudential requirements, including minimum capital and liquidity requirements, which are actively monitored by the banking regulator. In addition, banking groups have to satisfy the banking regulator's requirements pertaining to issues such as overall financial soundness worldwide, including the quality of its loan assets and the adequacy of its provisioning policy. As part of its supervisory process, the banking regulator undertakes on-site and off-site examinations. The banking supervisor seeks to apply the Core Principles for Effective Banking Supervision as issued by the Basel Committee.

The Issuer, as a banking group, is supportive of the SARB's objectives and endorses improvements in risk management and governance practices as an active participant in the new regulatory landscape. The same approach is also applied in respect of the Issuer's cooperation with other regulatory authorities and much effort and resources are dedicated in a cost efficient manner in order to reap maximum benefits emanating from the implementation of best practice and the resultant enablement of its global business activities.

Currently the banking industry works within a three tiered framework:

- (a) the Banks Act (effecting changes to the Banks Act requires parliamentary approval);
- (b) the Regulations Relating to Banks (changes to the Regulations Relating to Banks require the approval of the South African Minister of Finance); and
- (c) Banks Act circulars, directives and guidance notes.
 - (i) Circulars may be issued by the Prudential Authority to furnish banks with guidelines regarding the application and interpretation of the provisions of the Banks Act;
 - (ii) guidance notes may be issued by the Prudential Authority in respect of market practices or market and industry developments; and directives may be issued by the Prudential Authority, after consultation with the affected parties, to prescribe certain processes or procedures to be followed by banks with regard to certain processes or procedures necessary in the administration of the Banks Act. It is obligatory for banks to comply with its prescriptions.

The Banks Act, Regulations Relating to Banks, circulars, directives and guidance notes issued by the Prudential Authority set out the framework governing the formal relationship between South African banks and the Prudential Authority. Pursuant to this legislation, the Issuer and representatives of the Prudential Authority meet at regular bilateral meetings (between the Issuer's senior management and the Prudential Authority), annual trilateral meetings (between the Issuer's audit committee, the Prudential Authority and the Issuer's internal and external auditors) and prudential meetings (which usually include meetings with risk management executives and the heads of each of the Issuer's business divisions). The Issuer also engages in frequent on-site reviews with the Prudential Authority's supervisory team which cover a range of topics including an assessment of the Issuer's performance against its peer group.

The prudential regulation and supervision of banks furthermore assists the SARB in its pursuit of financial system stability. Similar to other central banks, the SARB is placing increased emphasis on macro-prudential aspects of financial stability.

In response to fundamental weaknesses in international financial markets, revealed by the 2008 global financial crisis, a large volume of new regulatory and supervisory standards and requirements were issued by international

standard-setting bodies such as the Basel Committee. The incorporation of the changes and enhancements into the domestic regulatory framework requires an ongoing review of South African banking legislation and regulatory requirements in order to ensure the appropriate alignment of the regulatory framework with international standards. In this regard, both the Banks Act and the Regulations Relating to Banks are amended from time to time.

The Issuer views its relationship with its regulators as being of the utmost importance and it is committed to fostering sound banking principles for the industry as a whole. In this regard, the Issuer is a member of the Banking Association of South Africa, whose role is to establish and maintain the best possible platform on which banking groups can engage regulatory bodies, government departments and policy making institutions on new and amended regulatory and legislative requirements.

REGULATORY ENVIRONMENT

Regulatory changes continue to impact the Group's operations, earnings and balance sheet. The principal regulatory change factors that have impacted the Group's results of operations and financial position (including liquidity and capital) are set out below. Where the impact of regulatory changes is known it is also set out below and where the impact is unknown, work is currently underway to determine the impact and as such the Issuer is not currently in a position to quantify such impact until completion of the relevant assessment(s).

South Africa

Current

Banks are impacted by various regulations. Some of those affecting the Issuer are listed below:

- *National Credit Act, 2005* (the "**National Credit Act**"). The National Credit Regulator introduced lower retail lending interest rate caps in South Africa effective from May 2016, which reduced the Group's margins in personal loans and credit cards.
- *Basel 3 Liquidity requirements*. The Basel Committee introduced two new liquidity metrics in 2013, the Liquidity Coverage Ratio ("**LCR**") minimum requirement which was phased in from 1 January 2015 (60%) to 1 January 2019 and now applies at 100% and the NSFR which became effective on 1 January 2018 with a minimum requirement of 100%. The objective of the LCR is to promote the short-term resilience of the liquidity risk profile of banks. It does this by ensuring that banks have an adequate stock of unencumbered high-quality liquid assets ("**HQLA**") that can be converted easily and immediately in private markets into cash to meet their liquidity needs for a 30 calendar day liquidity stress scenario. The LCR will improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source, thus reducing the risk of spill over from the financial sector to the real economy. The NSFR supplements the LCR and has a time horizon of one year. It has been developed to provide a sustainable maturity structure of assets and liabilities. Under Directive D1/2020 (*Temporary measures to aid compliance with the liquidity coverage ratio during the Coronavirus (Covid-19) pandemic stress period*), issued in terms of section 6(6) of the Banks Act, the minimum LCR requirement was revised from 100% to 80%, with effect from 1 April 2020 until such time as the Prudential Authority directs in writing that it is of the view that financial markets have normalised. This Directive is aimed at providing temporary liquidity relief to banks, controlling companies, branches of foreign institutions, eligible institutions and auditors of banks or controlling companies, during the COVID-19 pandemic.
- *Basel 3 capital requirements*. As per Directive D4/2020 (*Capital framework for South Africa based on the Basel III framework*), South Africa is implementing Basel III capital supply requirements. The minimum Basel III capital supply requirements have been implemented, together with a systemic risk add-on ("**Pillar 2A**") with a range of 0.5% to 2.0% as well as a bank-specific individual capital requirement add-on. The Pillar 2A requirements will be adjusted to cater for the D-SIB buffer as it is phased in. The D-SIB (min 0% - max 3.5%), conservation (min 0% -2.5%) and countercyclical (min 0% - max 2.5%) buffers began being phased in on 1 January 2016 and were fully implemented on 1 January 2019, in line with Basel III requirements. South Africa has also implemented a leverage ratio with a requirement of 4%, 1% above the current minimum Basel requirement. In response to pressures on bank's capital supply brought about by the COVID-19 pandemic, the Prudential Authority has implemented measures under Directive D2/2020 (*Matters related to temporary capital relief to alleviate risks posed by the Covid-19 pandemic*), issued in terms of section 6(6) of the Banks Act to reduce the currently specified minimum requirement of capital and reserve funds to be maintained by banks, in order to provide temporary capital relief to enable banks to counter economic risks to individual banks as well as the financial system as a whole.
- *Payment Systems*. The National Payment System Act, 1998 (the "**NPS**") was introduced to bring the South African financial settlement system in line with international practice and systematic risk management procedures. The Payment Association of South Africa, under the supervision of the SARB National Payments System Department, has facilitated the introduction of payment clearing house agreements. It has also introduced agreements pertaining to settlement, clearing and netting agreements, and rules to create certainty and reduce systemic and other risks in inter-bank settlement. These developments have brought South Africa in line with international inter-bank settlement practice. Electronic banking facilities are extensive, with a nationwide network of automatic teller machines and internet banking being available.

- *Anti-money laundering regulations.*

The Government has identified the combating of financial crime as a policy priority. As a result thereof, South Africa has a well-established anti-money laundering ("AML") / Combating the Financing of Terrorism ("CFT") legislative framework which includes but is not limited to the FICA and the Protection of Constitutional Democracy Against Terrorist and Related Activities Act, 2004. The Mutual Evaluation Report issued by the FATF, (an inter-governmental AML policy-making and standards setting body) in 2009 confirmed that South Africa has demonstrated a strong commitment to implementing AML/CFT systems facilitated by close cooperation and coordination amongst a variety of government departments and agencies. The Mutual Evaluation Report also stated that the South African authorities have sought to construct a system which uses, as its reference, the relevant United Nations Security Council Conventions and the international standards as set out by the FATF, and that the Government also recognises the importance of being able to effectively respond to international instruments such as sanctions resolutions.

The Prudential Authority strives to maintain an effective compliance framework and operational capacity to supervise compliance by banks with AML/CFT standards. The Prudential Authority regularly conducts FICA compliance inspections of the accountable institutions that it supervises, and the scope of these visits would include the assessment of compliance with FICA guidance notes, directives and circulars.

Flowing from these responsibilities, the Prudential Authority conducted an AML/CFT inspections to assess whether all of the major banks in the South African market had adopted appropriate measures to ensure compliance with the requirements of FICA. As part of its mandate the SARB through the Prudential Authority may (and has in the past) imposed administrative sanctions and directives to implement remedial action on banks whose AML/CFT frameworks are found to have deficiencies.

As a result thereof, the SARB imposed administrative sanctions and directives to implement remedial action on a number of banks, including Absa Bank. The sanction imposed on Absa Bank relates to the failure by Absa Bank to ensure that appropriate measures were in place to comply fully with the provisions of FICA. The sanction was in the form of a fine in 2012.

The SARB noted in its press release that the "administrative sanctions are not an indication that the banks in question have in any way facilitated transactions involving money laundering and the financing of terrorism".

In December 2016, the SARB imposed further administrative sanctions and directives, in the form of a fine, to implement remedial action on Absa Bank. The sanction imposed on Absa Bank relates to certain weaknesses in its controls and working methods pertaining to transaction monitoring.

Since then the Issuer put in place an agreed remediation plan with the Prudential Authority to address and remediate the findings, and has executed on these plans with regular updates provided to the Prudential Authority, FIC and the Issuer's Board of Directors as agreed.

- *Committed Liquidity Facility.* The SARB's committed liquidity facility ("CLF") will continue to be available to banks up to 30 November 2021 to assist them in complying with the LCR. Furthermore, the SARB has made available to banks a restricted-use committed liquidity facility ("RCLF") from 1 December 2020. The SARB's approach to the CLF as well as the introduction of the RCLF is detailed in, inter alia, Guidance Note 8 of 2020 (*Continued provision of a committed liquidity facility and the introduction of a restricted-use committed liquidity facility by the SARB*).
- *Retail Distribution Review.* The initial Retail Distribution Review ("RDR") discussion document was published in November 2014. Against the background of the TCF approach to regulating conduct of business in financial services, the RDR discussion document proposed substantive reforms to the regulatory framework for financial advice and for distribution of financial products to customers. The RDR put forward a range of regulatory proposals to be implemented in three broad phases. The phase 1 deliverables that became effective on 1 January 2018 primarily comprise of ensuring that certain long term and short term insurance policy holder protection rules and governance requirements including binder agreements for insurance arrangements are in place. The FSCA defined a roadmap to inform delivery of milestones for the remaining requirements but in a publication in March 2020 noted the impact of the COVID 19 pandemic on South Africa and as such has pushed out the commentary dates

for the most recent set of RDR discussion documents. The RDR, once fully implemented, is expected to have a financial impact on the Group, which is currently being quantified.

- *FIC Amendment Act, 2017*. The FIC together with the National Treasury have amended the FICA in line with the standards set out by the FATF and international best practices. A phased approach has been adopted towards the commencement of the FIC Amendment Act (first provisions commenced on 13 June 2017 and the bulk of the provisions came into effect on 2 October 2017). These provisions required changes to the Money Laundering and Terrorist Financing Control Regulations and withdrawal of exemptions published in relation to provisions under FICA, as well as training of staff and major changes to processes and systems used by accountable institutions (Absa Bank is an accountable institution).
- *Protection of Personal Information Act, 2013 ("POPIA")*. POPIA promotes the protection of personal information by public and private bodies. POPIA was promulgated on 26 November 2013 and parts of POPIA commenced in April 2014 with the remaining provisions commencing on 1 July 2020. As a result of the promulgation of POPIA, the Issuer has set up a Privacy Office and aligned its privacy policies and standards with the requirements of POPIA.
- *Insurance Act, 2018*. The Insurance Act was signed into law on 17 January 2018, and took effect on 1 July 2018. The Insurance Act provides a consolidated legal framework for the prudential supervision of the insurance sector (both long term and short term), enhances protection of policyholders, increases access to insurance for all South Africans and promotes broad-based transformation of the insurance sector. Transformation in particular will become a consideration of the Prudential Authority when granting and renewing licences. The Insurance Act also gives effect to capital reforms under Solvency Assessment and Management ("**SAM**"), a risk based approach to determining capital requirements that is expected to improve the safety and soundness of insurers.
- *FinTech*. The SARB has recently published a directive dealing with cloud computing and the offshoring of data. The directive requires banks to make use of cloud computing and the offshoring of data in terms of the provision contained therein and in accordance with a strict risk governance structure. Regulations are also currently being developed for cryptocurrencies and a consultative paper is expected to be published for comment later this year.

Upcoming

Some notable upcoming regulatory changes are:

- *The Financial Sector Levies Bill* (the "**Levies Bill**"). The Levies Bill is the funding model for the establishment of "twin peaks", as it provides for the imposition and collection of levies for the benefit of the FSCA, the Prudential Authority, the Financial Services Tribunal, the Ombud Council, the Office of the Pension Funds Adjudicator and the Office of the Ombud for Financial Services Providers. This is expected to significantly increase the cost of supervision for financial institutions in general.
- *Resolution Framework*. The Financial Sector Laws Amendment Bill (the "**FSLAB**") has been tabled in the National Assembly and is being considered by the required parliamentary committee. The FSLAB gives effect to proposals contained in the discussion document, '*Strengthening South Africa's Resolution Framework for Financial Institutions*', dated 13 August 2015, which sets out the policy proposals for the resolution of 'designated institutions' in South Africa. Along this vein, the FSLAB defines a 'designated institution' as:
 - a bank;
 - systemically important financial institutions ("**SIFIs**");
 - the payment system operator and participants of a systemically important payment system;
 - a company that is a holding company of a bank, a SIFI, or a payment system operator of a systemically important payment system; and
 - if a bank or a SIFI is a member of a financial conglomerate in terms of section 160 of the FSR Act, each of the other members of the financial conglomerate. Written exemptions can be granted by the Governor.

Further, the FSLAB gives effect to the deposit insurance discussion policy document, entitled 'Designing a Deposit Insurance Scheme for South Africa', dated 30 May 2017. The FSLAB provides for the creation of a privately funded deposit insurance scheme, which has the purpose of protecting less financially sophisticated depositors in the event of a bank failure. As has been observed in other jurisdictions, the initial build-up phase of the Deposit Insurance Fund will generate an expense for the banking sector. The most significant expense is expected in the first 5 years of fund build up. The start date for fund contributions has not yet been confirmed.

