



**ABSA GROUP LIMITED**

*(Incorporated with limited liability on 2 October 1986 under registration number 1986/003934/06 in the Republic of South Africa)*

as Issuer

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**RISK FACTORS AND OTHER DISCLOSURES SCHEDULE RELATING TO THE  
ABSA GROUP LIMITED ZAR50,000,000,000 DOMESTIC MEDIUM TERM NOTE PROGRAMME**

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This is the risk factors and other disclosures schedule relating to the Absa Group Limited ZAR50,000,000,000 Domestic Medium Term Note Programme (the “**Programme**”) (the “**Risk Factors and Other Disclosures Schedule**”) applicable to all Notes issued under the Programme pursuant to the Programme Memorandum, as amended, updated and replaced from time to time (the “**Programme Memorandum**”).

This Risk Factors and Other Disclosures Schedule is dated as of 2 December 2022 and contains information pertaining to:

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

Capitalised terms used in this Risk Factors and Other Disclosures Schedule are defined in the sections of the Programme Memorandum headed “*Terms and Conditions of the Unsubordinated Notes*” (the “**General Terms and Conditions**”), “*Terms and Conditions of the Tier 2 Notes*” (the “**Tier 2 Terms and Conditions**”) or “*Terms and Conditions of the Additional Tier 1 Notes*” (the “**Additional Tier 1 Terms and Conditions**”, and together with the General Terms and Conditions and the Tier 2 Terms and Conditions, the “**Relevant Terms and Conditions**”) as applicable, unless separately defined or clearly inappropriate from the context.

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## DESCRIPTION OF THE ISSUER

Absa Group Limited (“**Absa Group**”) is incorporated and domiciled in South Africa and has a primary listing on the JSE. Absa Group and its subsidiaries (together the “**Group**”) provide retail, business, corporate, investment and wealth banking, as well as investment management and insurance solutions. As at 31 December 2021, the Group had presence in 15 countries (12 African countries, the United Kingdom, United States of America and with technology resources in the Czech Republic) and employed approximately 35,074 people.

Absa Bank Limited (“**Absa Bank**”), a wholly owned subsidiary of Absa Group, is one of South Africa’s largest financial services organisations.

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, and technology support in the Czech Republic. There are also 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), as well as investment and insurance solutions.

## HISTORY

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

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

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

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

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

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

In July 2013, Absa Group’s operations were expanded by acquiring selected African operations from Barclays Bank PLC. Included in the African operations acquired were Barclays Bank of Kenya Limited and Barclays Bank of Botswana Limited which continued to be listed on their respective stock exchanges. As a result of this acquisition Barclays Bank PLC’s shareholding in the newly formed Barclays Africa Group was increased to 62.3%. This resulted in Absa Group undergoing a name change to Barclays Africa Group Limited (listed on the JSE).

On 1 March 2016 Barclays Bank PLC announced its intention to reduce its 62.3% interest in the Group to a level that would achieve regulatory and accounting deconsolidation. A comprehensive separation programme for implementing the separation (the “**Separation Programme**”) was initiated by Barclays Bank PLC with

Absa Group in 2016. Over 2016 and 2017, Barclays Bank PLC reduced its shareholding in Absa Group to 14.88% and in July 2018, Barclays Africa Group Limited was officially renamed Absa Group Limited. The Separation Programme was completed within agreed timelines. All 273 projects achieved Separation and 198 service schedules were terminated. The final Separation Forum was held on 15 December 2020, where all formal closures were approved. The South African Reserve Bank (“SARB”), Absa Regional Operations (“ARO”) as well as the United Kingdom regulators were informed that Barclays Bank PLC and Absa Group had concluded and closed the Separation Programme.

Absa Group announced on 21 April 2022 that Barclays PLC had agreed to sell 7,44% of its shareholding and following the sale will then own 7,44% of Absa Group. Absa Group then announced on 1 September 2022 and 8 September 2022 that Barclays had agreed to sell its remaining shareholding, and that following the sale Barclays subsidiaries held 0,02% of the total issued ordinary shares of Absa Group.

## **LEGAL STATUS**

The Issuer was incorporated on 2 October 1986 under the laws of South Africa and is regulated under the Companies Act and the Banks Act. The Company is a public company.

The Issuer’s financial year end is currently 31 December of each year.

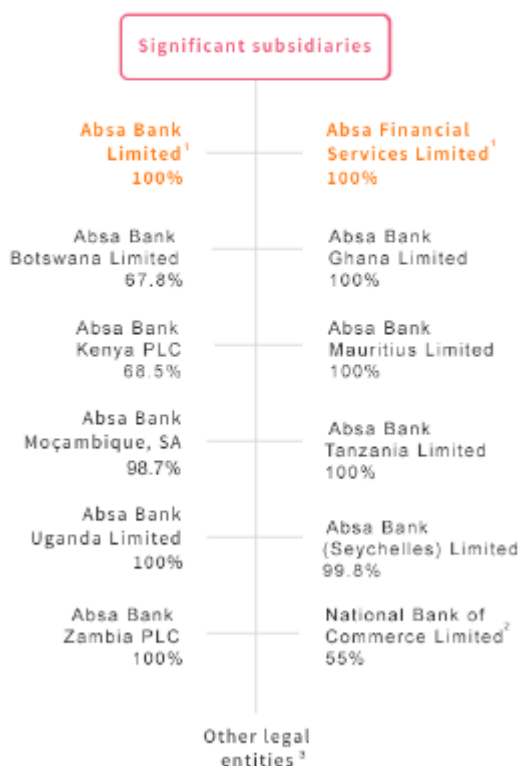
The annual audited financial statements of the Issuer is drawn up in accordance with International Financial Reporting Standards (“IFRS”) and the Companies Act.

<b>Company Secretary</b>	Nadine R Drutman
<b>Company Secretary Address</b>	7th Floor, Absa Towers West, 15 Troye Street, Johannesburg, 2001, PO Box 7735, Johannesburg, 2000
<b>Registration number</b>	1986/003934/06
<b>JSE Share code</b>	ABG
<b>ISIN code</b>	ZAE000255915
<b>Bond Issuer code</b>	ABGI
<b>Registered place of business</b>	7th Floor, Absa Towers West, 15 Troye Street, Johannesburg, 2001, PO Box 7735, Johannesburg, 2000

The Issuer is, as at the date of this Risk Factors and Other Disclosures Schedule, in compliance with the provisions of the Companies Act and is acting in conformity with its memorandum of incorporation.

## GROUP LEGAL STRUCTURE

### 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 2021 Financial Statements.

## NATURE OF BUSINESS

The identified reportable segments in the following description below are disclosed based on how the Group's businesses have been managed and reported as at 30 June 2022.

On 30 June 2022, the Group announced a refinement to its operating model which became effective from 1 July 2022. This change is part of the Group's journey to enhance market competitiveness with due consideration to its transformation imperative. In essence, the Group will move from two commercial businesses, Corporate and Investment Banking (CIB) Pan-Africa and Retail and Business Banking (RBB) Pan-Africa, to five business units (Everyday Banking, Relationship Banking, Product Solutions, CIB Pan-Africa and RBB Absa Regional Operations). The impact of this announcement on segment reporting for the year ended 31 December 2022 is in the process of being determined

## **RBB**

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.

### ***Key business areas:***

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

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

**Everyday Banking** – offers 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 including British Airways, Avios and Virgin Money. Included in this portfolio are partnerships with Woolworths Financial Services, which offers in-store cards, credit cards, personal loans and short-term insurance products.
- **Personal Loans** – offers unsecured instalment loans through face-to-face engagements, call centre agents as well as electronic and mobile 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 business units and associated products, where a name relationship exists and was formed to provide customers with a single ‘warm-body’ relationship manager rather than multiple touch points within the Bank. The businesses consolidated into relationship banking include card acquiring, commercial asset finance, 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 SA** consists of:

- **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. Direct-to-client short-term solutions being iDirect and Activate, a recently launched digital offering, are also available to the retail market.

**RBB Absa Regional Operations** – offers a comprehensive suite of retail and business banking products and insurance 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.

**RBB other** – includes investment spend, cost associated with the restructure, holding companies and related consolidation entries, as well as allocated shareholder overhead expenses

## **CIB**

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 the Group's product knowledge with regional expertise and an extensive, trustworthy business that helps clients achieve their ambitions in the right way and by executing on this the Group will create shared growth for clients, employees and communities.

### **Key business areas:**

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

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

### **Investment Bank comprising:**

- **Global 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;
- **Investment Banking Division** – structures innovative solutions delivering to meet clients' strategic advisory, financing and risk management requirements across industry sectors;
- **Commercial Property Finance (CPF)** – 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 (PEII)** – Infrastructure investments acted as a principal by investing in equity to entities focused on infrastructure development in sub-Saharan Africa. Private Equity traditionally acted as a principal by investing in unlisted equity exposures. This portfolio continues to be reduced in line with the Group's strategy to exit non-core businesses.

## **OWNERSHIP AND CONTROL**

*The Issuer's largest ordinary shareholders as at 30 June 2021 and as at 30 June 2022:*

	<b>2022</b>	<b>2021</b>
	<b>%</b>	<b>%</b>
Barclays Africa Group Holdings (UK)	7.44	14.88
Ninety One (SA)	5.83	5.65
Old Mutual (SA, NA)	5.44	5.43
Public Investment Corporation(SA)	5.39	6.24
M&G (SA,UK)	5.17	4.90
Citigroup Global Markets (SA)	4.02	4.01
BlackRock Incorporated (US, UK, JP, AU, CA)	4.26	3.52
Investec Securities (SA)	3.21	3.21
The Vanguard Group (US, AU)	3.51	2.99
GIC Asset Management (SG)	3.83	1.46
Other	52.17	47.77

## Major shareholding by geographical segment as at 30 June 2021 and as at 30 June 2022:

	<u>2022</u>	<u>2021</u>
	%	%
South Africa	53.08	56.17
United Kingdom	12.77	19.70
United States and Canada	14.79	14.84
Other countries	19.36	9.29

## STRATEGY

The Group is proudly African, and values its diversity, which it leverages in the service of others. The Group believes everyone should have access to the transformative power of financial services, to help them plan, dream, and aspire to change their lives. It believes in possibilities, in the actions of people who always find a way to get things done. It believes in creating opportunities for its customers to make their possibilities real and in supporting them every step of the way, delivering innovative technologies and propositions to make more possible.