- *Financial Conglomerate Supervision Framework.* The FSR Act introduces the prudential oversight of financial conglomerates in South Africa. The framework introduces a tier 3 supervisory approach aimed at financial institutions defined as conglomerates and is focused on the contagion risks that manifest in financial institutions that are involved in banking, insurance, market infrastructure and securities activities. The Prudential Authority is currently developing the regulations in collaboration with the financial sector. Five standards are expected focussing on capital, intragroup exposures, large risk exposures and concentrations, corporate governance and risk management as well as reporting.
- *Conduct of Financial Institutions Bill (the "COFI Bill").* The COFI Bill will, *inter alia*, encompass a single licensing regime and will impose standards on products and services offered by financial institutions. It is envisaged that the COFI Bill will consolidate market conduct regulation of banks.
- *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 in line with international principles. The first phase in regulating over-the-counter derivatives by regulating entities which, as a regular feature of their business, sell or engage in market making of over-the-counter derivatives. In this regard, the Minister of Finance signed into law the FMA Regulations on 9 February 2018. The FMA Regulations provide the framework for regulation of over-the-counter derivative transactions in South Africa and the FSCA conduct standards, published in connection with the FMA Regulations, set out the reporting requirements and code of conduct for over-the-counter derivative providers. On 2 June 2020 the FSCA and Prudential Authority published Joint Standard 2 of 2020, dealing with margin requirements for non-centrally cleared OTC derivative transactions, which will come into effect on a date to be determined by the FSCA and Prudential Authority. The objectives of the standard include achieving consistent pricing across the OTC derivatives market and international compliance. As at the date of this Prospectus the FSCA and Prudential Authority have not yet determined the effective date of the standard. A programme is in place to streamline the compliance with local regulations as well as the requirements of extra-territorial regulation which includes US Foreign Account Tax Compliance Act ("FATCA"), the Dodd-Frank Wall Street Reform and Consumer Protection Act and the European Market Infrastructure Regulation.
- *Payment Systems.* In the payments arena several initiatives both regulatory e.g. amendment to update the NPS and execution e.g. a new Early Debit Order (EDO) system that addresses unauthorised debit orders and reversal of legitimate debit orders by consumers are underway to modernise the payments industry. This is in line with the published Vision 2025 goals under "The National Payment System Framework and Strategy" published by the SARB.
- *National Credit Amendment Act.* Consumer credit regulation has been tightened to provide stronger consumer protection under the National Credit Act. New Affordability Assessment Regulations came into effect in 2015 and are used when assessing applications for National Credit Act regulated loans (subject to certain exemptions). The Review of Limitations of Fees and Interest Rates Regulations, which capped consumer credit interest rates, administration fees and initiation fees, were effective from 6 May 2016, and the cap on level of consumer credit insurance which can be charged came into effect in August 2017. The National Credit Act was amended in March 2015, and additional amendments will come into effect once the National Credit Amendment Act, 2019 comes into effect on a date still to be determined by the President. The combined impact of these reforms can be to increase the cost of credit for consumers as well as restrict access to credit from formal credit providers for the lower income market.
- *Land reform.* as at the date of this Prospectus, the National Assembly has re-established a multiparty committee to initiate and introduce legislation pertaining to land reform and the Expropriation Bill, Upgrading of Land Tenure Rights Amendment Bill and Regulation of Agricultural Land Holdings Bill continue 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 or not these values will be

aligned to market values Any deviation from market values could impact risk appetite of the financial sector in relation to land deals pertaining to fixed property and the value of land fixed property based collateral held by banks as security.

Rest of Africa

Current and Upcoming

The Group continues to see regulatory changes across the countries in which it operates, for example:

- *Ghana: Directive on Adoption and Implementation of Minimum Standardized Know Your Client Forms for all Capital Market Operations.* (a) With effect from 1st January 2021, all Capital Market Operators shall implement the Minimum Standardized KYC Forms with their new clients; (b) Capital Market Operators shall ensure that all existing clients records are updated to reflect the Minimum Standardized KYC Forms by 31st December, 2021; (c) Capital Market Operators shall consequently use the KYC Forms as guide to design KYC policies and procedures for their institutions by the end of June 2021 to incorporate the following items: (i) Customer Acceptancy; (ii) Customer Identification Procedures; (iii) Monitoring of Customer Transactions; (iv) Risk Management.
- *Ghana: Sustainable Banking Principles and Sector Guidance Notes.* This document captures the 6 sustainable banking Principles which all Banks have committed to abide by. These principles are to assist banks to respond to the emerging global trend issues, such as human security, anti-money laundering, socially responsible stewardship, information communication transparency and disclosure, corporate integrity, environmental and climate change. The final effective date is 31 March 2024.
- *Kenya: Financial Markets Conduct Bill 2018.* The National Treasury of Kenya issued the Financial Markets Conduct Bill 2018. According to the National Treasury of Kenya, the Bill provides for uniform practices and standards in relation to the supervision and conduct of providers of retail financial services based on international best practice.
- *Kenya: Banking (Amendment) Bill 2019.* The principal object of this Bill is to amend the Banking Act to clarify any vague, ambiguous, imprecise and indefinite words contained in Section 33B of the Act which provided for capping of interest rates.
- *Mauritius: AML/CFT Act, 2020.* Amends various enactments with a view to reinforcing the existing legal provisions to further combat money laundering and the financing of terrorism, and to provide for matters related thereto.
- *Mauritius: Data Protection Regulations 2020.* These regulations came into effect with the purpose of amending various fees payable by a data controller/processor or a data subject, as the case may be, under the Data Protection Act 2017.

DESCRIPTION OF THE GROUP'S BUSINESS

OVERVIEW

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

The Group is one of South Africa's largest financial services organisations, serving retail, business and corporate customers and clients in Sub-Saharan Africa.

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

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

As at 31 December 2020, the Group's market capitalisation was R101.6 billion and the Group had total assets of R1.5 trillion (compared to R1.4 trillion as at 31 December 2019) of which loans and advances to customers were R930 billion (2019: R917 billion). Headline earnings for the Group were R8.0 billion on a normalised basis in 2020 (2019: R16.3 billion). Absa Bank Limited, the largest Subsidiary in the Group, had total assets of R1.3 trillion, liabilities of R1.2 trillion and generated income of R53.7 billion, as at the year ended 31 December 2020.

As at 31 December 2020, the Group had four principal segments namely Retail and Business Banking ("**RBB**") South Africa ("**RBB South Africa**"), Corporate and Investment Banking ("**CIB**") South Africa ("**CIB South Africa**"), Absa Regional Operations ("**Absa Regional Operations**"), and a group centre. Each of the core businesses is led by a Chief Executive who is part of the Group Executive Committee (as defined herein) and has accountability over the strategy and performance thereof.

KEY INFORMATION

The following table presents two years of selected key information of the Group which is presented on a normalised basis. Prospective investors should read the following information in conjunction with the Annual Financial Statements, incorporated by reference herein.

<u>Salient features</u>	<u>For the reporting period ended 31 December</u>			
	<u>2020</u>	<u>2020⁽¹⁾</u>	<u>2019</u>	<u>2019⁽¹⁾</u>
<i>Statement of comprehensive income (Rm)</i>				
Net interest income.....	48,857	48,790	46,501	46,306
Non-interest income.....	32,736	32,592	33,619	33,655
Income.....	81,593	81,382	80,120	79,961
Operating expenses.....	(48,111)	(45,576)	(48,767)	(46,357)
Impairment losses.....	(20,569)	(20,569)	(7,816)	(7,816)
Pre-provision profit ⁽²⁾	33,482	35,806	31,353	33,604
Profit attributable to ordinary equity holders.....	5,880	7,912	14,256	16,003
Headline earnings.....	6,038	7,965	14,526	16,265
<i>Statement of financial position</i>				
Loans and advances to customers (Rm).....	929,969	929,969	916,978	916,978
Total assets (Rm).....	1,531,120	1,525,964	1,399,175	1,394,494
Deposits due to customers (Rm).....	951,894	951,894	826,293	826,293
Loans to deposits and debt securities ratio (%).....	84.7	84.7	93.0	93.0
<i>Financial performance (%)</i>				
Return on equity (" RoE ").....	5.2	7.2	13.1	15.8
Return on average assets (" RoA ").....	0.40	0.52	1.07	1.20
Return on risk-weighted assets (" RoRWA ").....	0.66	0.86	1.71	1.91

Salient features	For the reporting period ended 31 December			
	2020	2020 ⁽¹⁾	2019	2019 ⁽¹⁾
Stage 3 loans ratio on gross loans and advances	6.28	6.28	4.67	4.67
Operating performance (%)				
Net interest margin on average interest-bearing assets.....	4.17	4.17	4.50	4.50
Credit loss ratio on gross loans and advances to customers and banks.....	1.92	1.92	0.80	0.80
Non-interest income as percentage of total income.....	40.1	40.0	42.0	42.1
Cost-to-income ratio.....	59.0	56.0	60.9	58.0
JAWS	3.0	3.0	1.0	(1)
Effective tax rate	30.4	27.8	26.5	26.2
Share statistics (cents)				
Headline earnings per ordinary share	730.9	946.5	1,750.1	1,926.0
Diluted headline earnings per ordinary share.....	730.5	946.0	1,747.6	1,923.3
Basic earnings per ordinary share.....	711.8	940.2	1,717.6	1,895.0
Diluted basic earnings per ordinary share	711.3	939.7	1,715.1	1,892.3
Dividend per ordinary share relating to income for the reporting period.....	-	-	1,125	1,125
Dividend cover (times).....	-	-	1.6	1.7
Special dividend per ordinary share	-	-	-	-
NAV per ordinary share	13,957	13,103	13,669	12,605
Capital adequacy (%)				
Absa Group Limited ⁽³⁾	15.0	n/a ⁽⁵⁾	15.8	15.5
Absa Bank Limited ⁽³⁾	15.6	n/a ⁽⁵⁾	16.7	16.2
CET1 (%)				
Absa Group Limited ⁽³⁾	11.2	n/a ⁽⁵⁾	12.1	11.8
Absa Bank Limited ⁽³⁾	10.6	n/a ⁽⁵⁾	11.9	11.4
Distance to a Non-Viability Trigger Event (%)				
Absa Group Limited ⁽⁴⁾	5.325	n/a ⁽⁵⁾	6.225	5.925

(1) 2020 and 2019 numbers, as applicable, presented on a normalised basis.

(2) Pre-provision profit for 2018: R32,018 million and 2017 R:31,587 million

(3) Includes unappropriated profits.

(4) The distance to a Non-Viability Trigger Event at Absa Group Limited is the difference between the Common Equity Tier 1 Capital Ratio and 5.875%.

(5) Normalised capital ratios will no longer be presented as the Group's separation from Barclays PLC has been materially completed and the current differences between IFRS and normalised is expected to result in a marginal permanent uplift to the capital position.

COMPETITION

South Africa

The South African market had 13 locally controlled banks, 4 foreign controlled banks, 3 mutual banks, 13 local branches of foreign banks, 3 banks in liquidation and 29 foreign banks with approved representative offices based on the latest Prudential Authority data available as at 14 May 2021. According to the SARB BA 900 report for 31 December 2020, the banking sector in South Africa had total assets of R6.6 trillion. The Group's principal competitors are The Standard Bank of South Africa Limited, FirstRand Bank Limited, Nedbank Limited, Capitec Bank Limited (which has mainly retail operations) and Investec Bank Limited. These entities represent the largest banks in South Africa. The Group's operations in South Africa are material and ranked in the top three banks in the key product segments of individual mortgages; credit cards; retail deposits (individuals); corporate deposits and corporate loans and advances. The following table extracted from the SARB BA900 reports sets out total assets as well as capital and reserves for each, in order of magnitude for total assets as at 31 December 2020:

	Total assets	Capital and reserves
	(Rm)	
The Standard Bank of South Africa Limited	1,578,032	96,919
FirstRand Bank Limited	1,424,611	99,026
Absa Bank Limited	1,280,677	92,539

Nedbank Limited	1,130,224	73,523
Investec Bank Limited	501,029	39,307
Capitec Bank Limited	151,863	28,247

Source: BA 900 filings – SARB, 31 December 2020

Rest of Africa

The Group operated ten banks in nine countries outside South Africa (excluding its representative offices in Namibia and Nigeria) as at 31 December 2020. The Group's operations in Africa outside of South Africa are material and the banks are systemic to those markets in which they operate and ranked in the top five¹ banks (measured by total income) in all of the markets as at 31 December 2020.

HISTORY

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

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

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

In April 1992, all the assets and liabilities of Bankorp Holdings Limited, the holding company of, *inter alia*, TrustBank Limited, Senbank and Bankfin, were taken over by Amalgamated Banks of South Africa.

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

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

In July 2013, Absa Group Limited's operations expanded by acquiring selected African operations from Barclays Bank PLC. 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 Group Limited was increased to 62.3%. This resulted in Absa Group Limited undergoing a name change to Barclays Africa Group Limited (listed on the JSE).

However, on 1 March 2016 Barclays Bank PLC announced its intention to reduce its 62.3% interest in the Issuer to a level that would achieve regulatory and accounting deconsolidation. The Separation Programme was initiated by Barclays Bank PLC and the Issuer in 2016. Over 2016 and 2017, Barclays Bank PLC reduced its shareholding in the Issuer to 14.9% and in July 2018, Barclays Africa Group Limited was officially renamed Absa Group Limited.

The Separation Programme was completed within agreed timelines. All 273 projects achieved separation and 198 service schedules were terminated. The final Separation forum was held on 15 December 2020, where all formal

¹ Source: 2020 Absa Integrated Report. Note 1: Except in Tanzania where NBC is ranked 3rd and Absa Bank Tanzania ranked 9th.

closures were approved. The SARB, Absa Regional Operations ("ARO") as well as the United Kingdom regulators have since been informed that Barclays PLC and Absa Group Limited have concluded and closed the Separation Programme.

CORPORATE STRUCTURE AND MAJOR ORDINARY SHAREHOLDERS

The Group follows a group holding company structure, as set out below, in which each operating Subsidiary is owned directly or indirectly by the Issuer. Absa Bank Kenya PLC and Absa Bank Botswana Limited both have significant minority shareholdings which are publicly traded on their respective stock exchanges.

Absa Bank Limited represents the Group's principal South African banking operations, while the Group's insurance businesses are operated through Absa Financial Services Limited.

Absa Group Limited



1. South Africa

2. Tanzania

3. Includes subsidiary undertakings, special-purpose entities, joint ventures, associates and offshore holdings. Further information on subsidiaries and consolidated structured entities is set out in the 2020 Financial Statements

Following on from the sell-down by Barclays Bank PLC, the Group has a diverse shareholder portfolio made up of institutional and individual investors.

The Issuer's largest ordinary shareholders as at 31 December 2020 and as at 31 December 2019:

	2020	2019
	%	%
Barclays Bank PLC	14.88	14.88
Public Investment Corporation.....	6.24	6.29
Prudential Investment Managers	5.23	4.46
Old Mutual	4.83	4.23
Black Rock Incorporated.....	4.09	3.77
Citigroup Global Markets.....	4.02	3.00

Investec Securities (SA)	3.23	3.44
Ninety One	3.06	-
The Vanguard Group.....	3.04	3.20
Newshelf 1405.....	1.89	1.76
Other.....	49.49	54.97

Major shareholding by geographical segment as at 31 December 2020 and as at 31 December 2019

	<u>2020</u>	<u>2019</u>
	<u>%</u>	<u>%</u>
United Kingdom.....	20.01	21.97
South Africa	51.69	45.85
United States and Canada.....	17.26	20.10
Other countries	11.04	12.08

STRATEGY

The Group is proud of its African heritage and values its diversity, which it seeks to leverage in the service of others. The Group believes that financial services should be accessible to all such that the Group's customers have the opportunity to make the best of their possibilities. The Group supports its customers in this by delivering innovative technologies and other propositions.

As a financial services provider, the Group plays an important role in the economic life of its customers, helping to create, grow and protect wealth through partnerships in economic development, while playing a shaping role in Africa's growth and sustainability. For example, the Group delivered R380 million in citizenship disbursements in 2020, including R83 million to support the COVID-19 response across the continent to protect lives and livelihoods; has committed to finance or arrange R100 billion for environmental, social and corporate governance (ESG)-related projects in the period from 2021 to 2025 and has launched a specific climate finance programme and baseline exposure in climate sensitive sectors.

The Group aspires to be a leading financial services company on the African continent which sustainably creates shared value and plays a meaningful role in its customers' and clients' life journey, empowering them to achieve more and, as a result, for them to recommend the Group to family, friends and business associates.

The Group considers purpose to be the cornerstone of its long-term sustainable growth, enabling the Group to find a balance between profit, responsibility and how best to change its business model, resources, products and services to deliver shared value.

The Group's "Go-to-Market" strategy is premised on delivering new value and shared value to a broad range of stakeholders.

Being a purpose-led, customer centric business

The Group's strategy embraces a purpose-led ethos and customer centric business model whereby the Group's focus is on ensuring that its propositions, distribution channels, market footprint, capabilities, mindset and behaviours deliver on the needs of its customers and clients, embedding customer-centricity at the heart of its business.

This entails the Group employing a solutions-driven mindset, which includes both excelling at execution as well as solving for the needs, aspirations and behaviours of its customers and clients. The Group acknowledges that financial service needs don't exist in a vacuum and are connected to other lifestyle and value chain, moments and behaviours.

The Group seeks to differentiate itself through its customer-first digital ambition, creating an ecosystem of financial services, lifestyle and value chain offerings, that delivers an integrated, seamless and memorable experience for the Group's customers and clients. The Group will achieve this by designing its products, solutions, services and capabilities to be modular, so they can be customised to customers and clients based on their individual needs and behavioural patterns.

The strategic goal of the Group is to ensure that the Group is competitive across all segments and across its own and third-party ecosystems, expanding its offering to capture new value to thrive and advance as a business. This

will create an opportunity for the Group to diversify its traditional revenue streams which are subject to strong competition by creating new fee-based income streams.

As such, the Group's go-to-market strategy enables it to retain its existing customers and clients and grow its customer franchise through the attraction of new customers as well as through the provision of banking services to a broader range of other customers and clients on alternative platforms.

To drive the execution of its strategy, the Group has four strategic imperatives and four strategic enablers that are integrated and work together to help the Group to deliver new value and shared value to a broad range of stakeholders, thus enabling the Group to restore leadership in the market.

The Group's four strategic imperatives are:

- Lead with a purpose and deliver shared value to a broad range of stakeholders.

The Group's purpose is to bring possibilities to life and it believes everyone should have access to the transformative power of financial services to help them plan, dream, and aspire to change their lives for the better. The Group seeks to find creative ways to deliver innovative technologies and propositions to make more possible, and seeks to help shape a world that values progress and economic activity to serve the common good. The Group believes in growth that is sustainable, which serves to benefit generations of customers, employees, and communities on the continent and in the world at large.

Purpose is the cornerstone of the Group's long-term sustainable growth, enabling the Group to balance profit with responsibility. Being purpose-led includes strengthening the Group's role, and impact, through core business lines including banking solutions which deliver social and environmental benefits in order to contribute to the achievement of the United Nations Sustainable Development Goals.

- Solve for customers' intrinsic needs through hyper-personalised propositions delivered in the right key moments.

Through a deep understanding of consumers' needs, including customers' holistic lifestyle and value chain needs, the Group seeks to deliver personalised solutions. To achieve this, the Group will leverage its strengths as a bank, combined with data analytics to deliver individual banking and beyond-banking needs.

- Deliver propositions through effective digital-first distribution channels that complement the Group's customers' behavioural patterns.

Moving from a traditional business model into a digital-first distribution model will make it cheaper and easier for the Group's customers to access the services they need by seamlessly integrating various service providers to holistically address customer needs. Leveraging technology, the Group will seek to create customer-centred experiences that matter, be that physical, digital, mobile, voice or across ecosystems and platforms.

- Establish a diverse market footprint that best meets the Group's customers' expectations.

Selectively expanding the Group's footprint, through organic and inorganic growth including into new African markets and increasing the current market reach through strategic partnerships. The Group's immediate priority remains a focus on capital preservation, with a pivot to cautious growth when economic conditions improve. The Group will continually scan the landscape and remain agile concerning potential opportunities that arise within the market.

To achieve the Group's strategic imperatives, the Group will focus on delivering four core enablers:

- Continue to invest in strategic capabilities that drive market leadership.

Continually invest in building and advancing critical capabilities, including payments, data and analytics, platforms and strategic partnerships. This will be achieved by building internal capability where this is core to the Group; through strategic partnerships that provide faster access to technologies, capabilities, talent and skills; and acquisitions to complement partnership activities. The Group will pursue additional partnership opportunities including in cross-border payments, e-commerce marketplaces, small and medium enterprise banking propositions, young adult banking proposition and cashless economy.

- Continue to build a modern technology architecture that powers digital transformation.

Continually evolving and modernising the Group's technology architecture to remain competitive and to enable the Group to accelerate digital transformation, safely. This will include harnessing the power of cloud computing, artificial intelligence, machine learning and emerging technologies to build digital assets and capabilities that can be scaled across the business and safely into third-party ecosystems.

- Evolve the Group's execution model to deliver rapid innovation.

Most traditional banking processes and structures are not conducive to the pace of change required to seize changing market opportunities. The Group will evolve its business model and deliver continuous market-leading innovation with an accelerated speed to market.

- Develop and nurture an entrepreneurial culture.

A combination of creativity and market proactiveness are the hallmarks of entrepreneurship and an opportunity-driven mindset. The Group considers it to be vital that it nurtures a culture that sees opportunity and possibility in challenge and adversity, a culture that embraces inclusivity and respects diversity while collaborating openly to deliver shared goals. An entrepreneurial culture is arguably the Group's most critical enabler.

BUSINESS OF THE ISSUER

Group Overview – segmental analysis

For the purposes of the segmental analysis, the focus is on the three principal business segments: RBB South Africa, CIB South Africa and Absa Regional Operations. The RBB South Africa and CIB South Africa operations represent a significant component of the Group in terms of headline earnings and loans to customers, while Absa Regional Operations represent the Group's access to less mature, higher growth markets. For the reporting period ended 31 December 2020, Absa Regional Operations contributed 17.9% of the Group's headline earnings (excluding Head Office, Treasury and other operations in South Africa and the impact of the Separation).

The following table sets out the Group's revenue, headline earnings, loans and advances to customers, deposits due to customers and credit loss ratio for the reporting periods ended 31 December 2020 and 31 December 2019 broken down into its priority segments before Barclays separation effects.

2020	Revenue	Headline earnings	Gross loans and advances to customers	Net loans and advances to customers	Deposits due to customers	Credit Loss Ratio
	Rm	Rm	Rm	Rm	Rm	%
Absa Group Limited	81,382	7,965	973,602	929,969	951,894	1.92
RBB South Africa	48,577	4,270	551,663	517,253	416,395	2.64
CIB South Africa	12,534	3,035	306,262	303,402	282,771	0.54
Absa Regional Operations.....	20,149	1,589	115,065	108,249	159,233	2.66
Head Office, Treasury and other operations in South Africa.....	122	(929)	612	1,065	93,495	n/a

2019	Revenue	Headline earnings	Gross loans and advances to customers	Net loans and advances to customers	Deposits due to customers	Credit Loss Ratio
	Rm	Rm	Rm	Rm	Rm	%
Absa Group Limited	79,961	16,265	946,715	916,978	826,293	0.80
RBB South Africa	49,572	9,510	530,281	506,478	372,564	1.18
CIB South Africa	11,040	3,230	299,663	298,229	207,461	0.11
Absa Regional Operations	18,605	3,635	116,475	111,465	150,388	0.98
Head Office, Treasury and other operations in South Africa.....	744	(110)	296	806	95,880	n/a

The following table shows the contribution of each segment to the Group's position for the reporting periods ended 31 December 2020 and 31 December 2019.

	Revenue	Headline earnings	Gross loans and advances to customers	Net loans and advances to customers	Deposits due to customers
	%	%	%	%	%
Mix - 2020					
Absa Group Limited					
RBB South Africa	60	54	57	56	44
CIB South Africa	15	38	31	33	30
Absa Regional Operations.....	25	20	12	12	17
Head Office, Treasury and other operations in South Africa.....	0	-12	0	0	10

	Revenue	Headline earnings	Gross loans and advances to customers	Net loans and advances to customers	Deposits due to customers
	%	%	%	%	%
Mix - 2019					
Absa Group Limited					
RBB South Africa	62	58	56	55	45
CIB South Africa	14	20	32	33	25
Absa Regional Operations	23	22	12	12	18
Head Office, Treasury and other operations in South Africa.....	1	-1	0	0	12

RBB South Africa

RBB 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.

The following tables provide an overview of RBB South Africa by primary product segments and an overview of the contribution of each such product segment to total RBB South Africa operations for the reporting periods ended 31 December 2020 and 31 December 2019:

	Revenue	Headline earnings	Gross loans and advances to customers	Net loans and advances to customers	Deposits due to customers	Credit Loss Ratio
	Rm	Rm	Rm	Rm	Rm	%
2020						
RBB South Africa	48,577	4,270	551,663	517,253	416,395	2.64
Home Loans.....	4,935	453	255,131	247,679	1,833	0.88
Vehicle and Asset Finance.....	3,144	(993)	94,877	89,129	-	3.45
Everyday Banking	23,953	1,967	73,731	58,022	247,328	8.42
Card and Payments.....	6,861	5	45,875	36,405	1,952	8.49
Personal Loans.....	3,279	(516)	23,785	18,410	16	11.87
Transactional and Deposits.....	13,813	2,478	4,071	3,207	245,360	3.28
Relationship Banking.....	13,646	2,522	127,871	122,422	167,223	1.59
Insurance Cluster.....	2,926	1,114	-	-	-	n/a
Retail and Business Banking Other.....	(27)	(793)	53	1	11	n/a

2019	Revenue	Headline earnings	Gross loans and advances to customers	Net loans and advances to customers	Deposits due to customers	Credit Loss Ratio
	Rm	Rm	Rm	Rm	Rm	%
RBB South Africa	49,572	9,510	530,281	506,478	372,564	1.18
Home Loans.....	4,539	1,588	242,828	237,391	1,508	0.08
Vehicle and Asset Finance.....	2,850	299	86,933	83,740	-	1.34
Everyday Banking	25,113	3,500	72,597	61,386	227,212	5.50
Card and Payments.....	7,808	894	44,446	37,054	1,778	5.46
Personal Loans.....	3,241	364	23,941	20,857	14	7.16
Transactional and Deposits.....	14,064	2,242	4,210	3,475	225,420	3.25
Relationship Banking.....	13,887	3,672	127,870	123,960	143,833	0.26
Insurance Cluster.....	3,235	1,273	-	-	-	n/a
Retail and Business Banking Other.....	(52)	(822)	53	1	11	n/a

Mix – 2020	Revenue	Headline earnings	Gross loans and advances to customers	Net loans and advances to customers	Deposits due to customers
	%	%	%	%	%
RBB South Africa	100	100	100	100	100
Home Loans.....	10	11	46	48	0
Vehicle and Asset Finance.....	6	-23	17	17	0
Everyday Banking	49	46	13	11	59
Card and Payments.....	29	0	62	63	1
Personal Loans.....	14	-26	32	32	0
Transactional and Deposits.....	58	126	6	6	99
Relationship Banking.....	28	59	23	24	40
Insurance Cluster.....	6	26	-	0	0
Retail and Business Banking Other.....	0	-19	0	0	0

Mix - 2019	Revenue	Headline earnings	Gross loans and advances to customers	Net loans and advances to customers	Deposits due to customers
	%	%	%	%	%
RBB South Africa	100	100	100	100	100
Home Loans.....	9	17	46	47	0
Vehicle and Asset Finance.....	6	3	16	17	-
Everyday Banking	51	37	14	12	61
Card and Payments.....	31	26	61	60	1
Personal Loans.....	13	10	33	34	0
Transactional and Deposits.....	56	64	6	6	99
Relationship Banking.....	28	39	24	24	39
Insurance Cluster.....	7	13	-	-	-
Retail and Business Banking Other.....	0	-9	0	0	0

Key Business Areas in RBB South Africa:

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 ventures 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 day-to-day banking services to the retail customer and includes:

- **Card** – offers credit cards via a mix of Absa-branded and co-branded offerings. Included in this portfolio is a strategic partnership with Woolworths Financial Services, which offers in-store cards, credit cards, personal loans and short-term insurance products. The Edcon store card portfolio, which Absa Bank previously owned, was sold effective 1 February 2020.
- **Personal Loans** – offers unsecured instalment loans through face-to-face engagements and digital channels.
- **Transactional and Deposits** – offers a full range of transactional banking, savings and investment products, a 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 relationship manager rather than multiple touchpoints with the Group. The businesses consolidated into Relationship Banking include Card Acquiring, Commercial Asset Finance (CAF), Business Banking (including associated lending, transactional and deposit products), Private Banking, Wealth and Financial Advisory. Relationship Banking also includes an equity portfolio, which is being reduced in an orderly manner.

Insurance Cluster – consists of Life Insurance and Short-term Insurance, including Insurance Absa Regional Operations:

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

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

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

Corporate and Investment Banking

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

Key business areas

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

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

Investment Bank comprising:

- **Markets** – engages in sales, trading, and research activities across all major asset classes and products in the Group's 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** – specialises in financing commercial, industrial, retail and residential development property across the Group's African footprint as well as cross border financing in other jurisdictions; and
- **Private Equity and Infrastructure Investments** – Infrastructure Investments acted as a principal by investing in equity of 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.

The following tables set out a breakdown of Corporate and Investment Bank's contribution to CIB revenue, headline earnings, loans and advances to customers, deposits due to customers and credit loss ratio for the reporting period ended 31 December 2020 and 31 December 2019:

2020	Revenue	Headline earnings	Net loans and advances to customers	Deposits due to customers	Credit Loss Ratio
	Rm	Rm	Rm	Rm	%
CIB	20,997	4,945	356,330	353,693	0.76
Corporate	10,779	1,900	94,805	306,209	1.62
Investment Bank	10,218	3,045	261,525	47,484	0.44

2019	Revenue	Headline earnings	Net loans and advances to customers	Deposits due to customers	Credit Loss Ratio
	Rm	Rm	Rm	Rm	%
CIB	18,408	5,946	357,668	279,275	0.14
Corporate	9,902	2,930	102,829	229,636	0.31
Investment Bank	8,506	3,016	254,839	49,639	0.07

Mix – 2020	Revenue	Headline earnings	Net loans and advances to customers	Deposits due to customers
	%	%	%	%
CIB	100	100	100	100
Corporate	51	38	27	87
Investment Bank	49	62	73	13

Mix – 2019	Revenue	Headline earnings	Net loans and advances to customers	Deposits due to customers
	%	%	%	%
CIB	100	100	100	100
Corporate	54	49	29	82
Investment Bank	46	51	71	18

Absa Regional Operations

ARO operates in eleven jurisdictions across the African continent outside of South Africa through ten legal entities and two representative offices. ARO offers a comprehensive suite of banking products and services in the Group's main market segments being Retail and Business Bank and Corporate and Investment Banking.

RBB Absa Regional Operations

RBB Absa Regional Operations offers a comprehensive suite of retail and business banking products and services to individual and commercial customers across the region. A range of solutions are provided to meet customers'

transactional, borrowing, savings, protection and investment needs. This is facilitated through branch, self-service and digital channels, supported by a relationship-based model that includes a well-defined coverage structure built on specific customer value propositions

Key product/segment areas include:

- **Premier banking** – represents the affluent retail segment in each market. Clients are offered exclusive banking with tailor-made solutions from dedicated relationship managers and through the Group's premier suites.
- **Prestige banking** – represents the emerging affluent retail segment in each market. Clients are serviced through dedicated banking teams and offered affordable products and solutions.
- **Personal banking** – represents the middle-market segment. Clients are serviced via direct channels, including the branch network.
- **Small and Medium Enterprise ("SME") banking** – represents business clients with an annual turnover of up to R50m. Clients are serviced using a direct coverage model with a predominantly branch-based interface.
- **Commercial banking** – represents business clients with an annual turnover of between R50 million and R250million. Clients are serviced using a relationship-based model, where dedicated sales and service teams provide customised solutions. Commercial and SME banking includes sector overlays focusing on the primary sectors of agriculture, wholesale and retail, construction, manufacturing, transport and logistics, and franchising.