As a financial services provider, the Group plays an important role in the economic life of individuals, businesses and nations. It helps to create, grow and protect wealth through partnerships in economic development, while playing a shaping role in Africa's growth and sustainability.

Despite a changing environment, following a strategic review process, the Group took the course of refreshing, rather than shifting completely from, its 2018 strategy. In this way, the Group is able to build on its success and momentum, learning from the last three years, while adapting the strategy based on the changing internal and external environment.

The Group's strategy is to be a leading African bank, bringing possibilities to life. To achieve this, the Group identified five strategic priorities:

- **a diversified franchise with deliberate, market-leading growth:** tailor the approach to clients; grow in attractive segments and launch new products, allocating capital sustainably and manage risk.
- **the primary partner for clients:** understand client needs and meet them on every level; building a brand that employees and clients can be proud of.
- **a digitally powered business:** offer the best digital experience; using data as a strategic enabler and evolve continuously to create a nimble organisation.
- **a winning, talented and diverse team:** transform the organisations culture into a competitive advantage, thereby attracting Africa's top talent and support and enable employees.
- **an active force for good in everything we do:** manage climate change and biodiversity risks and opportunities, making a difference in the societies in which the Groups operates; ensuring the highest standards of governance and ethics and actively influence public policy and regulation.

The board of directors of Absa Group (the "**Board**") believes the Group is well-positioned to deliver on its strategy, given its recent robust financial performance and strong capital and liquidity levels. While pursuing its growth strategy, the Group will remain mindful of the uncertain economic operating context, the lessons learned during the pandemic and the need to hold capital at the upper end of the Board target ranges. This is evident in its capital planning and dividend policy.

## CORPORATE GOVERNANCE

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 process which is facilitated by the Directors' Affairs Committee ("DAC") on behalf of the Board. The Board as a whole approves all appointments on recommendation by the DAC. The DAC comprises only independent non-executive directors, and is chaired by the chairman. All independent non-executive directors are annually assessed in accordance with the JSE Listings Requirements and King IV recommendations. Directors who have served for more than nine years would be 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. There are no directors on the Board with over nine years of service.

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, Sustainable and Ethics Committee ("SSEC"); and Models Committee ("MC").

The Board has 14 members, 11 of whom are independent, one 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 Risk Factors and Other Disclosures Schedule, 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 <sup>1</sup>	9-year rule expiry <sup>2</sup>		
Sello Moloko	2021	2025	2030	1965	Chairman, Independent Non-executive Director
Nonhlanhla Mjoli-Mncube	2020	2023	2029	1958	Lead Independent Non-executive Director
Alex Darko	2014	2023	2023 <sup>3</sup>	1952	Independent Non-executive Director
Daisy Naidoo	2016	2024	2025	1972	Independent Non-executive Director
Francis Okomo-Okello	2014	2023	2023 <sup>3</sup>	1949	Independent Non-executive Director
Ihron Rensburg	2019	2025	2028	1960	Independent Non-executive Director
John Cummins	2021	2024	2030	1962	Independent Non-executive Director
René van Wyk	2020	2024	2029	1956	Independent Non-executive Director
Rose Keanly	2019	2025	2028	1958	Independent Non-executive Director
Swithin Munyantwali	2019	2024	2028	1963	Independent Non-executive Director
Tasneem Abdool-Samad	2018	2023	2027	1974	Independent Non-executive Director
Fulvio Tonelli	2020	2024	2029	1960	Non-executive Director

Arrie Rautenbach	2022	2025	n/a	1965	Executive Director, Group Chief Executive Officer
Jason Quinn	2016	2023	n/a	1974	Executive Director, Group Financial Director

<sup>1</sup> The provisions of the Issuer's MoI on director rotation requires that a minimum of one-third of the directors retire at each Annual General Meeting (AGM), and being eligible and available, and having offered themselves for re-election, are re-elected in terms of section 68 (2)(a) of the Companies Act by way of a series of votes. Directors retire in order of longest serving (since last election). The dates for 2023,2024 and 2025 are indicative and subject to the total number of Board members.

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

<sup>3</sup> Messrs Darko and Okomo-Okello are expected to retire on 30 September 2023 in terms of the nine-year rule.

### **Recent changes to the Board**

- Daniel Mminele stepped down as group chief executive officer with effect from 30 April 2021, and Jason Quinn was appointed as interim group chief executive in his stead (Mr Quinn was then group financial director). Punki Modise was appointed as interim group financial director on 23 April 2021.
- Sello Moloko was appointed as an independent non-executive director and chairman designate with effect from 1 December 2021. He took over chairmanship on 1 April 2022.
- John Cummins joined the board as an independent non-executive director on 15 November 2021.
- Siphon M Pityana ceased to be a director (and lead independent director) on 24 November 2021. Nonhlanhla Mjoli-Mncube (already a director) was appointed as lead independent non-executive director with effect from 8 February 2022.
- Mark Merson stepped down as an independent non-executive director on 31 January 2022.
- Wendy Lucas-Bull retired as chairman and independent non-executive director on 31 March 2022 in terms of the nine-year rule.
- Arrie Rautenbach was appointed as group chief executive officer on 29 March 2022, Jason Quinn resumed his role as group financial director and Punki Modise stepped down as interim group financial director.

### **Abridged curricula vitae of the Board**

#### **Sello Moloko**

Sello was appointed to the board as an independent non-executive director and chairman designate of Absa Group and Absa Bank with effect from 1 December 2021. On 1 April 2022, he took over from previous Chairman Wendy Lucas-Bull, who retired on 31 March 2022.

He is a member of the DAC, GRMC, RemCo and SSEC.

Sello has a career spanning close to 30 years in the financial services industry. He is a former chief executive officer of Old Mutual Asset Managers, where he was also a member of the Old Mutual South Africa executive team. Thereafter, he founded Thesele Group, an investment holding company, where he is the executive chairman. He has served as chairman of the boards of Alexander Forbes Group Holdings Limited for 10 years from 2007 and has also chaired the boards of Sibanye-Stillwater Limited and General Reinsurance Africa Limited (a Berkshire Hathaway company), amongst others. He is also a trustee of the Nelson Mandela Foundation. He currently serves as chairman of Telkom SA SOC Limited and as a non-executive director of M&G Investments SA (formerly Prudential Asset Managers).

Qualifications: Advanced Management Program (AMP); Post Graduate Certificate in Education (PGCE); BSc (Hons).

### ***Nonhlanhla Mjoli-Mncube***

Nonhlanhla joined the Board as an independent non-executive director on 15 October 2020. She is a member of the DAC, SSEC, GCRC and chairman of the BFC. She was appointed as the lead independent director of both the Group and Absa Bank boards with effect from 8 February 2022.

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.

### ***Alex Darko***

Alex joined the Board as an independent non-executive director in 2014 and is a member of the GACC, RemCo, DAC and is the chairman of the ITC. Alex was appointed as an independent non-executive director of Absa Bank Limited on 1 December 2021.

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 (“AFS”) Board in July 2020, as well as the Group Actuarial Committee (“GAC”) and chairs 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 Hudaco Industries Limited, Mr Price Group Limited and Anglo American Platinum 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 SSEC 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 the Princeton School of Public and International Affairs (formerly 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 Plc. Currently, Francis is the executive director 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 SSEC 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 and serves as the ombudsman for the University of Cape Town. He is also senior advisor to the principal and visiting professor at Kings College London and honorary professor at Nelson Mandela University. 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.

### ***John Cummins***

Independent Non-Executive Director.

John joined the board as an independent non-executive director with effect from 15 November 2021. He is a member of the GRMC and GCRC and will become a member of the ITC from 1 July 2022.

John is the former group treasurer of the Royal Bank of Scotland (2007 to 2017) and the former group treasurer and finance director of Standard Life Bank (1997 to 2007). He is a former independent non-executive director of Lloyds Bank Corporate Markets plc, and the former chairman of its risk committee.

John is currently the chief executive officer of Aviva Capital Partners Limited and serves as the chairman of the Oxford University, Old Members Trust and as the Deputy Governor of Bedford School (UK).

Qualifications: MBA; BA (Hons)

### ***René van Wyk***

René re-joined the Absa Group Board as a non-executive director from 1 August 2020. René originally joined the Board as an independent non-executive director on 1 February 2017. He then served as the group chief executive from 1 March 2019 to 14 January 2020. Following a cooling-off period of 6 months followed by a period of 12 months in which he was classified as a non-executive director, René has since been regarded as an independent non-executive director from 1 August 2021. He was appointed as an independent non-executive director of Absa Bank Limited on 1 February 2022.

René is a member of the GACC, DAC, and is chairman of the GRMC, GCRC and BFC. René handed over the chairmanship of the BFC to Nonhlanhla Mjoli-Mncube on 1 July 2022 but he remains a member.

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 chief executive officer 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).

### ***Rose Keanly***

Rose joined the Board as an independent non-executive director on 1 September 2019. She is a member of the DAC, ITC, SSEC and chairman of the RemCo. She has been a member of the AFS Board since July 2020 and serves as the chairman of the AFS Social and Ethics Committee. She was appointed as an independent non-executive director of Absa Bank Limited with effect from 8 February 2022.

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.

Rose also serves as a non-executive director and member of the audit and risk committee of the non-profit Gender-Based Violence Fund (GBVF).

Qualifications: BSc; BCom (Hons).

### ***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 SSEC 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 Absa Bank 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.

### ***Tasneem Abdool-Samad***

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

Tasneem is also a member of the GRCCMC, 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 re-joined Deloitte and is a former member of the Deloitte South Africa board.

Tasneem is the independent non-executive chairman of Absa Financial Services Limited, and is a non-executive director of Reunert Limited and Bid Corporation Limited. Tasneem had served as a non-executive director on the board of Long4Life Limited until its de-listing in May 2022.

Qualifications: BCom; 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, GRCCMC, ITC and the BFC. 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 its 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.