CIB Absa Regional Operations

CIB Absa Regional Operations provides innovative solutions to meet clients' needs by delivering specialist investment banking, corporate and transactional banking, financing, risk management, advisory products and services. A variety of clients across various industry sectors such as corporates, financial institutions and public sector bodies are serviced by combining the Group's in-depth product knowledge with regional expertise and an extensive, well-established local presence. CIB's goal is to build a sustainable, trustworthy business that helps clients bring their possibilities to life and by executing on this the Group aims to 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 the Group's African institutional, corporate and public sector client base.
- **Investment Bank** – engages in sales, trading, and research activities across all major asset classes and products in the markets in which the Group has a presence, delivering pricing, hedging and risk management capabilities to both corporate and institutional clients

The following tables set out a segmental breakdown of Absa Regional Operations' revenue, headline earnings, loans and advances to customers, deposits due to customers and credit loss ratio for the reporting periods ended 31 December 2020 and 31 December 2019:

2020	Revenue	Headline earnings	Net loans and advances to customers	Deposits due to customers	Credit Loss Ratio
	Rm	Rm	Rm	Rm	%
Absa Regional Operations	20,149	1,589	108,249	159,233	2.66
RBB Absa Regional Operations.....	11,790	(161)	55,321	83,947	3.90

CIB Absa Regional Operations.....	8,463	1,910	52,928	70,922	1.85
Head Office, Treasury and other operations.....	(104)	(160)	-	4,364	n/a

2019	Revenue	Headline earnings	Net loans and advances to customers	Deposits due to customers	Credit Loss Ratio
	Rm	Rm	Rm	Rm	%
Absa Regional Operations	18,605	3,635	111,465	150,388	0.98
RBB Absa Regional Operations.....	10,921	798	52,026	75,670	2.10
CIB Absa Regional Operations.....	7,368	2,716	59,439	71,814	0.30
Head Office, Treasury and other operations.....	316	121	-	2,904	n/a

2020 Mix	Revenue	Headline earnings	Net loans and advances to customers	Deposits due to customers
	%	%	%	%
Absa Regional Operations	100	100	100	100
RBB Absa Regional Operations.....	59	(10)	51	53
CIB Absa Regional Operations.....	42	120	49	45
Head Office, Treasury and other operations.....	(1)	(10)	n/a	3

Mix – 2019	Revenue	Headline earnings	Net loans and advances to customers	Deposits due to customers
	%	%	%	%
Absa Regional Operations	100	100	100	100
RBB Absa Regional Operations.....	59	22	47	50
CIB Absa Regional Operations.....	40	75	53	48
Head Office, Treasury and other operations.....	2	3	-	2

KEY OPERATIONAL METRICS

The following table sets out certain operational metrics of South Africa Banking and Absa Regional Operations as at 31 December 2019 and 31 December 2020:

Operational Metrics

	31 December 2020	31 December 2019
South Africa Banking		
Outlets (including number of branches and sales centres).....	619	632
ATMs.....	8,660	8,766
Absa Regional Operations		
Outlets (including number of branches and sales centres).....	372	380
ATMs.....	1,074	1,107
Number of permanent and temporary employees	36,737	38,472
South Africa (excludes Woolworth Financial Services employees).....	27,160	28,296
Africa regions.....	9,543	10,149
International operations outside Africa ⁽¹⁾	34	27

⁽¹⁾Headcount as disclosed is in relation to the Group's international offices in the United States and United Kingdom.

COVID-19 IMPACT

The COVID-19 pandemic continues to affect global economic developments and has resulted in significant changes to government policies and actions, economic and financial market conditions and consumer behaviour. This in turn has had a material impact on the risks to which the Group is exposed and the output of financial models, most specifically those used to determine credit risk exposures. The high degree of uncertainty resulting

from this has forced the Group to reassess assumptions and existing methods of estimation and judgements used in the preparation of its financial results. The Group's response to the COVID-19 pandemic included payment relief to customers, fee waivers, insurance premium relief and the expansion of credit life cover.

The tables below capture some of the key financial data related to the impact of COVID-19 on the Group:

Impairment losses pre- and post-management adjustments

The table below provides a breakdown of the total ECL recognised at 31 December 2020 to reflect the impairment charge calculated using the Group's approved models together with the macroeconomic variable ("MEV") management adjustment.

	December 2020		December 2019
	MEVs management adjustment	Total impairment losses including management adjustments	Total impairment losses including management adjustments
	Rm	Rm	Rm
RBB South Africa	3,524	14,621	6,253
Home Loans	950	2,189	182
Vehicle and Asset Finance	926	3,062	1,099
Everyday Banking	1,177	7,337	4,653
Card	628	3,883	2,536
Personal Loans	466	2,893	1,610
Transactional and Deposits	83	561	507
Relationship Banking	471	2,032	322
RBB Other	-	1	(3)
CIB South Africa	776	1,951	367
ARO	1,057	3,995	1,213
RBB ARO	570	2,507	1,120
CIB ARO	441	1,340	173
Head Office, Treasury and other operations in South Africa	46	148	(80)
Head Office, Treasury and other operations in South Africa	-	2	(17)
Total	5,357	20,569	7,816

Single name impairments

Impairment losses have been adversely impacted by an increased level of risk for single name wholesale exposures that have been specifically affected by COVID-19. The Group continuously monitored these exposures through the Group Distressed Assets Committee to appropriately identify, mitigate, and/or adequately provide for any potential risk. As at 31 December 2020 the following impairment losses were raised for single name exposures:

	December 2020
	Rm
Single name impairments	
SA Relationship Banking	287
CIB SA	1,040
CIB ARO	1,077
ARO Business Banking	330
Total	2,734

The table below provides the gross carrying value of loans and advances to customers that were granted payment relief during the financial period, together with an analysis of payment behaviour after the relief period ended 31 December 2020:

	Total gross carrying amount of payment relief population as at 31 December 2020	Gross carrying amount at 31 December 2020	Percentage of portfolio	Up to date
	Rm	Rm	%	%
RBB South Africa	151,658	551,663	27.49	91.57
Home Loans	84,492	255,130	33.12	94.46
Vehicle and Asset Finance	25,892	94,876	27.29	88.01
Everyday Banking	16,492	73,732	22.37	79.32
Card	9,832	45,874	21.43	83.49
Personal Loans	6,607	23,786	27.78	73.30
Transactional and Deposits	53	4,072	1.30	54.90
Relationship Banking	24,782	127,872	19.38	93.59
RBB Other	-	53	-	-
CIB South Africa	39,793	306,262	12.99	97.41

ARO	27,130	115,065	23.58	88.86
RBB ARO	12,487	59,920	20.84	88.03
CIB ARO	14,643	55,145	26.55	89.57
Head Office, Treasury and other operations in South Africa	-	612	-	-
Total	218,581	973,602	22.45	92.30

The portfolio performance for the reporting period ended 31 December 2020 was R4.7 billion.

The most substantial impact on the Group of the COVID-19 pandemic relates to credit risk. IFRS 9 requires ECL allowances to be recognised based on a stage allocation methodology:

- Stage 1 ECL allowance reflects the total losses associated with defaults that are expected to occur within 12 months of the reporting date. Exposures must be moved to stage 2 when a significant increase in credit risk has been observed.
- Stage 2 and stage 3 exposures carry an ECL allowance that is based on the losses expected to occur over the lifetime of the exposure.

The table below sets out the ECL analysis and class of credit exposure:

	Loans and advances to customers	Loans and advances to banks	Total loans and advances to customers and banks
For the reporting period ended 31 December 2020			
Carrying amount of financial assets at fair value through profit or loss (Rm)	63,901	31,830	95,731
Stage 1			
Gross carrying amount (Rm)	728,381	50,454	778,837
ECL allowance (Rm)	7,111	59	7,170
ECL coverage (%)	0.98	0.12	0.92
Stage 2			
Gross carrying amount (Rm)	114,831	2,317	117,148
ECL allowance (Rm)	8,277	4	8,281
ECL coverage (%)	7.21	0.17	7.07
Stage 3			
Gross carrying amount (Rm)	66,487	-	66,487
ECL allowance (Rm)	28,245	-	28,245
ECL coverage (%)	42.48	-	42.48
Net carrying amount of financial assets at fair value through profit or loss and loans carried at amortised cost (Rm)	929,969	84,538	1,014,507
For the reporting period ended 31 December 2019			
Carrying amount of financial assets at fair value through profit or loss (Rm)	67,656	29,453	97,109
Stage 1			
Gross carrying amount (Rm)	755,402	29,736	785,138
ECL allowance (Rm)	4,288	21	4,309
ECL coverage (%)	0.57	0.07	0.55
Stage 2			
Gross carrying amount (Rm)	76,663	580	77,245
ECL allowance (Rm)	4,935	3	4,938
ECL coverage (%)	6.44	0.52	6.39
Stage 3			
Gross carrying amount (Rm)	46,993	-	46,993
ECL allowance (Rm)	20,515	-	20,515
ECL coverage (%)	43.66	-	43.66
Net carrying amount of financial assets at fair value through profit or loss and loans carried at amortised cost (Rm)	916,978	59,745	976,723

INFORMATION TECHNOLOGY

The Issuer leverages technology to drive smarter banking behaviour by driving digital transformation and re-engineering technology processes that support critical banking processes and systems. The Issuer's technology is based on a combination of in-house and commercial off-the-shelf systems that provide the business with the

capabilities to service its colleagues and customers. This includes access to banking services outside of the branch environment, specifically ATMs, internet banking, and mobile banking.

To ensure the resilience of the Group's technology, the Issuer uses a state of the art data centre. Aligned to global trends, the Issuer is reducing its physical infrastructure footprint and accelerating cloud technology adoption. Through its Chief Security Office, the Group continuously rolls out new mechanisms and tools to address cyber threats and weaknesses, and plays an active role in the African cyber community in collaboration with both local and global law enforcement agencies and the South African Banking Risk Information Centre. While the Group continues to improve the performance of the technology and the security controls currently in place, it also conducts annual disaster recovery testing to ensure business continuity in accordance with the Group's business continuity framework. The Issuer also has a mature incident, problem and change management process to ensure that stability is maintained across Group Technology and to limit customer impact. In addition, the Issuer has implemented a Technology Risk Management Framework that ensures that risk monitoring and evaluation activities are consistently applied within the Technology Risk management environment in line with any material changes within Group Technology.

The Issuer has adopted the cloud first approach as part of its digital transformation initiative. The opportunity to build resilience operations through migration to the cloud enhances the experience of customers and colleagues. High availability, real time data replication and synchronization will enable the Issuer's overall ability to respond. Synchronizing the enterprise into the cloud enables the Issuer to harness big data, provide complex insights and analytics thereby increasing the timeous response to customer problems and decision-making. Artificial intelligence and machine learning tools and other cloud capabilities, enable the Issuer to drive innovation, cut costs and make operations more consistent. Security is at the pinnacle of the cloud adoption strategy and the Issuer has established robust governance control processes to maintain confidentiality, integrity and availability. The Issuer has put in place auditing and monitoring technologies to protect the Issuer from security incidences and events.

In addition to engineering its existing applications and infrastructure to strengthen its resilience, the Issuer has embraced an agile way of working to improve velocity, quality and efficiency through the use of engineering disciplines and tools. This has enabled the Issuer to deliver new technological solutions across the Group at speed, in turn addressing the needs of its customers faster. The Issuer has also transformed the legacy approach to building technology solutions by introducing new design thinking to its development methodologies through its team of design specialists. It continues to invest in new technologies (such as artificial intelligence, robotics process automation and more), enabling it to introduce unique service offerings to the market and ensuring that it remains competitive in an increasingly disrupted financial services industry. These changes have led to a range of new solutions being released to market, such as banking via Facebook Messenger, Twitter and WhatsApp; Samsung Pay; Contactless Payments; Absa Digital Card; a new Youth Banking Application; the Virtual Investor tool; Absa Cash Flow Management tool; Bolt Vehicle Finance allowing for quick online applications; the Group's award winning website and a digital sales platform that allows customers to open an account online.

MANAGEMENT AND GOVERNANCE

THE ISSUER'S BOARD OF DIRECTORS (THE "BOARD")

The Board is responsible for creating and delivering sustainable shareholder value, ensuring an appropriate balance between promoting long-term sustainable growth and delivering short-term performance. The Board sets and steers the strategic direction of the Issuer, approves the Issuer's policies and planning, provides oversight, monitors the Issuer's business and ensures accountability of management and the executive. Board members engage with regulators, provide leadership to management, contribute actively to the content of financial statements, results announcements and the integrated report, and are available for matters that arise on an *ad hoc* basis. In order for the Board to form a quorum, a majority of members must be in attendance. Directors are appointed through a formal and transparent process which is facilitated by the Directors' Affairs Committee ("**DAC**") on behalf of the Board. The Board as a whole approves all appointments on recommendation by the DAC. The DAC comprises only independent non-executive directors, and is chaired by the Chairman. All independent non-executive directors are annually assessed in accordance with the JSE Listings Requirements and the recommendations of the King IV Report on Corporate Governance for South Africa 2016 ("**King IV**"). Directors who have served for more than nine years are subject to annual re-election and are categorised as non-independent after the Board has assessed their performance and confirmed that they remain suitably qualified to serve on the Board.

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

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

The Board has 16 members, 11 of whom are independent, three non-executive and two of whom are executive directors. The following table sets out the members of the Board as at the date of this Prospectus, the year of their election or appointment to the Board, the expiration of their current term and their position(s).

Name	Year Elected/ Appointed	Year term expires		Born	Position
		Current term expiry ¹	9 year rule expiry ²		
Wendy Lucas-Bull	2013	March 2022 ⁴	March 2022 ⁴	1953	Chairman, Independent Non-executive Director
Sipho M Pityana	2019	June 2021	2028	1959	Lead Independent Non-executive Director
Alex Darko	2014	June 2021	2023	1952	Independent Non-executive Director
Daisy Naidoo	2016	June 2021	2025	1972	Independent Non-executive Director
Francis Okomo-Okello	2014	June 2021	2023	1949	Independent Non-executive Director
Ihron Rensburg	2019	June 2022	2028	1960	Independent Non-executive Director
Mark Merson	2014	June 2022	2023	1968	Independent Non-executive Director
Nonhlanhla Mjoli-Mncube	2020	June 2023 ⁵	2029	1958	Independent Non-executive Director
Rose Keanly	2019	June 2022	2028	1958	Independent Non-executive Director
Tasneem Abdool-Samad	2018	June 2021	2027	1974	Independent Non-executive Director
Swithin Munyantwali	2019	2022	2028	1963	Independent Non-executive Director
Colin Beggs	2010	June 2021 ⁴	June 2021 ³	1948	Non-executive Director
Fulvio Tonelli	2020	June 2023 ⁵	2029	1960	Non-executive Director
René van Wyk	2020	2023 ⁵	2029	1956	Non-executive Director
Jason Quinn	2016	2022	n/a	1974	Executive Director, Interim Group Chief Executive Officer
Punki Modise	2021	2023	n/a	1969	Executive Director, Interim Group Financial Director

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

² Directors who have served for more than nine years are subject to annual re-election and are categorized as non-independent after the Board has assessed their performance and confirmed that they remain suitably qualified to serve on the Board. The general rule however is that directors will retire after having served nine years on the Board having regard to the provisions of the Directive D4/2018 (Matters related to the promotion of sound corporate governance, and in particular in relation to the appointment of directors and executive officers).

³ Mr Beggs will retire at the forthcoming AGM on 4 June 2021.

⁴ Ms Lucas-Bull will retire on 31 March 2022 in terms of the nine year rule.

⁵ Ms Mjoli-Mncube and Mr Tonelli and Mr van Wyk will be confirmed at the forthcoming AGM on 4 June 2021, and will then become part of the normal director rotations.

Recent changes to the Board

Daniel Mminele was appointed as Group Chief Executive Officer on 15 January 2020. Daniel took over from René van Wyk who served as the Group Chief Executive Officer from 1 March 2019 to 14 January 2020. René rejoined the Board as a non-independent, non-executive director on 1 August 2020. The Group announced on 20 April 2021 that an agreement had been reached with Daniel pursuant to which he had stepped down as a director and Group Chief Executive of Absa Group Limited and Absa Bank due to non-alignment between Daniel and the Board on matters of strategy and culture transformation. Jason Quinn was appointed as Interim Group Chief Executive with immediate effect, subject to regulatory approval. Punki Modise was appointed as Interim Group Financial Director, subject to regulatory approval, with effect from 23 April 2021. The following have recently joined the Board as independent non-executive directors: Rose Keanly (1 September 2019), Swithin Munyantwali (15 September 2019 and becoming independent on 1 March 2020), Ihron Rensburg (1 October 2019), Fulvio Tonelli (1 July 2020), René van Wyk (1 August 2020) and Nonhlanhla Mjoli-Mncube (15 October 2020). Siphon Pityana joined the Board as an independent non-executive director with effect from 1 May 2019, and he was appointed as the lead independent director of both the Issuer and Absa Bank boards with effect from 4 June 2020.

Abridged curricula vitae of the Board

Wendy Lucas-Bull

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

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

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

Qualifications: BSc.

Siphon M Pityana

Siphon joined the Board as an independent non-executive director with effect from 1 May 2019. He was appointed as the lead independent director of both the Issuer and Absa Bank boards with effect from 4 June 2020.

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

Siphon is the founder and chairman of Izingwe Capital, a black-owned investment company founded in 2004 and which invests in a number of South Africa's blue chip corporates. Siphon was the chairman of AngloGold Ashanti

for 6 years from 2014 until December 2020, having served on that board since his appointment in 2007. He is also the chairman of JSE listed company Redefine Properties Limited.

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

Qualifications: BA (Hons), MSc.

Alex Darko

Alex joined the Board as an independent non-executive director in 2014 and is a member of the GACC, RemCo and is the chairman of the ITC.

Alex held a number of senior positions at Dun & Bradstreet, including director of UK shared services, director of finance at Dun & Bradstreet Europe Ltd and head of accounting re-engineering. He later moved back to Ghana and worked for Ashanti Goldfields in a number of senior roles. Alex was vice-president, knowledge and information at AngloGold Ashanti from 2005 to 2010.

Alex is a director at Nkululeko Leadership Consulting where he advises organisations on leadership, culture, strategy and change management. He is also a non-executive director of Reunert Limited.

Qualifications: MSc (MIS); Fellow of Chartered Certified Accountants (FCCA).

Daisy Naidoo

Daisy joined the Board as an independent non-executive director in 2016. She is a member of the GACC, GCRC and RemCo. Daisy joined the Absa Financial Services Limited Board in July 2020, as well as the Group Actuarial Committee ("GAC") and the Audit Risk and Compliance Committee ("ARCC"). Daisy assumed the Chairmanship of the ARCC in September 2020.

Daisy started her career in 1994 at Ernst & Young in Durban. She held various positions at South African Breweries, Deloitte and Sanlam Capital Markets, where she headed up the debt structuring unit between 2008 and 2010. Daisy is a non-executive director of Strate (Pty) Limited, Hudaco Industries Limited, Mr Price Group Limited, Anglo American Platinum Limited and Redefine Properties Limited.

Qualifications: BCom; CA (SA); Masters in Accounting (Taxation).

Francis Okomo-Okello

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

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

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

Qualifications: LLB (Hons).

Ihron Rensburg

Ihron joined the Board as an independent non-executive director on 1 October 2019. He is a member of the SEC and RemCo.

Ihron was Vice Chancellor and Principal of the University of Johannesburg (UJ) from 2006 to 2017. Prior to his position at UJ, Ihron worked for the SABC and the Department of Education as Deputy Director General, where

he was tasked to oversee and lead the development and implementation of the post-apartheid national education curriculum and policy.

Ihron is currently the Chairman of the South African National Commission for UNESCO. He is also Senior Advisor to the Principal and Visiting Professor at Kings College London. He has extensive strategy, policy development and organizational turnaround and merger experience, complemented by experience in engaging with government, business and civil society.

Qualifications: Doctor of Laws (Honoris Causa); PhD (International Development Education); MA (Political and Organisational Sociology), and Bachelor of Pharmacy.

Mark Merson

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

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

Mark is also Chairman of Absa Securities United Kingdom Limited.

Qualifications: ACA; MA (Hons).

Nonhlanhla Mjoli-Mncube

Nonhlanhla joined the Board as an independent non-executive director on 15 October 2020. She is a member of the SEC and BFC.

She is the former economic advisor to the Presidency, former chairman of the National Urban Reconstruction and Housing Agency and former deputy chair of the Construction Industry Development Board. Nonhlanhla serves on the board and audit committee of Zeder Investment Limited, is a director of Zeder Financial Services Limited, and has previously served on the boards of several other listed companies including Capitec Bank, WBHO Construction, Cadiz Financial Services, Tongaat Hulett and Pioneer Foods.

Qualifications: Post-Graduate Certificate (Engineering Business Management); Fellowship in Urban Development (MIT); Masters in Urban and Regional Planning.

Rose Keanly

Rose joined the Board as an independent non-executive director on 1 September 2019. She is a member of the ITC, GRCCM and RemCo. She has been a member of the AFS Board since July 2020.

Rose retired as the former Chief Operating Officer (COO) of Old Mutual Emerging Markets ("OMEM") in February 2018, following a career with the Old Mutual group spanning 38 years and various, mainly information technology and operations related, positions. Prior to her position as COO, she was the Managing Director of OMEM Customer Services and Technology.

Qualifications: BSc; BCom (Hons).

Tasneem Abdool-Samad

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

Tasneem is also a member of the GRCCM, BFC and DAC.

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

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

Qualifications: BCom; CA (SA).

Swithin Munyantwali

Swithin joined the Board as a non-executive director on 15 September 2019. He became an independent non-executive director from 1 March 2020, following his resignation from the board of Absa Bank Uganda Limited on 28 February 2020. He is a member of the SEC and GACC.

Swithin is the head of international law firm Appleton Luff's East African office. He is the vice-chairman and co-founder of the International Law Institute African Centre for Legal Excellence.

Swithin was, until recently, the chairman of the Barclays Bank of Uganda board. He is a board member of the African Philanthropy Forum, and International Law Institute in Washington, DC. He is also a member of the advisory boards of the Case Western Reserve University, Emerging and Frontier Markets Association, and The New Markets Lab.

Qualifications: B.Sc. (Criminal Justice); Juris Doctor; Masters in International and Comparative Law.

Colin Beggs

Colin joined the Board as an independent non-executive director in 2010. He became a non-independent non-executive director on 4 June 2020, and stepped down as a member and chairman of the GACC.

He is a member of the GRCMC, RemCo and BFC.

Colin is the former senior partner and chief executive officer of PricewaterhouseCoopers ("**PwC**") in Southern Africa and retired from that position in June 2009. He was also the chairman of the SAICA board in 2002/3 and was a member of the Accounting Practices Board.

He is also a non-executive director of Sasol Limited and the Ethics Institute of South Africa.

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

Fulvio Tonelli

Fulvio joined the Issuer's board as a non-independent non-executive director on 1 July 2020. He is a member of the GCRC, GRCMC and ITC. He is also a non-executive director of Absa Kenya PLC.

Fulvio was, until the end of June 2019, the chief operating officer at PwC Africa and a member of the firm's leadership team. In this role, he assisted in the delivery of the firm's strategic direction and was also responsible for the effective operation of the firm's risk management, finance, information technology and other internal firm services. Fulvio retired from PwC in June 2020 having joined PwC in July 1987. Prior to that he completed his articles at Deloitte.

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

René van Wyk

René rejoined the Issuer's Board as a non-executive director from 1 August 2020. He served as the Group CEO from 1 March 2019 to 14 January 2020.

René originally joined the Board as an independent non-executive director on 1 February 2017. He is a member of the GRCMC, GCRC and is the chairman of the BFC.

René is the former Registrar of Banks and Head of Banking Supervision of the SARB and retired from that position in May 2016. Prior to that, René was with the Nedbank Group of companies from 1993 to 2011, where

he occupied various positions, in the risk field, notably executive director responsible for risk at Nedcor Investment Bank, and CEO of Imperial Bank (a subsidiary of Nedbank). In his earlier years, he joined KPMG and became a partner in the financial services group.

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

Jason Quinn

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

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

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

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

Punki Modise

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

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

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

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

EXECUTIVE COMMITTEE

The Executive Committee includes the Issuer's executive directors and other members of executive management. The Executive Committee is responsible for all material matters relating to implementing the Issuer's agreed strategy. The table below sets out the name, year of birth, current position and year of first employment of members of the Issuer's Executive Committee (the "**Group Executive Committee**").

Name	Born	Year of First Executive Committee Employment	Position
Jason Quinn	1974	2016	Interim Group Chief Executive Officer
Punki Modise	1969	2021	Interim Group Financial Director
Arrie Rautenbach	1965	2015	Chief Executive: RBB South Africa
Charles Russon	1966	2014	Chief Executive: Corporate and Investment Banking
Akash Singh	1973	2019	Group Chief Compliance Officer
Bongiwe Gangeni	1978	2018	Deputy Chief Executive: RBB South Africa
Charles Wheeler	1964	2013	General Counsel
Rajal Vaidya	1965	2021	Acting Chief Risk Officer ⁽¹⁾

(1) Deon Raju has been appointed as the Group Chief Risk Officer with effect from 1 June 2021, and as a member of the Group Executive Committee.

Jason Quinn

Refer to Group Board.

Punki Modise

Refer to Group Board.

Arrie Rautenbach

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

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

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

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

Qualifications: BBA; MBA; AMP.

Charles Russon

Charles is the Chief Executive: Corporate and Investment Bank.

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

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

Qualifications: CA (SA).

Akash Singh

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

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

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

Qualifications: BCom (Hons); CA SA.

Bongiwe Gangeni

Bongiwe Gangeni is the Deputy Chief Executive for Retail and Business Bank with accountability for Private and Business Bank.

Since joining the Group in 2007, Bongiwe has held a number of senior positions in the bank, with her most recent role being Managing Executive for distribution in Wealth, Investment Management and Insurance.

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

Qualifications: BPharm; PDM; MBA; AMP.

Charles Wheeler

Charles is the Group General Counsel.

Charles joined the Group and the Executive Committee in 2013.

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

Qualifications: BA; LLB; HDip (Tax).

Rajal Vaidya

Rajal was appointed Acting Group Chief Risk Officer with effect from February 2021 and is a member of the Executive Committee. He is also the Chief Risk Officer for Corporate and Investment Banking.

Rajal was the Head of Retail Banking for Absa Regional Operations, a position he held until 2016 when he was appointed the Chief Risk Officer for Absa Regional Operations.

Rajal joined the Group in 2007 and is a risk and banking professional with over 30 years of international experience, spanning multiple geographies covering Asia, the Middle East and Africa in business and risk roles. Prior to joining the Group, Rajal worked for 17 years with Citibank, where his last role was Citigroup Senior Credit Officer and Chief Risk Officer for Citifinancial India.

Qualifications: Masters in Management Studies, BA (Honours) in Economics.

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

Conflicts of Interest

Except as set out below, there are no conflicts of interest between any duty owed to the Issuer by any member of the Board or Executive Committee and such individual's personal interests and/or other duties.

The Board charter is the constitution that guides the Board and its committees in their activities and decisions; as well as in their dealings with each other, with management, with our stakeholders and with the Group as a whole.

Directors have a responsibility to avoid situations that place, or are perceived to place, their personal interests in conflict with their duties to the Group, which involves active recusal where appropriate. A director or prescribed officer and every employee is prohibited from using their position or access to confidential and price-sensitive information to benefit themselves or any related third party, whether financially or otherwise.

The disclosure on conflicts of interest is provided in the Integrated Report and Environment, Social and Governance Report, which is published annually on the Group's website. The conflicts of interest register for 2020 is also available on the Group's website.

BOARD COMMITTEES

Directors' Affairs Committee

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

Group Audit and Compliance Committee (including the Disclosure Committee)

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

Group Risk and Capital Management Committee

Assists the Board in overseeing the risk, capital, funding and liquidity management of the Group by reviewing and monitoring:

- The Group's risk profile against its set risk appetite.
- Capital, funding and liquidity positions, including taking into account applicable regulations.
- The implementation of the Enterprise Risk Management Framework and the 12 principal risks defined there. It receives assurance that processes are in place to comply with laws and regulations pertaining to risk, capital, funding and liquidity management in all relevant jurisdictions.

Group Remuneration Committee

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

Social and Ethics Committee

Monitors:

- Key organisational health indicators relating to social and economic development; good and responsible corporate citizenship; the environment, health and public safety; labour and employment; conduct and ethics; consumer relationships; stakeholder management and transformation.
- The Group's activities relating to its role in Africa's growth and sustainability and the impact on the Group's employees, customers, and environment.

It applies the recommended practices and regulation as outlined in King IV and the Companies Act in executing its mandate.

Information Technology Committee

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

Board Finance Committee

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

Group Credit Risk Committee

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

Models Committee

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

OTHER CORPORATE GOVERNANCE MATTERS

King IV

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

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

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

regulations and deliberates on a broad range of activities, including conduct and ethics; customer engagements; culture and employee relations; and broader sustainability, transformation and citizenship efforts.

The Issuer reports on its application of King IV in the Integrated Report and the Environmental, Social and Governance Report that it publishes on an annual basis. King IV advocates an outcomes-based approach and within that, an "apply and explain" application regime. The Issuer explained in its report that its approach to governance and the disclosure thereof was and will continue to be linked to the four desired outcomes and the Issuer will explain on an ongoing basis where the Group has not applied relevant practices.

Application of King IV - Key corporate governance practices

The following core governance practices are in place:

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

- A detailed review of the Group's stakeholder-inclusive practices and policies, with a view to creating a more comprehensive and effective stakeholder management regime
- Adoption of a Group-wide governance framework to improve the inclusivity of governance.

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

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

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

ABSA BANK LIMITED ("ABSA BANK") BOARD OF DIRECTORS

Absa Bank's board of directors has an appropriate balance, with the majority of the Directors being independent. The chairman of the board is an independent non-executive director. Absa Bank also has a lead independent director. Absa Bank has seven directors, of whom two are executives and five are considered to be independent.

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

Absa Bank Board of Directors

Name	Born	Elected/ Appointed	Position
Wendy Lucas-Bull	1953	2013	Chairman, Independent Non-executive Director
Sipho M Pityana	1959	2020	Lead Independent Non-executive Director
Francis Okomo-Okello	1949	2020	Independent Non-executive Director
Mark Merson	1968	2017	Independent Non-executive Director
Tasneem Abdool-Samad	1974	2016	Independent Non-executive Director
Jason Quinn	1974	2016	Executive Director, Interim Group Chief Executive Officer
Punki Modise	1969	2021	Executive Director, Interim Group Financial Director

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

RISK MANAGEMENT

INTRODUCTION

The Group actively identifies and assesses risks arising from internal and external environments and takes a proactive approach to identifying emerging risks. The consolidated response to these risks is monitored for effective implementation as set out below. The Group's approach to managing risk is outlined in the Enterprise Risk Management Framework ("ERMF"). The following foundations underpin the ERMF:

- A robust and consistent governance structure at Group, country, business and enterprise core function level.
- Well defined material risk categories known as principal risks.
- A three lines of defence model with clear accountability for overseeing and managing risk.
- A structured three-step process to evaluate, respond to and monitor risks.
- A robust risk operating model which provides clear roles and responsibilities.

Risk Appetite

The Group creates, grows and protects wealth through its banking, insurance and wealth businesses by implementing the Group's business strategy. The strategy focuses on opportunities for growth and considers the matters believed to be material to long-term sustainability. The strategy is the key driver of risk and return and should be achieved within the Group's risk appetite.

The Group's risk strategy is developed alongside the 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 Group is willing to take to meet its strategic objectives. This forms part of the strategic planning process to ensure the business strategy is achievable within risk appetite, and risk information is considered in the organisation's decision-making and planning process.

The Group's risk appetite is stated qualitatively in terms of risk principles and risk preferences, and refers to the types of risk the Group actively seeks as well as those it accepts and avoids. In addition, the maximum amount of risk that the Group is prepared to accept to achieve 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.

Enterprise Risk Management Framework

The role of risk management is to evaluate, respond to and monitor risks in the execution of the Group's strategy. The Group's strategy is supported by an effective ERMF. The Group's risk function performs conformance reviews; checks and challenges the risk profile; and retains independence in analysis and decision-making, underpinned by regular reporting to the Executive Committee and the Board. The Group Chief Risk Officer (GCRO) assumes responsibility for the ERMF.

The ERMF:

- Outlines the approach to the management of risk and provides the basis for setting frameworks and policies, and establishing appropriate risk practices throughout the Group;
- Defines the risk management process and sets out the activities, tools, techniques and the operating model to ensure material risks can be identified and managed;
- Ensures appropriate responses are in place to protect the Group and its stakeholders; and
- Sets out principal risks and assigns clear ownership and accountability for these risks.

The ERMF sets out the principal risks, and assigns clear ownership and accountability for these risks. The ERMF defines credit, traded market, treasury, insurance, business, operational, model, resilience, conduct, financial crime, reputational and sustainability risks as principal risks in recognition of their significance to the Group's strategic ambitions.

Credit, traded market, treasury, business, insurance and model risks 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 the Group is subject to. For example, the Group is also subject to political and regulatory risks in the jurisdictions where it operates. While these may be consequential and are assessed in the Group's planning and decision-making, they are not considered principal risks. However, these other risks are subject to this framework and oversight by risk management.

RISK TYPES

1. 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.