Fulvio is a member and director of The Ethics Institute and the chairman of the Independent Regulatory Board for Auditors (IRBA).

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

### ***Arrie Rautenbach***

Arrie was appointed as group chief executive officer and executive director of Absa Group and Absa Bank, effective from 29 March 2022. He was previously the chief executive: retail and business banking South Africa. He is a member of the GRCCM, GCRC, SSEC, ITC and MC.

With more than 25 years banking experience, Arrie previously served as the Group's chief risk officer simultaneously providing executive leadership for the Group Separation 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.

Arrie has contributed to the industry through his board executive membership of the Banking Association of South Africa (BASA) and board memberships of Ford Financial Services (Pty) Limited and Woolworths Financial Services (Pty) Limited. He has also been a director of Absa Financial Services Limited.

Qualifications: BBA, AMP, MBA.

### ***Jason Quinn***

Jason resumed the role of financial director of Absa Group and Absa Bank, following his appointment as interim group chief executive officer with effect from 20 April 2021 until 28 March 2022. He remains an executive director on the Boards. Jason was appointed the group financial director in August 2016.

Jason joined the board and executive committee in September 2016. He is the chairman of the MC and a member of the GRCCM, GCRC, and ITC. He is an executive director of Absa Group and Absa Bank.

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.

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).

### ***Directors' declarations***

#### ***None of the directors mentioned above have:***

- (i) ever been convicted of an offence resulting from dishonesty, fraud, theft, forgery, perjury, misrepresentation or embezzlement;
- (ii) ever been adjudged bankrupt, insolvent or sequestered in any jurisdiction;
- (iii) at any time been a party to a scheme or arrangement or made any other form of compromise with their creditors;
- (iv) ever been involved, as a director with an executive function, in any business rescue plans and/or by any entity to commence business rescue proceedings, application having been made for any entity to begin business rescue proceedings, notices having been delivered in terms of section 129(7) of the Companies Act, receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any composition or arrangement with its creditors generally or any class of its creditors of any company at the time of, or within the 12 months preceding, any such event(s);
- (v) ever been found guilty in disciplinary proceedings by an employer or regulatory body due to dishonest activities;

- (vi) ever been involved in any receiverships, compulsory liquidations, administrations or partnership voluntary arrangements of any partnership where they were partners at the time of, or within 12 months preceding, any such event(s);
- (vii) ever received public criticisms from statutory or regulatory authorities, including professional bodies, and none has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company;
- (viii) ever been barred from entry into a profession or occupation;
- (ix) ever been convicted in any jurisdiction of any criminal offence or an offence under legislation relating to the Companies Act, and no company of which he or she was a director, alternate director or officer at the time of the offence has been convicted in any jurisdiction of any criminal offence, or an offence under legislation relating to the Companies Act;
- (x) ever been removed from an office of trust on the grounds of misconduct and involving dishonesty; or
- (xi) ever been declared delinquent or placed under probation in terms of section 162 of the Companies Act or disqualified from taking part in the management of a corporation in terms of section 47 of the Close Corporations Act, or disqualified to act as a director in terms of section 219 of the 1973 Companies Act or section 69 of the Companies Act.

### **Nomination of Directors policy**

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

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

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

### **Performance policy**

The Group conducts reviews of all governance structures through alternating between a self-assessment and an independent facilitated process. The Institute of Directors of Southern Africa facilitated the 2020 evaluation and assessed the effectiveness of the Board and its committees (including the Social, Sustainability and Ethics Committee and its coverage of environment, social and governance topics, individual directors and the Group chairman). The chairman provides individual peer review feedback to each board member while the lead independent director provides peer feedback to the chairman. The Group's 2022 evaluation is being undertaken by an external facilitator and will be completed by December 2022.

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

### ***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 executing 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.

<b>Name</b>	<b>Born</b>	<b>Year of First Executive Committee Employment</b>	<b>Position</b>
Arrie Rautenbach	1965	2015	Group Chief Executive Officer
Jason Quinn	1974	2016	Group Financial Director
Cowyk Fox	1974	2022	Chief Executive: Everyday Banking
Faisal Mkhize	1972	2022	Chief Executive: Relationship Banking
Geoffrey Lee	1970	2022	Chief Executive: Product Solution Cluster
Charles Russon	1966	2014	Chief Executive: Corporate and Investment Banking
Saviour Chibiya	1971	2021	Chief Executive: Absa Regional Operations
Punki Modise	1969	2021	Group Chief Strategy and Sustainability Officer
Deon Raju	1977	2021	Group Chief Risk Officer
Akash Singh	1973	2019	Group Chief Compliance Officer
Wilhelm Krige	1965	2021	Interim Group Chief Information and Technology Officer
Thabo Mashaba	1970	2022	Interim Group Chief People Officer
Prabashni Naidoo (ex officio)	1976	2021	Group Chief Audit Executive

### ***Arrie Rautenbach***

Refer to Absa Group Board.

### ***Jason Quinn***

Refer to Absa Group Board.

### ***Cowyk Fox***

Cowyk was appointed as chief executive: everyday banking with effect from 1 July 2022. He was previously managing executive: everyday banking within Absa Group's Retail and Business Banking (RBB) unit.

Cowyk has more than 23 years of experience in the financial services sector (16 years at Absa) mainly in retail banking, with extensive skills in credit cards, retail credit, transactional, deposits and payments. He has held various executive level roles covering overall business unit management, risk management, operations and finance.

Cowyk has served as the chief risk officer for Barclays Africa RBB SA, and as head: Absa card and payments. He previously held non-executive directorships, on behalf of Barclays Africa, at Virgin Money South Africa, NuPay and Edcon Financial Services Namibia. He is also the responsible senior officer on payments for Absa to the SARB.

Qualifications: B.Com; CA(SA).



### ***Faisal Mkhize***

Faisal Mkhize is the chief executive of relationship banking and was appointed as a member of the Group Exco from 1 July 2022. He was previously managing executive: Absa Vehicle and Asset Finance (AVAF).

Faisal has over 25 years of banking experience and a solid track record in Retail and Business Banking. He has served in a number of senior leadership roles in the bank, including managing executive of retail and business banking in KwaZulu-Natal, head of market leadership and change in Absa Business Bank as well as regional executive of private bank in the Northern Region. Faisal was also a managing director with Barclays Bank Mozambique.

Qualifications: B. Admin (Hons); Masters in Development Finance; Advanced Business Ethics Leadership.

### ***Geoffrey Lee***

Geoff was appointed as chief executive: product solution cluster with effect from 1 July 2022. He was previously managing executive: secured lending.

Geoff has 15 years banking experience having held a number of senior leadership positions across the disciplines of retail banking including managing executive: home loans, managing executive: Absa card and payments, head: product and pricing centre of excellence, chief financial officer: Absa mortgages; chief financial officer Absa card division.

Qualifications: B.Com; B. Acc; CA(SA); AMP (Insead).

### ***Charles Russon***

Charles is the chief executive: Corporate and Investment Bank.

Charles was appointed acting group executive: Absa regional operations with effect from 25 May 2021. He 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 bank in October 2007 and regional head of finance for Absa Group in September 2012. Charles was appointed as chief operating officer for Absa Group in May 2014.

Qualifications: CA(SA).

### ***Saviour Chibiya***

Saviour was appointed chief executive: ARO with effect from 1 November 2021. In addition to his regional stakeholder responsibility, Saviour is responsible for RBB ARO as chief executive: ARO with effect from 1 July 2022.

Saviour has been with Absa since December 2010, having joined as managing director and chief executive officer of Barclays Bank Zambia. More recently, he was regional managing director in ARO, responsible for overseeing the Group's businesses in Botswana, Mozambique, the Seychelles, Tanzania (Absa Bank Tanzania and National Bank of Commerce) and Uganda.

Saviour is a seasoned, senior executive with extensive banking experience that spans over 28 years, having started his career in the Corporate and Investment Bank of Citigroup, building his regional expertise as Country Representative in Ghana in 2003 and was subsequently appointed managing director and chief executive officer of Citibank Zambia Ltd in 2006.

Qualifications: BA Econ, Fellow of the Zambia Institute of Banking and Financial Services (FZIBFS), IMD Senior Executive Breakthrough Program Certificate.

### ***Punki Modise***

Punki was appointed as the Group chief and sustainability officer with effect from 1 July 2022. She has previously held the roles of interim chief executive: RBB and Interim Financial Director.

Punki joined Absa 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, she held positions at Standard Bank and Fedsure, having completed her articles at PricewaterhouseCoopers Inc.

Punki is a non-executive director of Absa Life Limited, Woolworths Financial Services (Pty) Limited and Ford Financial Services (Pty) Ltd.

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

### ***Deon Raju***

Deon was appointed as Absa's Group chief risk officer with effect from 1 June 2021 and is a member of the executive committee.

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

Deon has held a variety of roles within the organization, including within enterprise risk, finance, investment banking, credit portfolio management and global markets, and is a seasoned banking professional with deep institutional knowledge of the Group, as well extensive and diversified banking experience in business, finance and risk management.

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

### ***Akash Singh***

Akash Singh was appointed as the group chief compliance officer with effect from November 2019.

Prior to this role, he was the chief compliance officer of Retail and Business Bank SA. Akash was the head of operational risk: Africa for Barclays Africa Group with oversight across 14 countries. He has also held various internal audit roles within the Group. Before joining Absa, Akash was with Nedcor Limited in the finance function.

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

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

### ***Wilhelm Krige***

Wilhelm was appointed interim Group chief information and technology officer with effect from 30 June 2021. Wilhelm joined the Group in 2008 as the general manager for Group strategy. He spent time in various leadership positions in the Group before being appointed as the group chief information officer in 2018, where he was integral to the success of the technological decoupling and separation from Barclays Plc. Prior to joining the Group, Wilhelm was a partner at PricewaterhouseCoopers and also spent 5 years in an executive role at IBM.

Qualifications: CA(SA).

### ***Thabo Mashaba***

Thabo was appointed as interim Group chief people officer with effect from 4 May 2022.

Thabo is a seasoned human resources practitioner and has spent more than 26 years in the financial services industry. After first joining Absa as a graduate trainee at United Bank in 1995, he served the organisation for over 16 years in various roles, including regional manager, Absa Private Bank and human resources account executive in some of the corporate functions portfolios of the Absa Group. He previously also worked as group

chief human resources officer and group chief empowerment and transformation officer at the Alexander Forbes Group. He re-joined Absa as head of the people function in engineering services in 2019 and was appointed head of people and culture: corporate functions in 2020. Most recently, he was the head of people and culture for Absa Retail and Business Bank.

Qualifications: MBA, BCom (Hons); Executive Masters in Consulting and Coaching for Change.

### ***Prabashni Naidoo***

Prabashni was appointed Group chief audit executive effective from 4 January 2021 and is an ex officio member of the executive committee.

Prabashni is a seasoned audit practitioner, with extensive experience in the banking industry. In her most recent role, she served as the group chief internal auditor at Nedbank Group, prior to which, she spent 15 years at Standard Bank in various senior roles.

Prabashni's responsibilities include leading the teams implementing the Group audit programme, while providing strategic leadership and counsel to both the executive committee and the Board on internal and external audit matters. She also works closely with the Group compliance and risk functions in dispensing of her duties as Group chief audit executive.

Qualifications: B.luris; Post-Graduate studies in Banking; Executive Programme Certifications in Risk Management, and Digital Business Transformation.

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, Exit and On-boarding Committee, and Transaction Review Committee.

## **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 training and development, director independence and conflicts and disclosures of interests; director effectiveness evaluations; director independence and director's conflicts and disclosures of interests; reviewing and proposing governance policies; monitoring the governance structures of subsidiary entities; and considering matters of regulatory and reputational risk.

### ***Group Audit and Compliance Committee (including the Disclosure Committee)***

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

### ***Group Risk and Capital Management Committee***

Assists the Board in overseeing the risk, capital, funding and liquidity management of the Group by reviewing and monitoring (i) the Group's risk profile against its set risk appetite; (ii) capital, funding and liquidity positions, including taking into account applicable regulations; and (iii) the implementation of the Enterprise Risk Management Framework and the 8 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, Sustainability and Ethics Committee***

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

### ***Information Technology Committee***

Provides effective oversight and governance of the Group's information assets and the technology infrastructure used to generate, process and store that information. The focus is on resilience and stability; architecture; data management; security (cyber and other), and digitisation. The technological 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; and considers and finalises the profit commentary as it relates to interim and year-end financial results. It also 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 within the credit risk appetite of the Group, as approved by the Board from time to time. It has oversight over 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 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 Report on Corporate Governance for South Africa, 2016 (King IV), the South African Companies Act, the Banks Act, the JSE Listings Requirements, Basel Practices on Governance and other global governance best 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 ethical performance and adherence to human rights principles. This responsibility is delegated to executive management while the Board oversees the various tools, processes and systems used to embed an ethical culture in the organisation. The Board sets the tone and leads the Group ethically, effectively and responsibly. In decision-making, individual Board members act with independence but on a consensus basis, with competence, commerciality and challenge, and with the necessary awareness, insight and information. The Board ensures that the Group plays a key role in society as a trusted taker of deposits, contributor to financial markets, lender, major employer, buyer of services, contributor to the local community, taxpayer and skills provider;
- 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. The Board provides guidance to, and oversight of, the management of compliance risk, remuneration, the enterprise-wide risk management, and the related lines of defence that support good governance practices. The Board actively monitors the control environment and adjusts risk appetite and growth objectives;
- 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 Group is grounded in the communities within the countries in which it operates. The Board oversees the Group's stakeholder policies and takes a stakeholder inclusive approach, recognising the need for transparent disclosure and open channels of communication.

The Issuer reports on its application of King IV in the annual report and the Environment, Social and Governance Report that it publishes on an annual basis. King IV advocates an outcomes-based approach and within that, an "apply and explain" application regime. The 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;
- sufficient time and capacity policy and provisions;
- fit-and-proper policy for directors;
- 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 advisory vote on the remuneration policy and implementation report;
- combined assurance approach;
- a detailed review of the Group's stakeholder-inclusive practices and policies, with a view to creating a more comprehensive and effective stakeholder management regime; and
- adoption of a Group-wide governance framework to improve the inclusivity of governance.

King IV also recommends that a board set targets for race and gender representation, and the JSE Listings Requirements require the Group to 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.

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

## RISK FACTORS

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

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

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate. Accordingly, the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive.

Prospective investors should also read the detailed information set out elsewhere in the Programme Memorandum, as read with this Risk Factors and Other Disclosures Schedule, and reach their own views prior to making any investment decision.

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

### INDEPENDENT REVIEW AND ADVICE

Each purchaser of and investor in the Notes is fully responsible for making its own investment decisions as to whether the Notes (i) are fully consistent with its (or if it is acquiring the Notes in a fiduciary capacity, the beneficiary's) financial needs, objectives and conditions, (ii) comply and are fully consistent with all investment policies, guidelines and restrictions applicable to it (or its beneficiary) and (iii) are a fit, proper and suitable investment for it (or its beneficiary). Purchasers of and investors in Notes are deemed to have sufficient knowledge, experience and professional advice to make their own investment decisions, including, without limitation, their own legal, financial, tax, accounting, credit, regulatory and other business evaluation of the risks and merits of or associated with investments in the Notes. Purchasers of and investors in Notes should ensure that they fully understand the risks of or associated with investments of this nature which are intended to be sold only to sophisticated investors having such knowledge, appreciation and understanding.

#### Risks relating to the Issuer

***The Russia-Ukraine conflict continues to keep global uncertainty heightened and is expected to have an ongoing impact on global markets, outlooks and the expectations of the markets in which the Group operates***

Risks faced by financial market participants and the global and domestic economies are expected to remain heightened. Monitoring of the events unfolding in Europe and continuous assessments of the Group's exposure and potential risks, both direct and indirect, is ongoing as the impact on various markets will not be uniform. The Group has assessed that its direct exposure to Russia is negligible and thus monitoring is focused mainly on the indirect exposures and risks. Sensitivity to energy inflation and certain commodity prices remain elevated and are monitored.

The Group's focus remains on proactive risk and capital management to positively position itself as the situation unfolds. Risks are actively identified, and the consolidated response monitored to ensure effective implementation achieving the targeted result. Scenario analyses is used in the early detection of potential areas of weakness and to assess response effectiveness.

***The investments, business, profitability and results of operations of the Group may be adversely affected by difficult conditions in the global and South African financial markets***

***The full extent to which the coronavirus ("COVID-19") pandemic impacts the Issuer's business, results of operations and financial condition will depend on future developments, which remain highly uncertain and cannot be predicted***



As with many other countries around the world, South Africa has been severely affected by the COVID-19 pandemic. The Government responded to the pandemic by mandating restrictions upon international travel, imposing temporary lockdowns, restricting certain business activities and instituting social distancing rules. On 5 April 2022, the Government lifted the State of Disaster, which relaxed 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 market participants and clients of the Group.

### 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.

Observers of international economic conditions such as the International Monetary Fund (IMF) note that the global economy has had a tentative and uneven recovery from the effects of the COVID-19 pandemic. In its recent World Economic Outlook Update published in July 2022, the IMF notes that the global economy increased at a pace of 6.1% in 2021 after a contraction of 3.1% in 2020. The economy of the Sub-Saharan Africa region is estimated to have expanded by 4.6% in 2021 after having contracted by 1.6% in 2020. More recently, the combination of the Russia-Ukraine crisis, supply chain bottlenecks and fast rising inflation have slowed down the pace of improvement in global economic activity and elevated the uncertainty on the outlook. The IMF projects global economic growth to be 3.2% in 2022 and sees this slowing to 2.9% in 2023. A slowdown in global economic activity will affect a significant number of the Group's customers, dampening income growth, sentiment and consumer spending. Such conditions could have a material adverse effect on the Group's business, financial condition and results of operations.

As price pressures have worsened significantly around the world, major global central banks have signalled that they will increasingly shift their focus towards ensuring price stability and away from supporting economic recoveries. In the United States, the Federal Reserve has already increased its fed funds rate by a cumulative 225 basis points since March, including a 75bp increase in July 2022, as it fights the highest inflation in four decades. Moreover, the Federal Reserve began a programme of quantitative tightening from June 2022, reducing its balance sheet by USD\$45bn per month. The Bank of England has also increased rates while the European Central Bank has also signalled that it increased interest rates to fight inflation. Further actions to raise interest rates or shrink balance sheets by major global central banks could tighten global financing conditions and 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 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. The ongoing uncertainty about the outlook for global economic activity as well as how long inflationary pressures could persist introduces uncertainty to the outlook for the domestic exchange rate, inflation and interest rates, which could have an important bearing on 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 resulting from structural constraints that predate the pandemic. 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. In 2020, South Africa's GDP declined by 6.3% reflecting domestic and international effects of the COVID-19 pandemic. The recovery from the worst of the pandemic has generally been faster than expected with GDP increasing by 4.9% in 2021. According to data from Statistics South Africa, total GDP increased further by 1.9% in the first quarter of 2022, which took the aggregate level of GDP slightly above its pre-pandemic level in the fourth quarter of 2019.

While the South African economic recovery has generally been stronger than previously anticipated, the outlook remains challenging. Longstanding structural constraints to economic growth, including electricity supply

shortages as well as rail and port infrastructure challenges are undermining private sector business confidence and investment. South Africa has also not escaped the global challenge of rising inflation, with domestic inflation as measured by CPI rising to a 13-year high of 7.4% on a year-on-year basis in June 2022. With inflation having risen, the South African Reserve Bank (SARB) has increased the repo rate as it tries to ensure that inflation does not become more entrenched. The higher levels of inflation and a tightening in monetary policy settings will adversely affect the disposable incomes of households and dampen domestic demand.

The Rand exchange rate has remained volatile, reflecting changing global risk sentiment, prospects for domestic economic growth and shifts in the balance of payments. A strong improvement in South Africa's current account balance helped to support the Rand as the effects of the pandemic started to slowly recede. However, support from the balance of payments has weakened recently as the current account surplus has narrowed. The Rand will remain vulnerable to global risk sentiment, terms of trade as well as South Africa's economic growth and outlook for public finances.