Review of the period to 31 December 2020:

- The COVID-19 pandemic continues to affect global economic developments and has resulted in significant changes to government policies and actions, economic and financial market conditions as well as consumer behaviour. To support customers, the Group implemented various payment relief programmes. These programmes reduce or defer monthly instalments and assist with cash flow needs. These portfolios were ring-fenced to ensure heightened credit monitoring after relief measures expire.
- Gross loans and advances to banks and customers increased to R1,058 billion during the reporting period ended 31 December 2020 (2019: R1,006 billion) supported by broad-based book growth in the first quarter. This changed with the advent of the COVID-19 pandemic and the slowdown in credit demand. The strategic focus shifted to supporting the Group's clients, while preserving capital and liquidity, and managing the credit risk in the existing book.
- Despite the gradual restoration of economic activity towards the end of 2020, credit demand remained muted in the second half of the year, with the exception of growth in RBB secured lending products off the back of cumulative demand and historically low interest rates. The contraction in loans and advances to banks and customers in the second half of 2020 was further amplified by a reduction in secured finance transactions in the markets business, paring back of risk in the ARO portfolio and an adverse foreign currency translation effect as the Rand strengthened significantly against emerging market peers.
- The credit loss ratio ("CLR") increased to 1.92% in the reporting period ended 31 December 2020 (2019: 0.80%). This is well above the through-the-cycle ("TTC") range of 75-100 basis points. The impairment charge of R20.6 billion incurred in the year to 31 December 2020 (2019: R7.8bn) reflects:
 - A material judgemental adjustment raised in accordance with IFRS 9 for the deterioration of forward-looking MEVs.
 - The impact of elevated stage 2 exposures due to increased arrears and a significant increase in credit risk.
 - An increase in specific impairments due to growth in non-performing loans as the impact of the COVID-19 pandemic on the economy weighed on consumers. This was supplemented by the impairment of single-name exposures.
- The total coverage ratio was higher at 4.5% as at 31 December 2020 compared to 31 December 2019 (3.3%) reflecting the adjustment for the deterioration of the forward-looking MEVs and an unfavourable change in staging mix due to growth in stage 2 and stage 3 credit exposures.

- The stage 3 ratio on gross loans and advances increased to 6.3% as at 31 December 2020 (2019: 4.7%). The prolonged lockdowns imposed and expiry of various payment relief programmes resulted in increased delinquencies and higher non-performing loans.
- Primary credit risk weighted assets ("RWA") increased to R668.1 billion as at 31 December 2020 (2019: R632.9 billion) mainly driven by:
 - A deteriorating portfolio construct due to increased delinquencies and a deterioration in asset quality, particularly in relation to small and medium enterprises and specific wholesale sectors.
 - Asset growth stemming from high-quality liquid assets ("HQLA"), uncommitted money market placements and secured lending products.
 - An increase in irrevocable debt facilities extended to corporate clients. However, utilisation remained low as the liquidity position of these counterparties improved following the easing of COVID-19-related restrictions.
- This was partially offset by:
 - The foreign currency translation effect as the Rand strengthened significantly against emerging market peers.
 - A favourable change in asset composition driven by growth in HQLA and loans and advances to banks.
 - The sale of the Edcon card book.
- Counterparty credit risk ("CCR") RWAs increased to R34.9 billion as at 31 December 2020 (2019: R27.8 billion) mainly due to mark-to-market gains recognised on foreign exchange derivatives.

The Group's credit risk management priorities for 2021 are as follows:

- Proactive management of the downside risk presented by an uncertain outlook and a slow recovery with the objective of bringing the CLR to within the TTC range of 75-100bps in the medium term.
- Proactive management of sectors and companies in distress because of the economic downturn.
- Evolution of the payment relief strategy to support clients on a bespoke basis, tailored to their unique situation.
- Maintain a diversified credit portfolio in terms of key concentration dimensions, such as individual counterparties, geographies, industries, products and collateral, in accordance with the Group's strategy and risk appetite.
- Talent development and succession planning – ensuring a fully capacitated and suitably skilled credit team.
- Focus on regulatory change, specifically the rollout of a standardised CCR capital approach and Basel III enhancements to capital rules for credit risk.
- Enhanced collections capabilities to effectively manage the back-book risk.

2. Traded Market Risk

Traded market risk is the risk of the Group's earnings or capital being adversely impacted due to changes in the level or volatility of prices affecting the positions in its active trading activities across the Group. This includes, but is not limited to, changes in interest rates, credit spreads, commodity prices, equity prices and foreign exchange levels.

Review of the period to 31 December 2020:

- The increase in average value at risk ("**VaR**") and RWA during the year to 31 December 2020 was principally due to an increase in the historic market volatility feeding the internal model, resulting from the COVID-19 pandemic. This was compounded by reduced liquidity creating a challenging environment for the business to exit risk arising through client facilitation.
- The Group remained cautious in the ARO risk portfolio as client activity declined during the peak of the COVID-19 pandemic uncertainty.

The Group's traded market risk management priorities for 2021 are as follows:

- The monitoring and management of risk in a volatile environment with a multitude of events of significant economic impact occurring in a short period of time.
- The management of capital demand within the Group's risk appetite in volatile markets with reduced liquidity through close engagement with business, utilisation of limit monitoring and return on capital analyses.
- Business and product impact assessments and engagement with industry and regulatory forums to assess the impact of the Basel Standard: Minimum Capital Requirements for market risk, or Fundamental Review of the Trading Book ("**FRTB**") issued in January 2019.
- Maintaining the momentum on the FRTB project to prepare the Group for meeting the regulatory implementation deadline of 1 January 2023 in South Africa.

3. Treasury Risk

3.1 Liquidity Risk

Liquidity risk is the risk that the 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.

Review of the period to 31 December 2020:

- Liquidity risk position:
 - The Group's liquidity risk position was resilient in the year to 31 December 2020, in line with risk appetite and above the minimum regulatory requirements.
 - The Group's sources of liquidity increased to R260.1 billion as at 31 December 2020 (2019: R233.3bn), amounting to 27.3% (019: 28.2%) of deposits due to customers, demonstrating the strength of the Group's liquidity resources.
 - The increase in sources of liquidity was due to the Bank investing in alternative forms of HQLA as it reduced its reliance on the committed liquidity facility ("**CLF**") provided by the SARB. The CLF is being phased out by the SARB over three years, from 1 December 2019.
 - Group treasury management worked closely with regulators and supervisory authorities in addressing market-wide liquidity constraints that arose at the onset of the COVID-19 pandemic during the first six months of 2020. The Group maintained an excess supply of US dollars to ensure conservative management of foreign currency liquidity. Liquidity conditions improved significantly during the second half of 2020.
 - In line with the Group's long-term liquidity and funding strategy, core deposit growth from RBB and corporate clients was much faster during the year to 31 December 2020 than both asset growth and wholesale funding, resulting in both the liquidity profile and the NSFR strengthening.

- The Available Stable Funding for the year ended 31 December 2020 amounted to R933.8 billion (2019: R866.4 billion). The Required Stable Funding for 31 December 2020 amounted R805.8 billion (2019: R768.9 billion).
- The NSFR for the year ended 31 December 2020 amounted to 115.9% (2019: 112.7%).
- The LCR ratio for the year ended 31 December 2020 amounted to 120.6% (2019: 134.4%).
- The Net Cash Outflow for the year ended 31 December 2020 amounted to R177.1 billion (2019: R135.5 billion).
- All banking Subsidiaries remained adequately liquid, maintaining compliance with Group Treasury standards, local liquidity risk appetite and regulatory reporting requirements. Furthermore, Subsidiaries were self-sufficient from a local currency liquidity and funding perspective and placed only limited reliance on Absa Bank for US dollar working capital.
- Long-term balance sheet structure:
 - Long-term funding was raised during the year to 31 December 2020 with appropriate tenor to support the growth in long-term assets. This was achieved through a combination of funding instruments and capital market issuances. However, overall wholesale funding growth was muted for the year given the strong growth in core deposits.
 - The cost of wholesale funding, as demonstrated by liquidity premiums, exhibited some volatility during the year. However, funding spreads declined over the reporting period.
 - Debt capital market issuances during the year to 31 December 2020 amounted to R7.6 billion (2019: R14.3 billion) comprising of tier 1 capital of R1.2 billion, tier 2 capital of R 2.7 billion and senior debt of R3.7 billion.
- Short-term balance sheet structure and liquidity buffers:
 - Loan growth during the year to 31 December 2020 was funded by faster growth in customer deposits, ensuring a sustainable and diverse funding base. In addition, customer deposits were used to grow the HQLA portfolio.
 - The Group targeted LCR above the minimum regulatory requirement, and consistently maintained an HQLA buffer that exceeded the regulatory minimum requirement.
 - The Group used the internal liquidity stress metric framework to determine the amount of HQLA it was required to hold to meet internally defined stress requirements.
 - The Bank strengthened and diversified its liquid asset portfolio by investing in alternative forms of HQLA, thereby increasing average HQLA to R 213.6 billion as at 31 December 2020 (2019: R 182.1 billion).
- Diversification:
 - The Group had a well-diversified deposit base during the year to 31 December 2020 and concentration risk was managed within appropriate guidelines.
 - Sources of funding were managed to maintain a wide diversity of depositors, products, tenors and currencies.
 - The Group's foreign currency funding position remained robust and flexible, with diversified funding facilities from international banks and appropriate tenors to meet term asset growth.

The Group's liquidity risk management priorities for 2021 are as follows:

- Preserve the Group's liquidity position in line with risk appetite.
- Focus on growing core retail, relationship bank, corporate and public sector deposits.
- Manage the funding and HQLA position in line with the Board-approved framework and ensure compliance with regulatory requirements.
- Maintain adequate liquidity buffers to ensure the Group complies with the LCR in accordance with the COVID-19-related relief provided by the SARB, while managing the CLF phase-out.
- Grow and diversify the funding base to support asset growth and other strategic initiatives, while optimising funding cost and complying with NSFR requirements.
- Collaborate with the regulatory authorities and other stakeholders on the SARB's proposed approach for resolution planning and deposit insurance schemes in South Africa.

3.2 Capital Risk

Capital risk is the risk that the Group has an insufficient level or inappropriate composition of capital to support its normal business activities and to remain within its Board-approved capital target ranges under normal operating conditions or above regulatory capital requirements under stressed conditions.

Review of the period to 31 December 2020:

The Group's capital position was well above minimum regulatory requirements as at 31 December 2020 and at the lower end of the current Board target range of 11% to 12%.

- Capital ratios were lower year-on-year as at 31 December 2020 due to lower earnings during the first half of 2020, driven by higher impairments due to the impact of the COVID-19 pandemic. Ratios improved in the second half of 2020, due to improved earnings generation. Capital buffers remained strong, well above minimum regulatory requirements, at all times.
- The SARB reduced the minimum capital requirement by removing the Pillar 2A requirement of 100bps of capital at a total capital requirements level to accommodate the impact of current market conditions on bank capital ratios.
- The Group issued R 2.7 billion tier 2 capital instruments in February 2020, which qualified as regulatory capital at Group level. This was to replace the R 2.5 billion tier 2 capital instruments, which were called in February 2020.
- The Group issued R 1.2 billion tier 1 capital instruments in October 2020.
- All ARO entities were adequately capitalised, above local minimum regulatory requirements, at all times.
- Methodology enhancements on the leverage ratio calculation resulted in refinements of credit conversion factors applied to undrawn facilities. This resulted in a reduction of leverage exposure.

The Group's capital risk management priorities for 2021 are as follows:

- The Board approved CET1 target range for 2021 will be 11% to 12.5%.
- The Group will seek to grow capital towards the middle of the Board target range of 11% to 12.5%, while resuming dividends for the 2021 financial year in line with regulatory guidance to the industry as informed by Guidance Note 3 of 2021 (*Distribution of dividends on ordinary shares and payment of cash bonuses to executive officers*).
- Monitor and assess upcoming regulatory developments that may affect the capital position. These include the Basel III enhancements, including FRTB; the proposed amendments to the

regulations relating to banks; the resolution framework and the financial conglomerate supervisory framework in South Africa.

- Monitor and execute opportunities to raise tier 2 capital and/or additional tier 1 instruments in the domestic and/or international markets to optimise the level and mix of capital resources.

3.3 Interest Rate Risk in the Banking Book ("IRRBB")

IRRBB is the risk that the Group's current or projected financial condition and resilience might be adversely affected by changes in interest rate levels, yield curves and spreads. This risk arises in the banking book, due to re-pricing differences between assets, liabilities and equity, and also includes funding spread risk and foreign exchange rate risk.

Review of the period to 31 December 2020:

- 2020 was a year of significant rate cuts by the SARB and ARO central banks in response to the weak macroeconomic environment. In addition, the Group benefited from significant growth in deposits and HQLA which contributed to increased hedging activities.
- These actions all contributed to the improvement in the Group net interest income ("NII") sensitivity since December 2019. In addition, methodology changes to the measurement of risk were implemented that more closely align NII sensitivity to the financial outcome of recent rate cuts.
- The Group strategy remains focused on actively hedging its structural, fixed and margin risks to NII volatility and providing margin protection through the interest rate cycle. The majority of the residual risk, reflecting as NII sensitivity, related to items unviable to hedge. These items included Prime-Johannesburg Interbank Average Rate basis risk in South Africa and short-term reset risks.

The Group's IRRBB risk management priorities for 2021 are as follows:

- Active management of interest rate risk within risk appetite.
- Deliver margin stability through risk management processes, such as the structural hedge programme in South Africa, and through appropriate asset and liability management processes in ARO.
- Adopt the BCBS standard on IRRBB, due to be implemented in South Africa by June 2022, as well as ongoing modelling and process enhancements.
- Prepare and transition to the new risk-free rates that have replaced or will be replacing certain benchmark interest rates, such as interbank offered rates, as part of global and South African benchmark reforms.

4. Insurance Risk

Insurance risk is the risk that future claims, expenses, policyholder behaviour and investment returns will be adversely different from the allowances made in measuring policyholder liabilities and in product pricing.

Review of the period to 31 December 2020:

- The impact of the COVID-19 pandemic adversely affected earnings in 2020, particularly as it pertained to the life insurance mortality and retrenchment claims experience. However, this was partially offset by strong financial performance by non-life entities.
- The insurance group's solvency position remained resilient throughout the year to 31 December 2020 due to capital buffers and the mitigating impact of a reduction in dividends in response to the stress conditions caused by the COVID-19 pandemic.
- Areas of focus across the insurance group due to the COVID-19 pandemic:

- Reviewed immediate strategic priorities and re-evaluated discretionary expenditure.
- Offered and implemented several customer concessions and relief measures.
- Established suitable long and short-term provisions to account for the expected future impact of the COVID-19 pandemic.
- Performed an out-of-cycle own risk and solvency assessment (ORSA), triggered in response to the economic environment.
- Performed stress and scenario analyses, which demonstrated resilience from a solvency perspective.
- Monitored key risk drivers and early warning indicators.
- The Insurance Principal Risk Management Framework (IPRMF) and supporting policies were updated to align with the Prudential Standards: Governance and Operational Standards for Insurance Groups (GOG) and changes in governance structures due to the integration into RBB.
- Insurance governance processes were streamlined to ensure they remain effective and fit-for-purpose.
- The ORSA process was further improved to focus on embedding key processes into business activities.
- The controlling company and formal insurance group structure was approved by the Prudential Authority in November 2020.
- The Group's IFRS 17 project progressed, with ongoing development activities and new data processes established that support IFRS 17 requirements.

The Group's insurance risk management priorities for 2021 are as follows:

- Areas of focus due to the COVID-19 pandemic:
 - Ensure a sustained response to the COVID-19 pandemic in all areas of the insurance operations, balancing short and long-term objectives.
 - Ongoing product enhancements and amendments as policyholder needs evolve, emphasising digital solutions.
 - Focus on monitoring of key risk drivers and early warning indicators.
 - Refresh forecasts and stress and scenario analyses as economic and demographic experience emerges, and the business adapts to new operating conditions.
 - Identify and manage emerging and secondary risks associated with the COVID-19 pandemic.
- Ensure insurance entities forming part of ARO remain subject to suitable oversight and control function challenge, in line with the changes in the Group's operating model.
- Make ongoing improvements to the methodology and processes for risk appetite setting, capital and liquidity management and planning, stress and scenario testing, and ORSA reporting.
- Embed the insurance group control functions and suitable execution of the associated responsibilities.
- Deliver the IFRS 17 programme, including the upgrade of actuarial software and financial process to ensure compliance.