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. However, South Africa has received a significant reprieve in its public finances from the sharp increases in export commodity prices that prevailed as the world economy slowly emerged from the worst of the COVID-19 pandemic and implementation of expenditure containment measures. In the 2022 Budget tabled in February, the National Treasury of South Africa (the "**National Treasury**") noted that the main budget deficit for 2021/22 would be 5.5% of GDP, significantly better than the original target of a deficit of 9.0% of GDP. This was due to a strong performance in tax revenues, partly supported by elevated export commodity prices. The 2022 Budget also outlined a plan to reduce the budget deficit further in the coming years by implementing wage freezes for public sector employees. The National Treasury expects this to stabilise debt at 75.1% of GDP by 2024/25. However, in the context of weak economic growth, implementation risks are high. An inability to stabilise public finances could have adverse implications for South Africa's economic growth.

Major credit ratings agencies have commended South Africa for the recent improvement in its public finances. In April 2022, Moody's also revised the outlook for its rating of Ba2 on South Africa from 'negative' to 'stable'. In May 2022, ratings agency S&P Global Ratings maintained South Africa's sovereign credit ratings at BB- for foreign currency and BB local currency but revised the outlook associated with these ratings from 'stable' to 'positive'. In July 2022, Fitch Ratings also revised the outlook on its BB- sovereign credit on South Africa from 'negative' to 'stable'.

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 Group 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 Risk Factors and Other Disclosures Schedule.

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

South Africa continues to experience problems with the reliability of its electricity supply due to ongoing structural problems at the state-owned power utility, Eskom. As economic activity has gradually improved from the depths of the pandemic, South Africa's electricity supply system has come under more pressure. The energy availability factor at Eskom has been sharply low due to persistent unplanned outages, forcing the utility to continue to implement rotational power cuts. Eskom's structural problems are not only operational, but also financial. The utility is struggling to service its debt without financial assistance from the central government. However, the government recently announced a commitment to offload some of the utility's debt onto its own balance sheet. The details of this transfer are still to be outlined and the government said it would announce these at the tabling of the 2022 Medium Term Budget Policy Statement (MTBPS).

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 Group.

### South African political conditions

For most of the decade prior to the pandemic, South Africa's political environment was characterised by a high level of uncertainty and growing concerns about the strength and independence of the country's institutions. These concerns culminated in the formation of a commission of enquiry to investigate accusation of political state capture. The commission completed its work this year and published its findings in several extensive reports. The commission found that there was evidence of state capture across various levels and functions of the government and recommended a range of measures to strengthen state institutions. President Ramaphosa has committed to considering the findings of the commission's report and to present his response and implementation to Parliament. Failure to act on the findings and recommendations of the commission could undermine business confidence in South Africa and have a further adverse impact on the political and social environment in South Africa.

Since coming to power in 2018, President Ramaphosa has focused on rebuilding the capacity of state institutions including the South Africa Revenue Service and National Prosecuting Authority, amongst others. He also focused on championing economic reforms, particularly across the networks industries, to lift the potential growth of the economy. However, progress has been slow, and success has been mixed. The governing African National Congress ("ANC") is scheduled to convene its five-yearly elective conference in December 2022 where it will elect its leaders. Although President Ramaphosa has been criticised following accusations that he may have broken the law when foreign currency was stolen at one of his farms, it is not clear that his position in the party has weakened. Moreover, no obvious challenger has emerged ahead of the elective conference. That said, a bigger challenge for the ANC are emerging signs that the party is losing support as evidence by the loss of support in the local government elections held in 2021. National general elections are due in 2024 and there are recent polls suggesting that the party's support may slip below 50% for the first time since democracy. This would herald an era of coalition politics at national level, something that is yet to be tested 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. Joblessness is also a major challenge. Even as overall economic activity gradually recovers from the pandemic shock, South Africa's unemployment rate has remained above 30%. The unemployment rate was reported at 33.9% in the second quarter of 2022 with the jobless rate higher amongst young people. These persistent socio-economic challenges adversely impact South Africa's creditworthiness and give rise to long term expenditure needs, heightened social pressures and constrained growth which in turn could adversely impact the implementation of the Group's strategy and the financial position of the Issuer.

### South African conditions specific to the banking sector

The South African banking sector remains well capitalised, funded, regulated and managed. More broadly, the financial sector is generally regarded as one of the country's key pillars of economic strength. South Africa's banking sector has recovered from the effects of the COVID-19 pandemic much stronger than previously anticipated. That said, the banking sector remains exposed to South Africa's underlying macroeconomic fundamentals, which have been and will continue to be impacted by structurally weak economic growth. Therefore, the underlying performance of the South African economy as well as the risks around that have a bearing on the profitability of the banking industry.

As the global economy sees some of the highest levels of inflation in decades, South Africa has not been spared. Inflation has also risen, although not as much as other countries have seen. This has resulted in the South African Reserve Bank moving to tighten monetary policy after pushing rates to historical lows during the pandemic. The interest rate cycle may affect the banking sector's profitability. That said, higher interest rates will also tighten affordability conditions for households and corporates, which in turn may weaken spending.

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 (including credit concentration risk), market risk, capital and liquidity risk, insurance risk, strategic and sustainability risk, model risk and non-financial risks including operational and resilience risk and compliance risk, with credit risk constituting the largest financial 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***

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. 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 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 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 credit risk position, however there is no assurance that such measures will adequately address all credit risks that the Issuer may face.

***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 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 the Group's earnings or capital being adversely impacted due to changes in the level or volatility of prices affecting the positions of the Group. This includes but is not limited to changes in interest rates, credit spreads, commodity prices, equity prices and foreign exchange levels. The Issuer's key market risks are trading book market risk and banking book market risk.

Trading book market risk results from trading activities booked in trading books across the Group in accordance with regulatory requirements. Banking book market risk 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.

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 hedging, scenario analysis and 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.

### *Capital and Liquidity 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.

The Group's capital management strategy, which supports and aligns with the Group's strategy, is to create sustainable value for shareholders within approved risk appetite through effective financial resource management.

Risks to the Issuer's capital management are inefficient deployment of capital to legal entities, inefficient implementation of regulatory changes which negatively impact on capital utilisation, and inadequate maintenance of capital resources in excess of regulatory requirements and within capital targets. During times of economic stress, access to markets for raising capital may be limited for new issuances, which may negatively impact on the Issuer's ability to meet regulatory capital requirements.

Liquidity risk is the risk that the Group is unable to meet its contractual or contingent liquidity obligations or that it does not have the appropriate amount, tenor and composition of funding to support its assets.

Liquidity risk is inherent in banking operations and can be heightened by a number of enterprise-specific factors, including over-reliance on a particular source of funding (including, for example, wholesale and overnight funding), credit rating downgrades or market-wide stress scenarios such as market dislocation and major disasters. 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 are unlikely to 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.

The Issuer has developed and implemented risk management policies, procedures and processes designed to reduce capital and liquidity risk through proactive monitoring, management, reporting of the Issuer's risk positions and maintenance of adequate capital and funding position. However, there is no assurance that such measures will adequately address all risks that the Issuer may face.

#### *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. The Issuer has a number of subsidiaries which offer long- and short-term insurance products in both South Africa and certain of the African countries in which the Issuer operates. These operations are capitalised to withstand claims within industry norms. The Issuer has developed and implemented risk management policies, procedures and processes designed to reduce this risk through proactive monitoring, management, reporting of the Issuer's insurance risk position and the adequate capitalisation of the insurance subsidiaries. However, there is no assurance that such measures will adequately address all risks that the Issuer may face.

#### *Strategic and Sustainability Risk*

Strategic and sustainability risk is the risk of losses arising from potential changes in the general business conditions and competitive market environment driven by strategic, sustainability and reputational factors.

The Issuer re-anchored its corporate strategy during 2021 (for more information, see the section of this Risk Factors and Other Disclosures Schedule headed "*Description of the Issuer – 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 adverse impact of ongoing and rapid climate and social change on communities and customers will negatively impact communities. Risks may arise from the failure of the Issuer 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 it operates in, and may have an adverse impact on the Issuer.

The Issuer has developed and implemented risk management policies, procedures and processes designed to reduce strategic and sustainability risk through proactive monitoring, management, reporting of the Issuer's risk position. However there is no assurance that such measures will adequately address all risks that the Issuer may face.

#### *Model Risk*

This is the risk of the potential adverse consequences from financial assessments or decisions based on incorrect or misused model outputs and reports. The Issuer makes extensive use of financial and risk modelling to understand expected outcomes and support decision making. Failure by the Issuer to ensure the accuracy and robustness of these models could have an adverse impact on the Issuer.

#### *Non-Financial Risk*

Non-financial risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The Issuer is also subject, from time to time, to service interruptions of third party services such as telecommunications, which are beyond the Issuer's control. Such interruptions may result in interruption to services to the Issuer's branches and/or impact customer service. Given the Issuer's high volume of transactions, errors may be repeated or compounded before they are discovered and rectified. In addition, a

number of banking transactions are not fully automated, which may further increase the risk that human error or employee tampering will result in losses that may be difficult for any bank to detect quickly or at all. While the Issuer maintains a system of controls designed to monitor and control operational risk, there can be no assurance that the Issuer will not suffer losses from such risks. Losses from the failure of the Issuer's system of internal controls to discover and rectify such matters could have a material adverse impact on the Issuer's business, results, financial condition or prospects.

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

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

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

***Legal Proceedings***

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

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

At the present time, the Issuer does not expect the ultimate resolution of any of these other matters to have a material adverse effect on its financial position. However, in light of the uncertainties involved in such matters and the matters specifically described in this note, there can be no assurance that the outcome of a particular matter or matters will not be material to the Issuer's results of operations or cashflow for a particular period, depending on, amongst other things, the amount of the loss resulting from the matter(s) and the amount of income otherwise reported for the reporting period. The Issuer has not disclosed the contingent liabilities associated with these matters either because they cannot reasonably be estimated or because such disclosure could be prejudicial to the outcome of the matter. 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 or to the unauthorized disclosure of its customer's personal information.

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's contracts with third party service providers should refer to the incident management process between the parties and set out the roles and responsibilities of the respective parties. The contractual agreement with any third party involved should specify how the issuer will verify adherence to the agreed information security requirements. This may include, but not be limited to, third-party assurance audits as well as any other security testing requirements such as vulnerability scanning and penetration testing. Contractual agreements should clearly define accountability and penalties in cases where controls are breached, including who would be responsible for losses resulting from a data breach.

The Issuer regards these systems as critical to improving productivity and ensuring the Group and the Issuer remain competitive in the market, and adhere to applicable industry legislation.

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, the unauthorized use/disclosure of personal information of its customers and/or other important systems. If the Issuer's information systems fail, for systems with no disaster recovery failover, it could be unable to serve some or all customers' needs on a timely basis which could result in a loss of business.

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

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

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

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

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

In addition to any direct losses that the Issuer might incur, a default, or the perception of increased risk of default on obligations, and any further downgrade in South Africa's credit rating would likely have a significant



negative impact on the South African banking sector generally and could have a material adverse impact on the Issuer's business, results, financial condition, prospects or rating.

### ***Competitive landscape***

The Group is subject to significant competition from other major banks operating in its markets, including competitors such as international banks. 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 is subject to capital and liquidity requirements that could affect its operations***

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

The Third Basel Accord, introduced by the Basel Committee on Banking Supervision ("BCBS"), ("Basel III") introduced capital buffers which continue to make it more challenging for banks to comply with minimum capital ratios. Failure by the Issuer to meet certain of these buffers, for example the capital conservation and counter-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 Group's ability to support planned lending activities which, in turn, could have a material adverse impact on the Issuer's business, results, financial condition or prospects.

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

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

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

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

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

The Issuer's performance is dependent on the talents and efforts of key personnel, some of whom may have been employed 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 talent. In relation to the development and training of new employees, the Issuer is reliant on the continued supply of skills and development of the educational sector within South Africa, including access to facilities and educational programmes by its future employees. However, if the educational sector within South Africa does not continue to develop in the way the Issuer anticipates, this may, in turn, result in staffing shortages which could have a material adverse impact on the Issuer's operations and financial results.

### ***Risks relating to emerging markets***

*Investors in emerging markets should be aware that these markets may be subject to greater risk than more developed markets, which may adversely affect the value or liquidity of Notes issued by the Issuer under the Programme*

Whilst the Issuer is headquartered in South Africa, the Group also has a presence in 11 other African countries. 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.

Economic and financial market volatility in South Africa has been caused by many different factors. 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:

- the COVID 19 pandemic;
- electricity supply instability
- labour unrest;
- a deteriorating fiscal outlook;
- policy uncertainty and rising populism;
- 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, amongst others, 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 Risk Factors and Other Disclosures Schedule may become outdated relatively quickly.

*Exchange Control regulations may impact the Group's operations in the relevant countries in which they operate*

There has been a gradual relaxation in exchange controls in South Africa since 1995. The extent to which the Government may further relax such exchange controls cannot be predicted with certainty, although the Government has committed itself to a gradual approach of further relaxation. Further relaxation or the abolition of exchange controls may precipitate a change in the capital flows to and from South Africa. If the net result of this were to cause large capital outflows, this could adversely affect the Group's business and financial condition as a whole.

In the context of ARO, the introduction of exchange controls, or changes to existing exchange control regulations, may similarly impact the Group's business and financial condition in the relevant country in which the exchange controls are introduced or changed, as applicable.

## **Risks Relating to the Notes**

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

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

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

### ***The Issuer is a holding company***

The Notes are the obligation of the Issuer only. The Issuer is a holding company and conducts substantially all of its operations through its subsidiaries, and accordingly the claims of the Noteholders under the Notes will be structurally subordinated to the claims of creditors of the Issuer's subsidiaries. The Issuer's rights to participate in the assets of any subsidiary if such subsidiary is liquidated will be subject to the prior claims of such subsidiary's creditors and any preference shareholders, except in the limited circumstance where the Issuer is a creditor of such subsidiary with claims that are recognised to be ranked ahead of or *pari passu* with such claims. The Issuer's subsidiaries are separate and distinct legal entities, and have no obligation to pay any amounts due or to provide the Issuer with funds to meet any of the Issuer's payment obligations under the Notes.

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, and investments in, a subsidiary (including but not limited to Absa) are subject to contractual or statutory write down and conversion powers or if the subsidiary is otherwise subject to bank resolution proceedings.

If one of the Issuer's subsidiaries were to be wound up, liquidated or dissolved, (i) the holders of the Notes would have no right to proceed against the assets of such subsidiary, and (ii) the Issuer would only recover any amounts (directly, or indirectly through its holdings of other subsidiaries) in the winding-up, liquidation or dissolution of that subsidiary in respect of its direct or indirect holding of ordinary shares in such subsidiary, if and to the extent that any surplus assets remain following payment in full of the claims of the creditors (which includes the Issuer) and preference shareholders (if any and which may include the Issuer) of that subsidiary. Similarly, if any of the Issuer's subsidiaries were subject to any resolution proceedings (a) the holders of the Notes issued by the Issuer would have no direct recourse against such subsidiary, and (b) holders of the Notes themselves may also be exposed to losses pursuant to the exercise by the relevant resolution authority of the stabilisation powers or pursuant to the exercise of any contractual write-down powers.

### ***The Notes may not be a suitable investment for all investors***

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

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

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

### ***The Notes may be redeemed prior to maturity***

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

In addition, if in the case of any particular Tranche of Notes the final terms in the Applicable Pricing Supplement specify that the Notes are redeemable at the Issuer's option in certain other circumstances, the Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes. Any redemption of Tier 2 Notes prior to their Maturity Date and any redemption of Additional Tier 1 Notes requires the prior written approval of the Prudential Authority and is

subject to a number of other restrictions as more particularly described in Condition 11.5 (Conditions to redemption, substitution or variation of Tier 2 Notes) of the Tier 2 Terms and Conditions and Condition 11.5 (Conditions to redemption, substitution or variation of Additional Tier 1 Notes) of the Additional Tier 1 Terms and Conditions respectively.

***The value of and return on any Notes linked to a benchmark may be adversely affected by ongoing national and international regulatory reform in relation to benchmarks***

Following the events related to the actual and attempted manipulation of the London Interbank Offered Rate (“**LIBOR**”) in 2012, there has been a coordinated response from international regulators and central banks to improve the robustness, reliability and transparency of interest rate benchmarks. In line with this coordinated global response towards strengthening major interest rate benchmarks that are used as reference rates, the SARB published a “*Consultation paper on selected interest rate benchmarks in South Africa*” on 30 August 2018 (the “**Consultation Paper**”) containing proposals on the reform of key interest rate benchmarks used in South Africa as well as proposals on a suite of new benchmarks that could potentially be used as alternative reference interest rates. The SARB also set up an independent body referred to as the Market Practitioners Group (“**MPG**”) comprising members of the SARB, FSCA, and senior professionals from a variety of institutions, reflecting different market interest groups active in the domestic money market, to provide input into the design and operationalisation of the benchmark proposals.

The reform of interest rate benchmarks in South Africa is informed by various considerations, including concerns with design aspects of the existing key reference rates, monetary and financial stability policy considerations and aligning with best practice standards.

Following a public commentary process on the Consultation Paper, the SARB published a “*Report on stakeholder feedback on the reform of interest rate benchmarks in South Africa*” in May 2019 (the “**Benchmark Reform Feedback Report**”) setting out key issues arising from the comments received on the Consultation Paper and the SARB’s position regarding those key issues. In this report, the SARB notes that the reform of interest rate benchmarks in South Africa is a multi-year project, the implementation of which will be phased in over the next few years, specifically with reference to ZAR-JIBAR-SAFEX, the SARB urges the MPG and its work-streams to prioritise the reform of the reference rate and to provide an interim solution, which will become effective from a date announced by the SARB. The report also indicated that, as a next step, the SARB would publish a technical specification paper to serve as a reference for the computation of various benchmarks.

On 19 June 2020 the SARB published the ‘*Statement of methodology and the policies governing the SARB-administered interest rate benchmarks*’, otherwise referred to as the Technical Specification Paper (“**TSP**”), for public comment. The TSP is a draft statement of the methodology and policies that will govern proposed interest rate benchmarks to be administered by the SARB. An extensive consultation process was followed in the development of the technical specification of the proposed interest rate benchmarks, including consultations with global counterparts. In the domestic market, input from members of the MPG and its various work streams was considered.

The TSP details the methodologies and policies that will be applied for the following suggested benchmarks:

- South African Rand Interbank Overnight Rate (“**ZARIBOR**”);
- South African Secured Overnight Financing Rate (“**ZASFR**”);
- South African Rand Overnight Index Average (“**ZARONIA**”);
- Term Wholesale Financial Corporate Fixed Deposit Benchmark Rate; and
- Term Wholesale Non-financial Corporate Fixed Deposit Benchmark Rate.

This suite comprises four new benchmarks and a reformed version of the existing overnight benchmark rate – the South African Benchmark Overnight Rate (“**SABOR**”). The benchmark proposed as a replacement for SABOR is ZARONIA, which is an unsecured overnight rate. ZARONIA aims to measure the interest rate at which rand-denominated overnight wholesale funds in South Africa are obtained by banks. The calculation methodology for the benchmark is specified as a trimmed, volume-weighted mean of the central 80% of the distribution of interest rates paid on eligible unsecured overnight deposits.

In August 2020 the MPG released a Position Paper entitled “*Market Practitioners Group Risk-Free Reference Rate Work Stream*” (the “**MPG Position Paper**”) which provided recommendations relating to the reform of the Johannesburg Interbank Average Rate (“**JIBAR**”), including the designation of ZARONIA as the *preferred* successor rate that will most likely replace JIBAR. In terms of the process going forward, the SARB will begin publishing the new successor rate daily during the second quarter of 2022 to allow market participants to observe the rate and develop strategies to promote voluntary adoption in cash and derivatives markets. Although the SARB has advised that JIBAR will continue to be made available in parallel with the successor rate for a period, JIBAR will cease to be published at some point and all contracts referencing JIBAR will need to be transitioned to an alternative successor rate or provide for an appropriate fallback rate – preferably the designated successor rate. Although ZARONIA has been designated as the preferred successor rate, the ultimate outcome of reform will likely feature the coexistence of several interest rate benchmarks to fulfil different market and policy purposes.