5. Business Risk

Business risk is the risk assumed due to potential changes in general business conditions, competitive market environment and strategy, and the risk of earnings variability, resulting in business revenues not covering operating costs after excluding effects of market, credit and operational risks.

Review of the period to 31 December 2020:

- The operating environment during the year to 31 December 2020 reflected elevated business risk with countries and organisations still navigating the evolving COVID-19 pandemic. The second wave of infections combined with lockdown restrictions continued to put strain on the economies and markets in which the Group operates.
- The Group reviewed its strategic objectives and re-set short term plans in light of the COVID-19 pandemic to focus on capital preservation and maintaining adequate liquidity. Strategic priorities remain a key focus area in the context of the shifting landscape, taking into account the business delivery models, market trends and changing customer preferences. The Group prioritised continuous stability and shared value creation, agility, innovation and an entrepreneurial culture and mindset; with a focus remaining on the changing environment and customer needs.
- The Group assessed the impact of the COVID-19 pandemic on its business with a focus on delivering relevant product offerings, customer service models, digitisation and the consequences of its remote working environment on the Group's corporate footprint.
- A new business risk framework was approved during the year to 31 December 2020, aimed at ensuring effective risk management across strategy and business change initiatives as well as the ongoing integration between strategy, business, finance and risk disciplines to deliver on strategic objectives.

The Group's business risk management priorities for 2021 are as follows:

- Monitor and manage the Group's business risk profile, which is expected to remain heightened over the course of 2021 even as the global rollout of vaccination programmes takes effect. The vaccine rollout is expected to slow the spread of COVID-19, which, over time, will result in the recovery of the global economy and minimise disruption to businesses.
- Focus on the key components of the Group's business risk framework, which encompass strategy design and choices, execution and implementation, disruptive change and emerging risks as well as operational efficiencies.
- Monitor strategy execution through the outcomes of the integrated planning process and the update to the Group's medium-term plans.
- Monitor the adoption and implementation of revisions to strategic objectives and related initiatives.
- Accelerate investment in advanced data analytics and digital capabilities.
- Assess and respond to strategic progress and the impact of external and internal factors to the business model and customer value propositions using agile approaches.
- Prioritise the development of skills and capabilities required to ensure ongoing competitive positioning, safety and wellness of its employees and customers as well as new engagement models in the context of the changing environment.
- Review the Group's competitiveness across key markets, segments and products.

6. 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.

Review of the period to 31 December 2020:

- The Group continued to strengthen its capabilities to deliver robust models that support business decision making and regulatory capital calculations throughout the year to 31 December 2020, with a particular focus on the wholesale regulatory capital probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD") models. During 2020, seven new wholesale (of which one obtained Prudential Authority approval, with a further model approved in 2021) and three new retail regulatory capital models were submitted to the Prudential Authority.
- The model risk appetite statement was implemented in 2019 and adopted and rolled out at individual business unit level to effectively monitor model risk across the Group.
- The Group implemented a model risk management workflow solution to manage model risk and monitor the effectiveness of controls.
- A Model Risk Economic Capital ("MREC") Framework was developed and implemented during the year to 31 December 2020. The MREC Framework was based on the risk assessment of the Group's models, in the context of its model risk appetite.

The Group's model risk management priorities for 2021 are as follows:

- Continue redevelopment and/or recalibration of remaining wholesale regulatory capital PD and LGD models.
- Review the definition of default used for regulatory capital and impairment models in retail products to ensure alignment and comparability with local markets and regulations.
- Strengthen the function's capabilities to address increasing quantities of models, including prototyping artificial intelligence (AI) and machine learning models (for non-regulatory application) to align with external trends.
- Enhance model development and implement technology platforms.

7. Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Review of the period to 31 December 2020:

- Operational risk losses as at 31 December 2020 were R 292 million, a decrease of R 532 million (65%) compared to as at 31 December 2019 primarily due to a decrease in fraud-related losses.
- Key achievements in the period to 31 December 2020 include:
 - Improvement in the Group's fraud defences through deployment of technology, increased resourcing and refinement of the fraud operating model.
 - Improved the management of processes, most notably in the progression of risk assessments over critical processes.
 - Prioritised employee wellness, including the impact of the COVID-19 pandemic.
 - Embedded improvements to the procurement operating model, processes and technology.
 - Implemented a new advanced measurement approach model for operational risk regulatory capital.

The Group's operational risk management priorities for 2021 are as follows:

- Further strengthen the Group's fraud defences through investment in automation, analytics and technologies.
- Continue enhancement of process management capabilities through deployment of infrastructure (people, process and technology) to manage the process value chain.
- Enhance the toolset used in the management of operational risk, emphasising digitalisation of risk management and measurement processes.
- Automate the execution of the AMA operational risk regulatory capital model.

8. Resilience Risk

Resilience risk is the risk of interruption of the Group's business, a loss of data or impairment of data due to technological failure, compromise of information security, unavailability of premises or infrastructure, inability to recover a process in the event of a disaster and inappropriate technology project selection and execution.

Review of the period to 31 December 2020:

- Enabled a seamless transition to technologically remote operations across the Group, through the successful implementation of fit-for-purpose technologies.
- Reduced the physical footprint in the data centres, laying the foundation to sub-let unused space and further reduce the investment in physical infrastructure and accelerating the move to the cloud web services.
- Managed two significant technology incidents related to the processing failure of critical mainframe batches, that impacted service delivery to customers and the change event that caused previously processed payments to be duplicated during a major software upgrade. Corrective actions have been taken to remediate both incidents.
- Responded to a data breach incident which occurred when confidential customer information was leaked to external parties. Communication to customers was closely managed and the data leakage prevention controls were strengthened.
- Enhanced the security vulnerabilities detection and patching capability across the Group.
- Transitioned the change risk framework from the Separation Programme for the strategic initiatives, which resulted in the project change residual risk exposure moving within acceptable tolerance levels.
- Established the required governance and oversight of all change related to strategic initiatives across the organisation.
- A COVID-19 advisory board was established to manage responses to regulatory and legislative requirements as well as the impacts of the COVID-19 pandemic on the business.
- Protocols and proactive measures were implemented to actively reduce the transmission of the virus, as well as the impact of the COVID-19 pandemic on the organisation.
- Significant progress was made to align the organisation with the risk data aggregation and risk reporting principles and with POPIA requirements.

The Group's resilience risk management priorities for 2021 are as follows:

- Continue laying the technology foundation for a future digitally-led bank through several infrastructure and network modernisation initiatives, both at campus and branch levels, as well as implementing automation and self-help capabilities.
- Enhance stabilisation of the technology estate to reduce incidents impacting customers and improving operational effectiveness.

- Secure technology platforms and further strengthen controls to protect customer information.
- Further embed project management discipline across all strategic initiatives across the Group.
- Focus on scanning the environment for threats which may impact on the overall risk posture. Continue collaborating with Group sourcing to improve compliance to the Group's external supplier management standard.
- Enhance data management capabilities through the embedment of the data and records management policy.

9. Conduct Risk

Conduct risk is the risk of detriment to the Group, its customers, clients, market integrity, and effective competition from the inappropriate supply of financial services, including instances of wilful/negligent misconduct, unethical behaviour and the failure to manage regulatory relationships.

- Review of the period to 31 December 2020:
- Continued to embed the Absa Way Code of Ethics, extended to suppliers in 2020.
- Substantially aligned the internal policy positions to the Financial Sector Conduct Authority's Conduct Standards for Banks, and POPIA.
- Actively responded to the Disaster Management Act, 2002 of South Africa and subsequent amendments.
- Provided payment relief schemes to consumers across numerous jurisdictions and products in a manner that promoted the principles of treating customers fairly.
- Ranked first in COVID-19 pandemic response for retail customers by a Consulta Survey and second in small-medium enterprise response by an Institut de Publique Sondage d'Opinion Secteur ("IPSOS") survey
- Received the Euromoney 2020 excellence in leadership in Africa award for the Group's integrated response to the COVID-19 pandemic for people, customers and communities.
- Awarded best retail bank for Africa in 2020 by The Asian Banker.
- Maintained availability of banking services despite the difficult operating environment.
- Significantly improved the management of complaints across the Group, including a substantial reduction in cases referred to the various ombudsman bodies.
- Recognised as the best bank (of the top 5) for complaints resolution by the South African Ombudsman for Banking Services.
- Enhanced the Group's whistleblowing and investigative processes.
- Proactively managed challenges in regulatory relationships across jurisdictions.
- Substantially reduced debit order abuse through tactical interventions, including the exiting of rogue payment providers from the Group.

The Group's conduct risk management priorities for 2021 are as follows:

- Assess ethics-related risk through ongoing engagement sessions and an organisation-wide survey.
- Further embed data privacy controls across the organisation, including over data held by third and fourth parties.

- Focus on health and safety of employees, customers and suppliers on the Group's premises, particularly as occupancy increases over time.
- Treating customers fairly as payment relief schemes migrates to business as usual.
- Ensure customers in financial distress are treated fairly, specifically in the collections business.
- Manage consumer training as access to financial services and product sophistication increases.
- Focus on management of complaints, including reduction in resolution turnaround times.
- Continuous focus on the authenticated collections project (Debichack) to further manage debit order abuse.
- Further automate conflict of interest management (initially focusing on personal account trading, gifts and entertainment, and external business interests).

10. Financial crime risk

Financial crime risk is the risk of an act or attempted act against institutions, organisations or individuals by internal or external agents to illegally appropriate, defraud, manipulate or circumvent legislation. Financial crime includes offences such as money laundering, terrorist financing, bribery and corruption, market abuse and insider trading.

Review of the period to 31 December 2020:

- Invested in and deployed technology, including artificial intelligence, to proactively and efficiently respond to suspicious activities.
- Continued to embed a more risk-based approach to manage financial crime risks across all the Group's businesses.
- Heightened behavioural monitoring of risks and threats arising from the COVID-19 pandemic, including those related to charitable and fundraising activities.
- Collaborated with local and global industry bodies to drive thought leadership, participated in expert working groups and continued to offer comment on new legislation for both the banking and insurance business.
- Participated and took the lead in providing industry review and comment on the draft reports following the Financial Action Task force mutual evaluation conducted in South Africa in 2019.

The Group's financial crime risk management priorities for 2021 are as follows:

- Continue to expand on data-driven tools and capabilities to enhance our decision-making around the prevention and detection of financial crimes.
- Collaborate across financial crime types, such as cybercrime and fraud, to enhance surveillance and intelligence capabilities.
- Collaborate with industry bodies and international industry experts to strengthen the efforts to combat financial crime both in the Group and the broader external financial crime ecosystem.

11. Reputational risk

Reputational risk is the risk of damage to the Group brand arising from any association, action, transaction, investment or event which is, or is perceived by stakeholders (e.g. customers, clients, colleagues, shareholders, regulators, opinion-formers) to be inappropriate or unethical.

Review of the period to 31 December 2020:

- Finalised and published the Reputational Risk Management Framework, with greater focus on the use of data and proactive management of emerging reputational risk.
- Managed the reputational impact of debit order abuse and both industry-related and Group specific data leaks.
- Managed the increased risks associated with the COVID-19 pandemic operating environment, including the take-up of payment relief schemes (specifically the government-backed scheme), availability of banking services during the height of the lockdown and the safety of employees and customers.
- Rolled out a revised framework and associated processes for the use of marketing agencies and management of the associated risks.
- Embedded a revised operating model to manage engagements on social media platforms.

The Group's reputational risk management priorities for 2021 are as follows:

- Embed the Reputational Risk Management Framework through the rollout of the Group-wide reputation risk awareness campaign.
- Actively engage on matters of public interest, including ongoing customer distress, cost of banking, private sector corruption, state capture, and health and safety of employees, customers and suppliers.

12. Sustainability risk

Sustainability risk is the failure to implement responsible operational and lending practices to effectively manage and report the impact of the Group's direct and indirect impact on the environment, society and geographies the Group operates in.

Review of the period to 31 December 2020:

- Progressed implementing the United Nations Environment Programme: Finance Initiative ("UNEP FI") Principles for Responsible Banking as an overarching strategic sustainability framework and the Group sustainability policy, through the development of sustainable finance, Group sustainability and sustainability risk teams.
- Entered into a partnership with the Centre for Scientific and Industrial Research and piloted the agriculture business loan book as a climate-sensitive sector against physical risk. Built internal capability to analyse the remainder of the climate-sensitive sectors and the resultant climate and social impact.
- Resolved to disclose an assessment of the Group's exposure to climate change risk in its lending and financing portfolios in line with Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Established the Group's high-level book exposure on climate-sensitive sectors for disclosure in the next external reporting period.
- Development of environmental and social management system ("ESMS") for the Multilateral Investment Guarantee Agency (MIGA) transaction, which covers seven ARO businesses.
- Published the Group sustainability policy and related coal financing standard.

The Group's sustainability risk management priorities for 2021 are as follows:

- Embed the Sustainability Principal Risk Framework, and expand and align the current set of key risk indicators and metrics.
- Enhance the ESMS for group-wide implementation.
- Publish the following in the Group's environmental, social and governance report:

- Progress against implementation of the UNEP FI Principles for Responsible Banking.
- The Group's first voluntary public climate disclosure (book exposure to climate-sensitive sectors).
- Embed processes to encourage customers to adopt business strategies and practices which are aligned with the sustainability policy.
- Strengthen financing standards for climate sensitive industries beyond coal finance.
- Enhance the current credit and insurance risk models to assess the impact of climate change risk.
- Increase internal capabilities to utilise scenario analysis and stress testing to better estimate the impact of climate change on the Group's portfolio to inform future decision making.

EXCHANGE CONTROLS

The information below is not intended as legal advice and it does not purport to describe all of the considerations that may be relevant to a prospective purchaser of the Notes. Prospective purchasers of the Notes that are not South African residents or emigrants from the Common Monetary Area (as defined below) to South Africa are urged to seek further professional advice in regard to the purchase of Notes.

Exchange controls restrict the export of capital from South Africa, Namibia and the Kingdoms of eSwatini and Lesotho (collectively the "**Common Monetary Area**"). These exchange controls are administered by the FSD of the SARB and regulate transactions involving South African residents. The purpose of exchange controls is to mitigate the decline of foreign capital reserves in South Africa. The Issuer expects South African exchange controls will continue to operate in the foreseeable future. The Government has, however, committed itself to relaxing exchange controls gradually. It is the stated objective of the South African authorities to achieve equality of treatment between South African residents and non-South African residents in relation to inflows and outflows of capital. This gradual approach towards the abolition of exchange controls adopted by the Government is designed to allow the economy to adjust more smoothly to the removal of controls that have been in place for a considerable period of time. Exchange control requirements are in place under the Exchange Control Regulations, 1961, which are promulgated under the Currency and Exchange Act, 1933 of South Africa and the policies, directives and rulings of the FSD of the SARB (the "**Exchange Control Regulations**").

No South African residents or an offshore subsidiary of a South African resident may subscribe for or purchase any of the Notes or beneficially own or hold any of the Notes unless specific approval has been obtained from the FSD by such persons or such subscription, purchase or beneficial holding or ownership is otherwise permitted under the Exchange Control Regulations or the rulings promulgated thereunder (including, without limitation, the rulings issued by the FSD providing for foreign investment allowances applicable to persons who are residents of South Africa under the applicable exchange control laws of South Africa).

As at the date of this Prospectus, the prior written approval of the FSD is required for the issuance of the Notes by the Issuer. The Issuer has obtained the required approvals of the FSD.

USE OF PROCEEDS

The net proceeds of the issue of the Notes will be used by the Issuer for its general corporate purposes and to further strengthen the Issuer's regulatory capital base.

TAXATION

The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes whether in that country or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of South Africa of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.

Also investors should note that the appointment by an investor in Notes, or any person through which an investor holds Notes, of a custodian, collection agent or similar person in relation to such Notes in any jurisdiction may have tax implications. Investors should consult their own tax advisers in relation to the tax consequences for them of any such appointment.