In November 2021, the SARB published a document entitled “*Feedback on the statement of methodology and policies governing the SARB-administered interest rate benchmarks*” detailing comments received from the public and findings from the back-testing exercise. The back-testing exercise refers to the process of testing the conceptual design of the preferred successor rate to ensure that the proposed alternative reference rate is reliable, robust and sufficiently stable (“*fit for public consumption*”). The SARB collected 5-year historical transactions data from the four largest commercial banks and the JSE to enable the back-testing exercise. The report provided results from the back-testing exercise and contingency arrangements for the possible successor rates. It also identified issues relating to data collection and infrastructure which the SARB will seek to address in the near future. As a next step, the SARB will begin publishing Reporting Instructions with details of reporting institutions, scope of qualifying money market transactions, fields and their definitions, arrangements for the transmission of data, and the controls as well as governance procedures that will be applied. Thereafter the SARB will publish a final TSP.

The reform of JIBAR, and the reform of benchmarks generally, may cause JIBAR or any other benchmark to perform differently than it has done in the past, or have other consequences which cannot be predicted. Any such consequences could have a material adverse effect on any Notes linked to or referencing such benchmark rate. In addition, where reform leads to the discontinuation of a benchmark, an adjustment to the Relevant Terms and Conditions of the Notes may be required in respect of Notes referencing such benchmark.

To the extent that JIBAR is discontinued and replaced, there may also be secondary market risk where Notes linked to the new successor rate may not have an established trading market when issued and an established trading market may not develop or if it does develop, it may not be very liquid. If the successor rate does not prove to be widely used in floating rate securities, the trading price of the successor rate-linked floating rate Notes may be lower than those of Notes linked to other reference rates that are more widely used. Investors in such securities may not be able to sell such Notes at all or may not be able to sell such Notes at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk.

The reform of benchmark rates may have an impact on hedging as there may not be an established market for hedging in the successor rate-linked securities. There is also the risk that loans and their hedges may not transition simultaneously – if a loan and its corresponding hedge were to transition to different replacement rates or to the same replacement rate but at different times, this may render the protection offered by the hedge ineffective.

There can be no guarantee, that ZARONIA or any alternative successor rate will not be discontinued or fundamentally altered in a manner that would be materially adverse to the interests of investors in floating rate Notes linked to the successor rate. If the manner in which the successor rate is calculated is changed, that change may result in a reduction of the amount of interest payable on the successor rate-linked floating rate Notes and the trading prices of such Notes.

Investors should consult their own independent advisers and make their own assessment about the potential risks associated with any benchmark reforms in making any investment decision with respect to any Notes linked to or referencing a benchmark. A full copy of the Consultation Paper, the Benchmark Reform Feedback Report and the TSP are available at <https://www.resbank.co.za/Markets/Pages/default.aspx>.

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

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

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

In the event that any such Notes are listed or admitted to trading on any dedicated "green", "environmental", "sustainable" or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Issuer or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, social or sustainability impact of any projects or uses, the subject of or related to, any Green Projects, Social Projects or Sustainable Projects, as applicable. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Issuer or any other person that any such listing or admission to trading will be obtained in respect of any such Notes or, if obtained, that any such listing or admission to trading will be maintained during the life of the Notes.

While it is the intention of the Issuer to apply the proceeds of any Notes so specified for Green Projects, Social Projects or Sustainable Projects, as applicable, in, or substantially in, the manner described in the Applicable Pricing Supplement, there can be no assurance that the relevant project(s) or use(s) the subject of, or related to any Green Projects, Social Projects or Sustainable Projects, as applicable, will be capable of being implemented in or substantially in such manner and/or accordance with any timing schedule and that accordingly such

proceeds will be totally or partially disbursed for such Green Projects, Social Projects or Sustainable Projects, as applicable. Nor can there be any assurance that such Green Projects, Social Projects or Sustainable Projects, as applicable, will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Issuer. Any such event or failure by the Issuer will not constitute an Event of Default under the Notes.

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

### ***Risks related to the structure of a particular issue of Notes***

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

#### *Notes subject to optional redemption by the Issuer*

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

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

#### *Indexed Notes*

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

- (a) the market price of such Notes may be volatile;
- (b) they may receive no interest;
- (c) payment of principal or interest may occur at a different time than expected;
- (d) they may lose all or a substantial portion of their principal;
- (e) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (f) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (g) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

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



### *Partly-paid Notes*

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

### *Variable rate Notes with a multiplier or other leverage factor*

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

### *Inverse Floating Rate Notes*

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

### *Fixed/Floating Rate Notes*

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

### *Notes issued at a substantial discount or premium*

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

### *Modification, waivers and substitution*

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

### *Change of law*

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

### *Trading in the clearing systems*

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

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

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

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

### ***Risks Relating to Subordinated Notes***

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

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

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

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

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

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

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

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

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

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

*The Issuer's obligations under Tier 2 Notes are subordinated*

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

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

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

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

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

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

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

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

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

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

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

Basel III requires the implementation of certain non-viability requirements as set out in the section of the press release dated 13 January 2011 of the BCBS 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 BCBS on 16 December 2010 and 13 January 2011 in relation to Basel III.

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

- (a) the governing jurisdiction of the bank has in place laws that (i) require such Additional Tier 1 and Tier 2 instruments to be written-off upon such event, or (ii) otherwise require such instruments to fully absorb losses before taxpayers are exposed to loss (a “**Statutory Loss Absorption Regime**” or “**SLAR**”);
- (b) a peer group review confirms that the jurisdiction conforms with paragraph (a) above; and
- (c) it is disclosed by the relevant regulator and by the issuing bank, in issuance documents going forward, that such instruments are subject to loss under paragraph (a) above.

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

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

The SARB has provided clarity on the loss absorbency requirements contemplated in the Regulations Relating to Banks in Guidance Note 2 of 2012 (*Matters related to the implementation of Basel III*), Guidance Note 6 of 2017 (*Loss absorbency requirements for Additional Tier 1 and Tier 2 capital*) (“**Guidance Note 6**”), Circular 6 of 2013 (*Matters related to conditions for the issue of instruments or shares, the proceeds of which rank as Tier 2 capital*).

The Financial Sector Laws Amendment Act, 2021 (the “**FSLAA**”) was promulgated on 28 January 2022. However, whilst the FSLAA has been promulgated some of its provisions are not yet effective and will only come into effect on a date determined by the Minister of Finance by notice in the Government Gazette. As at the date of this Risk Factors and Other Disclosures Schedule, sections 2, 3, 12 and 58 of the FSLAA have come into effect. Different dates may be determined in respect of the coming into effect of the remaining provisions of the FSLAA. It is not possible at this stage to accurately determine when those provisions will come into effect. The FSLAA does not address a SLAR as was initially expected following the publication by National Treasury in 2015 of the paper titled “*Strengthening South Africa’s Resolution Framework for Financial Institutions*” as well as the Guidance Notes issued by the Prudential Authority at the time (including Guidance Note 6), but it does amend a number of pieces of legislation including the Insolvency Act, 1936 (the “**Insolvency Act**”), the Banks Act, the Companies Act, and the Financial Sector Regulation Act, 2017 (the “**FSR Act**”) and amends the creditor hierarchy, including preferring deposits covered by the proposed deposit insurance scheme (DIS) to unsecured creditors and the creation of a new subordinated class of loss-absorbing instruments (FLAC instruments) to facilitate the application of the proposed statutory bail-in power, in order to assist with the implementation of the resolution framework for “designated institutions” and the creation of a privately funded deposit insurance scheme. Note that other than the above changes the creditor hierarchy remains unchanged from the Insolvency Act.

In South Africa, the Relevant Regulator currently has the power to trigger contractual write-off or conversion of Additional Tier 1 instruments and Tier 2 instruments at the Point of Non-Viability (PONV), i.e. where the Relevant Regulator determines it necessary to prevent the institution from becoming non-viable or when public sector support would be required to prevent failure; such “regulatory bail-in” is executed outside resolution. The FSLAA introduces a power that will subject most types of debt to bail-in, in accordance with their statutory hierarchy and provided resolution is invoked (“**statutory bail-in**”). As a result, losses for investors may differ

depending on whether regulatory bail-in, statutory bail-in or both powers are applied and the sequence in which they are applied. In particular, in a scenario where investors in Additional Tier 1 and Tier 2 instruments are first subject to regulatory and subsequently to statutory bail-in, this may lead to resolution action being challenged on the grounds that such investors would have been better off had a liquidation been invoked.

### *Tier 2 Notes*

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

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

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

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

### *Additional Tier 1 Notes*

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

defined in Condition 1 (*Interpretation*)) of the Additional Tier 1 Terms and Conditions of such Additional Tier 1 Notes, as specified in the Applicable Pricing Supplement, at the discretion of the Prudential Authority upon the occurrence of a Non-Viability Trigger Event (see Condition 9 (*Loss Absorption following a Non-Viability Trigger Event*)) of the Additional Tier 1 Terms and Conditions (subject to Condition 9.4 (*Disapplication of Non-Viability Loss Absorption Condition*)) of the Additional Tier 1 Terms and Conditions).

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

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

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

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

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

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

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

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

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

Upon the occurrence of a Non-Viability Trigger Event (as defined in Condition 1 (*Interpretation*) of the Additional Tier 1 Terms and Conditions, Additional Tier 1 Notes will be cancelled (in the case of a Conversion or Write-off (as applicable) in whole) or converted or written-off in part on a *pro rata* basis (in the case of a Conversion or Write-off (as applicable) in part) in accordance with the Capital Regulations (as defined in Condition 1 (*Interpretation*) of the Additional Tier 1 Terms and Conditions). Further to such cancellation or Conversion or Write-off (as applicable), Additional Tier 1 Noteholders will no longer have any rights against the Issuer with respect to any amounts cancelled or Converted or written-off (as applicable) and the Issuer shall not be obliged to pay compensation in any form to Additional Tier 1 Noteholders. Furthermore, any such cancellation or Conversion or Write-off (as applicable) will not constitute an event of default or any other breach of the Issuer's obligations under the Additional Tier 1 Terms and Conditions nor will it constitute an Event of Default or any other breach of the Issuer's obligations under the General Terms and Conditions.