South Africa

Withholding Tax

Under current taxation law in South Africa, all payments made under the Notes to South African tax-resident Noteholders will be made free of withholding or deduction for or on account of any taxes, duties, assessments or governmental charges in South Africa. A withholding tax on South African sourced interest (see the section headed "*Income Tax*" below) paid to or for the benefit of a "foreign person" (being any person that is not a South African tax-resident) applies at a rate of 15% of the amount of interest in terms of section 50A-50H of the Income Tax Act, 1962 of South Africa (the "**Income Tax Act**"). The withholding tax could be reduced by the application of relevant double taxation treaties. The withholding tax legislation exempts, inter alia, from the withholding tax on interest any amount of interest paid to a foreign person in respect of any debt listed on a "recognised exchange" as defined in paragraph 1 of the Eighth Schedule to the Income Tax Act. The main market of the London Stock Exchange would qualify as such an exchange, and therefore, subject to any legislative changes, the interest paid on the Notes listed on the London Stock Exchange will not be subject to interest withholding tax under the Income Tax Act. A foreign person will also be exempt from the withholding tax on interest if:

- (a) that foreign person is a natural person who was physically present in South Africa for a period exceeding 183 days in aggregate during the twelve-month period preceding the date on which the interest is paid; or
- (b) the debt claim in respect of which that interest is paid is effectively connected with a permanent establishment of that foreign person in South Africa, if that foreign person is registered as a taxpayer in South Africa.

Foreign persons are subject to normal South African income tax on interest sourced in South Africa unless exempted under Section 10(1)(h) of the Income Tax Act (see the section headed "*Income Tax*" below).

Securities Transfer Tax ("STT")

No STT is payable on the issue or transfer of the Notes under the Securities Transfer Tax Act, 2007 of South Africa, because they do not constitute securities (as defined) for the purposes of that Act.

Value-Added Tax ("VAT")

No VAT is payable on the issue or transfer of the Notes. The Notes constitute "debt securities" as defined in section 2(2)(iii) of the Value-Added Tax Act, 1991 of South Africa (the "**VAT Act**"). The issue, allotment, drawing, acceptance, endorsement or transfer of ownership of a debt security is a financial service, which is exempt from VAT in terms of section 12(a) of the VAT Act.

Income Tax

Under current taxation law effective in South Africa a "resident" (as defined in section 1 of the Income Tax Act) is subject to income tax on worldwide income. Accordingly, all Noteholders who are "residents" of South Africa will generally be liable to pay income tax, subject to available deductions, allowances and exemptions, on any interest earned pursuant to the Notes.

Non-residents of South Africa are subject to income tax on all income derived from a source, or deemed to be from a source, within South Africa (subject to domestic exemptions or relief in terms of an applicable double taxation treaty).

Interest income is from a South African source if that amount:

- (a) is incurred by a South African tax resident, unless the interest is attributable to a permanent establishment which is situated outside of South Africa; or
- (b) is derived from the utilisation or application in South Africa by any person of any funds or credit obtained in terms of any form of "interest-bearing arrangement".

The Issuer is a South African tax resident and the Notes will constitute an "interest-bearing arrangement". Accordingly, the interest paid to the Noteholders will be from a South African source and subject to South African income tax unless such interest is exempt from income tax under section 10(1)(h) of the Income Tax Act (see below).

Under section 10(1)(h) of the Income Tax Act interest received by or accruing to a Noteholder who, or which, is not a resident of South Africa during any year of assessment is exempt from income tax, unless:

- (a) that person is a natural person who was physically present in South Africa for a period exceeding 183 days in aggregate during the twelve-month period preceding the date on which the interest is received or accrued by or to that person; or
- (b) the debt from which the interest arises is effectively connected to a permanent establishment of that person in South Africa.

Interest as defined in section 24J of the Income Tax Act (including the premium or discount) may qualify for the exemption under section 10(1)(h) of the Income Tax Act. If a Noteholder does not qualify for the exemption under section 10(1)(h) of the Income Tax Act, exemption from, or reduction of any South African income tax liability may be available under an applicable double taxation treaty.

Purchasers are advised to consult their own professional advisers as to whether the interest income earned on the Notes will be exempt under section 10(1)(h) of the Income Tax Act or under an applicable double taxation treaty.

Under section 24J of the Income Tax Act, broadly speaking, any discount or premium to the nominal amount of a Note is treated as part of the interest income on the Note. Section 24J of the Income Tax Act deems interest income to accrue to a Noteholder on a day-to-day basis until that Noteholder disposes of the Note. The day-to-day basis accrual is determined by calculating the yield to maturity and applying this rate to the capital involved for the relevant tax period.

To the extent that the disposal of the Note gives rise to an "adjusted gain on transfer or redemption of an instrument" or an "adjusted loss on transfer or redemption of an instrument" (as envisaged in section 24J of the Income Tax Act), the normal principles of capital and revenue are to be applied in determining whether such adjusted gain or adjusted loss should be subject to income tax or capital gains tax in terms of the Income Tax Act.

Section 24JB of the Income Tax Act contains specific provisions relating to the fair value taxation of financial instruments for "covered persons" (as defined in section 24JB of the Income Tax Act). Noteholders should seek advice as to whether this provision may apply to them.

Section 8F of the Income Tax Act applies to "hybrid debt instruments", and section 8FA of the Income Tax Act applies to "hybrid interest". Sections 8F and 8FA provides that interest incurred on a hybrid debt instrument and hybrid interest are, for purposes of the Income Tax Act, deemed to be a dividend in specie. If either of these provisions apply, the tax treatment of the interest paid under the Notes will differ from what is set out above and such payments may be subject to dividends tax as a result of the deemed classification as dividends in specie. These provisions apply from 1 April 2014 in respect of amounts incurred on or after this date.

Both sections 8F and 8FA contain an exemption for Tier 1 capital instruments issued by a controlling company of a bank (as contemplated in the regulations issued in terms of section 90 of the Banks Act). The Issuer is a "controlling company" (as defined in section 1 of the Banks Act) and therefore to the extent that the Notes issued qualify as Tier 1 capital instruments (as contemplated in the regulations issued in terms of section 90 of the Banks Act), sections 8F and 8FA will not apply.

Purchasers of Notes are advised to consult their own professional advisers to ascertain whether the abovementioned provisions may apply to them.

Capital Gains Tax

Capital gains and losses of residents of South Africa on the disposal of Notes are subject to capital gains tax, unless the Notes are purchased for re-sale in the short term as part of a scheme of profit making, in which case the proceeds will be subject to income tax. Any discount or premium on acquisition which has already been treated as interest for income tax purposes, under section 24J of the Income Tax Act will not be taken into account when determining any capital gain or loss. If the Notes are disposed of or redeemed prior to or on maturity, an "adjusted gain on transfer or redemption of an instrument", or an "adjusted loss on transfer or redemption of an instrument", as contemplated in section 24J of the Act, must be calculated. Any such adjusted gain or adjusted loss is deemed to have been incurred or to have accrued in the year of assessment in which the transfer or redemption occurred. The calculation of the adjusted gain or adjusted loss will take into account, inter alia, all interest which has already been deemed to accrue to the Noteholder over the term that the Note has been held by the Noteholder. Under section 24J(4A) of the Income Tax Act, where an adjusted loss on transfer or redemption of an instrument realised by a holder of a Note includes any amount representing interest that has previously been included in the income of the holder, that amount will qualify as a deduction from the income of the holder during the year of assessment in which the transfer or redemption takes place and will not give rise to a capital loss.

Capital gains tax under the Eighth Schedule to the Income Tax Act will not be levied in relation to Notes disposed of by a person who is not a resident of South Africa unless the Notes disposed of are attributable to a permanent establishment of that person in South Africa.

To the extent that a Noteholder constitutes a "covered person" (as defined in section 24JB of the Income Tax Act) and section 24JB applies to the Notes, the Noteholder will be taxed in accordance with the provisions of section 24JB of the Act and the capital gains tax provisions would not apply.

Purchasers are advised to consult their own professional advisers as to whether a disposal of Notes will result in capital gains tax consequences.

Definition of Interest

The references to "interest" above mean "interest" as understood in South African tax law. The statements above do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the Terms and Conditions of the Notes or any related documentation.

The proposed Financial Transactions Tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has ceased to participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including South Africa) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the publication of the final regulations defining "foreign passthru payment". Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

The Joint Bookrunners have, pursuant to a subscription agreement (the "**Subscription Agreement**") dated on or about 25 May 2021, jointly and severally agreed, subject to the satisfaction of certain conditions, to subscribe for the Notes at 100% of their principal amount less certain commissions on the principal amount of the Notes. In addition, the Issuer shall reimburse the Joint Bookrunners for certain of their expenses in connection with the issue of the Notes. The Subscription Agreement entitles the Joint Bookrunners to terminate it in certain circumstances prior to payment being made to the Issuer. In addition, the Issuer has agreed to indemnify the Joint Bookrunners against certain liabilities, damages, costs, losses or expenses incurred in connection with the issue of the Notes.

United Kingdom

Each Joint Bookrunner has represented, warranted and undertaken that:

- (a) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act, 2000 (the "**FSMA**")) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Prohibition of Sales to UK Retail Investors

Each Joint Bookrunner has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the United Kingdom. For the purposes of this provision the expression "retail investor" means a person who is one (or more) of the following:

- (a) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or
- (b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

United States of America

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account 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. Terms used in this paragraph have the meanings given to them by Regulation S.

Each Joint Bookrunner has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes, (a) as part of their distribution at any time or (b) otherwise, until 40 days after the later of the commencement of the offering and the Issue Date of the Notes, within the United States or to, or for the account or benefit of, U.S. persons, and that it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of the Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Prohibition of Sales to EEA Retail Investors

Each Joint Bookrunner has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the EEA. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of EU MiFID II; or
- (b) a customer within the meaning of Directive 2016/97/EU, where that customer would not qualify as a professional client as defined in point (11) of Article 4(1) of EU MiFID II.

South Africa

Each Joint Bookrunner has severally represented, warranted and agreed that it has not and will not offer or solicit any offers for sale or subscription or sell any Notes in each case except in accordance with the Exchange Control Regulations, the Companies Act, the Banks Act, FAIS and any other applicable laws and regulations of South Africa in force from time to time.

In particular, each Joint Bookrunner has severally represented, warranted and agreed that it will not make an "*offer to the public*" of Notes as defined in the Companies Act.

This Prospectus does not, nor does it intend to, constitute a prospectus or a "registered prospectus" (as that term is defined in section 95(1)(k) of the Companies Act) prepared and registered under the Companies Act.

Information made available in this Prospectus should not be considered as "advice" as defined in FAIS.

Hong Kong

Each Joint Bookrunner has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions Ordinance (Cap. 32) of Hong Kong (the "**C(WUMPO)**") or which do not constitute an offer to the public within the meaning of the C(WUMPO); and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Singapore

Each Joint Bookrunner has acknowledged that this Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Bookrunner has represented, warranted and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Switzerland

Each Joint Bookrunner has acknowledged and agreed that the offering of the Notes in Switzerland is exempt from the requirement to prepare and publish a prospectus under the Swiss Financial Services Act of 15 June 2018, as amended (the "**FinSA**") because (a) the Notes may only be offered in Switzerland to professional clients as such term is understood pursuant to the FinSA ("**professional clients**"), and (b) no application has been or will be made to admit the Notes to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Accordingly, each Joint Bookrunner has represented and agreed that the Notes have been and will be offered in Switzerland only to professional clients. Further, each Joint Bookrunner has acknowledged and agreed that neither this Prospectus nor any other offering or marketing material relating to the Notes (i) constitutes a prospectus as such term is understood pursuant to article 35 of the FinSA or (ii) has been or will be filed with or approved by a Swiss review body pursuant to article 52 of the FinSA.

Dubai International Financial Centre

Each Joint Bookrunner has represented and agreed that it has not offered and will not offer the Notes to any person in the Dubai International Financial Centre unless such offer is:

- (a) an "Exempt Offer" in accordance with the Markets Rules (MKT) module of the Dubai Financial Services Authority (the "**DFSA**") rulebook; and
- (b) made only to persons who meet the "Professional Client" criteria set out in Rule 2.3.3 of the DFSA Conduct of Business Module of the DFSA rulebook.

United Arab Emirates (excluding Dubai International Financial Centre)

Each Joint Bookrunner has represented and agreed that the Notes have not been and will not be offered, sold or publicly promoted or advertised by it in the UAE other than in compliance with any laws applicable in the UAE governing the issue, offering and sale of securities.

Mauritius

No offer or sale of any Notes will be made to the public in Mauritius. Neither this Prospectus, nor any other offering material or information contained herein relating to the offer of the Notes, may be treated as a prospectus for the purpose of the Securities Act 2005 of Mauritius or be released or issued to the public in Mauritius or used in connection with any such offer. Moreover this document does not constitute an offer made to sell the Notes to the public in Mauritius and has not been registered with the Financial Services Commission. The Notes are only

intended to be offered or sold by way of private placement or to sophisticated investors, each as defined in the Securities Act 2005 of Mauritius. An offer of securities will be a private placement where each person subscribes or purchases for his own account, no publicity is made by the person making the offer and the total cost of subscription or purchase for each person to whom the offer is made is for an amount of at least 1 million Mauritian rupees. The Notes may not be offered, distributed or sold, directly or indirectly, in Mauritius, except as permitted by applicable Mauritius law, including but not limited to the Securities Act 2005 of Mauritius.

GENERAL

Each Joint Bookrunner has undertaken that it will (to the best of its knowledge and belief) comply in all material respects with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Prospectus or any related offering material. Persons into whose hands this Prospectus comes are required by the Issuer and the Joint Bookrunner to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Prospectus or any other offering material relating to the Notes, in all cases at their own expense.

GENERAL INFORMATION

Authorisation

1. The creation and issue of the Notes has been authorised by a resolution of the Issuer's Board of Directors dated 1 December 2020.

Legal and Arbitration Proceedings

2. Save as disclosed in this Prospectus under the heading "*Risk Factors – Legal Proceedings*", the Issuer has not been involved in any governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer is aware), in the 12 months preceding the date of this Prospectus which may have, or have had in the recent past, a significant effect on the financial position or profitability of the Issuer and its Subsidiaries.

Significant/Material Change

3. Since 31 December 2020 there has been no material adverse change in the prospects of the Issuer or the Issuer and its Subsidiaries, nor any significant change in the financial position or financial performance of the Issuer or the Issuer and its Subsidiaries.

Auditors

4. The 2019 Financial Statements and 2020 Financial Statements of the Issuer were audited without qualification by EY of 102 Rivonia Road, Sandton, Johannesburg, South Africa.
5. EY is registered with the Independent Regulatory Board for Auditors.

Documents on Display

6. Copies of the following documents may be inspected during normal business hours at the registered office of the Principal Paying Agent (as set out on the last page of this Prospectus) or at <https://www.absa.africa/absaafrica/investor-relations/> for the life of this Prospectus:
 - (a) the constitutive documents of the Issuer;
 - (b) this Prospectus;
 - (c) the Agency Agreement and the Trust Deed;
 - (d) the audited annual consolidated and separate financial statements of the Issuer for the reporting period ended 31 December 2019 and 31 December 2020; and
 - (e) the Pillar 3 risk management reports of the Issuer for the years ended 31 December 2019 and 31 December 2020.

Yield

7. 6.375% on a semi-annual basis. The yield is calculated at the Issue Date as the yield to the First Reset Date on the basis of the Issue Price. It is not an indication of future yield.

Codes

8. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN is XS2339102878 and the Common Code is 233910287.

Legal Entity Identifier

9. The Legal Entity Identifier (LEI) code of the Issuer is 2138006IPPRD4N6XLT30.

Joint Bookrunners transacting with the Issuer

10. The Joint Bookrunners and their affiliates may have engaged, and may in future engage, in investment banking and/or commercial banking transactions with, and may perform services to members of the Group and their respective affiliates in the ordinary course of business. They have received, or may in the future receive, customary fees and commissions for these transactions. The Joint Bookrunners and their affiliates may have positions, deal or make markets in the Notes, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer, other members of the Group and their affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities. In addition, in the ordinary course of their business activities the Joint Bookrunners and/or their affiliates may make or hold a broad array of investments and actively trade securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates. Joint Bookrunners or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such persons would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of the Notes. The Joint Bookrunners and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

REGISTERED OFFICE OF THE ISSUER

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