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

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

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

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

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

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

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

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

*Deferral of, or election not to pay, interest payments*

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

Any election not to pay or to defer interest payments in respect of Additional Tier 1 Notes may have an adverse effect on the market price of such Additional Tier 1 Notes. In addition, as a result of an election not to pay or to defer provision of such Additional Tier 1, the market price of such Additional Tier 1 Notes may be more volatile than the market prices of other debt securities of the Issuer on which original issue discount or interest accrues that are not subject to such deferrals and may be more sensitive generally to adverse changes in the Issuer's financial condition.

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

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

### ***Risks related to the market generally***

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

#### *The secondary market generally*

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

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

#### *Exchange rate risks and exchange controls*

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



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

*Interest rate risks*

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

*Credit ratings may not reflect all risks*

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

*Legal investment considerations may restrict certain investments*

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

## CONFLICTS OF INTEREST

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

The Board Charter is the constitution that guides the board of directors of the Issuer and its committees in their activities and decisions; as well as in their dealings with each other, with management, with the Group's 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. The Board Charter requires directors to declare any actual or potential conflict of interest immediately once they become aware of it. Where actual or potential conflicts are declared, the Group implements a recusal procedure and affected directors are excluded from discussions on any decisions on the subject matter related to the declared conflict. 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 Absa Group's corporate website at <https://www.absa.africa/absaafrica/investor-relations/annual-reports/>.

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

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

## EXCHANGE CONTROL

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

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

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

#### **Emigrant Capital Account**

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

#### **Emigrants from the Common Monetary Area**

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

In the event that a Beneficial Interest in Notes is held by an emigrant from the Common Monetary Area through the Central Securities Depository and its relevant Participants, the securities account maintained for such emigrant will be designated as an emigrant capital account. All payments in respect of subscriptions for Notes by an emigrant from the Common Monetary Area, using emigrant capital in an emigrant’s capital account, must be made through an authorised dealer in foreign exchange controlling the remaining assets.

Any payments of interest and/or principal due to a Noteholder who is an emigrant from the Common Monetary Area will be deposited into such emigrant Noteholder’s emigrant capital account, as maintained by an authorised foreign exchange dealer. Interest payments are freely transferable and may be credited to the emigrant’s non-resident Rand account. Capital amounts are not freely transferable from the Common Monetary Area and may only be dealt with in terms of the Exchange Control Regulations.

#### **Non-residents of the Common Monetary Area**

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

It will be incumbent on any such non-resident Noteholder to instruct the non-resident’s nominated or authorised dealer in foreign exchange as to how any funds due to such non-resident in respect of Notes are to be dealt with. Such funds may, in terms of the Exchange Control Regulations, be remitted abroad only if the relevant Notes are acquired with foreign currency introduced into South Africa or Rand from a non-resident Rand account held with an authorised foreign exchange Dealer and *provided that* the relevant Individual Certificate or securities account is designated “non-resident” or the relevant Securities Accounts has been designated as a “non-resident” account, as the case may be.

The Issuer is domiciled and incorporated in South Africa and as such is not required to obtain exchange control approval for the issuance of Notes within South Africa.

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

### **SARB Approval**

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

### **Bearer Notes**

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

### **Order Notes**

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

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

As at the date of this Risk Factors and Other Disclosures Schedule, no exchange control approval is required in respect of the Programme and/or the Notes.

## SETTLEMENT, CLEARING AND TRANSFER OF NOTES

### Clearing systems

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

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

### Participants

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

### Settlement and clearing

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

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

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

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

## **Transfers and exchanges**

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

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

## **Records of payments, trust and voting**

Neither the Issuer nor the Paying Agent will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, Beneficial Interests, or for maintaining, supervising or reviewing any records relating to Beneficial Interests. Neither the Issuer nor the Paying Agent nor the Transfer Agent will be bound to record any trust in the Register or to take notice of or to accede to the execution of any trust (express, implied or constructive) to which any Note may be subject. Holders of Beneficial Interests vote in accordance with the Applicable Procedures.

## **JSE Debt Guarantee Fund Trust**

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

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

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

## SOUTH AFRICAN TAXATION

*The comments below are intended as a general guide to the relevant tax laws of South Africa as at the date of this Risk Factors and Other Disclosures Schedule. The contents of this section headed “South African Taxation” do not constitute tax advice and do not purport to describe all of the considerations that may be relevant to a prospective subscriber for or purchaser of any Notes. Prospective subscribers for or purchasers of any Notes should consult their professional advisers in this regard.*

### **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 (the “**Income Tax Act**”). The withholding tax could be reduced by the application of relevant double taxation treaties.

The legislation exempts, inter alia, from the withholding tax on interest any amount of interest paid by a bank as defined in the Banks Act, 1990 (the “**Banks Act**”) to a foreign person. It is envisaged that this exemption would apply to the interest payments made to foreign Noteholders. The withholding tax legislation also provides an exemption for 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 of the Income Tax Act. The JSE Limited (the “**JSE**”) would qualify as such an exchange, and therefore, subject to any legislative changes, the interest paid on the Notes listed on the JSE will also be exempt from the withholding tax on interest. 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 Notes (bonds) under the Securities Transfer Tax Act, 2007, 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 Notes. Notes (bonds) constitute “*debt securities*” as defined in section 2(2)(iii) of the South African Value-Added Tax Act, 1991 (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.

Commissions, fees or similar charges raised for the facilitation, issue, allotment, drawing, acceptance, endorsement or transfer of ownership of Notes (bonds) that constitute “*debt securities*” will however be subject to VAT at the applicable prevailing standard rate, except where the recipient is a non-resident as contemplated below.

Services (including exempt financial services) rendered to non-residents who are not in South Africa when the services are rendered, are subject to VAT at the zero rate in terms of section 11(2)(l) 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 his/her 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:

- (c) 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
- (d) 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.

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.

The Notes do not meet the definition of “*hybrid debt instruments*” or “*hybrid interest*” and therefore the provisions of Sections 8F and 8FA of the Income Tax Act do not apply to the notes.

Purchasers of Notes are advised to consult their own professional advisors 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



any gain or loss would 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, the 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.

### **Conversion and Write-off of Subordinated Notes**

It should be noted that the tax consequences to the Subordinated Noteholders of the compulsory Conversion of Subordinated Notes into Issuer Ordinary Shares or the compulsory Write-off of Subordinated Notes, upon the occurrence of a Non-Viability Trigger Event, are complicated. A summary of some of the possible tax consequences of the compulsory Conversion of Subordinated Notes or the compulsory Write-off of Subordinated Notes is set out below. Prospective subscribers for or purchasers of Subordinated Notes must consult their professional advisers in this regard.

#### **Conversion of Subordinated Notes**

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

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

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

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

#### **Write-off of Subordinated Notes**

To the extent that Subordinated Notes are written-off (on the basis that the Issuer is no longer obliged to pay the relevant amount to the Noteholders of the Tier 2 Notes or Additional Tier 1 Notes (as applicable)) the event is a “disposal” for capital gains tax purposes or a realisation for normal income tax purposes. If a debt is waived

or reduced as envisaged in the Income Tax Act, this may result in a loss for the Subordinated Noteholders. The normal principles of capital and revenue are to be applied in determining whether any such loss should be subject to normal income tax or capital gains tax in terms of the Income Tax Act. In addition, specific provisions in the Income Tax Act may apply to the waiver or reduction of debt. In this regard, Subordinated Noteholders must consult their own tax advisers to confirm the specific tax treatment of the waiver or reduction of debt.

***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 relevant Terms and Conditions of the Notes or any related documentation.

## SUBSCRIPTION AND SALE

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

### South Africa

Each Dealer has (or will have) represented, warranted and agreed that it (a) will not offer Notes for subscription, (b) will not solicit any offers for subscription for or sale of the Notes and (c) will itself not sell or offer the Notes in South Africa, in contravention of the Companies Act, the Banks Act, the Exchange Control Regulations, 1961 promulgated under the Currency and Exchanges Act, 1933 (the “**Exchange Control Regulations**”) and/or any other Applicable Laws and regulations of South Africa in force from time to time.

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

### *Offers not deemed to be offers to the public*

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

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

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

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

### United States of America

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

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

- (a) the Notes in that Tranche have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold or delivered within the United States or to, or for the account of or benefit of, U.S. persons except in accordance with Regulation S or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws;

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

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

### ***United Kingdom***

#### ***Public Offer Selling Restrictions under the UK Prospectus Regulation***

Prior to the issue of any Tranche of Notes under the Programme, each Dealer who has (or will have) agreed to place that Tranche of Notes will be required to represent and agree that has not made and will not make an offer of any of such Notes to the United Kingdom except that it may make an offer of any of such Notes to the public in the United Kingdom:

- (e) if the final terms or drawdown prospectus in relation to the Notes specifies that an offer of those Notes may be made other than pursuant to section 86 of the Financial Services and Markets Act, 2000 (the “FSMA”) (a “**Non-exempt Offer**”), following the date of publication of a prospectus in relation to such Notes which either (i) has been approved by the Financial Conduct Authority, or (ii) is to be treated as if it had been approved by the Financial Conduct Authority in accordance with the transitional provision in Regulation 74 of the Prospectus (Amendment etc.) (EU Exit) Regulations 2019, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
- (f) at any time to any legal entity which is a qualified investor as defined in the UK Prospectus Regulation;
- (g) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the UK Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (h) at any time in any other circumstances falling within section 86 of the FSMA, provided that no such offer referred to in (a) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to section 85 of FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression “*an offer of Notes to the public*” in relation to any Notes means the communication in any form and by any means of sufficient information on the terms of the offer and the Securities to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression “UK Prospectus Regulation” means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended and regulations made thereunder.

Other regulatory restrictions: The Dealer has represented and agreed, and each further Dealer appointed under this Programme will be required to represent and agree, that:

- (a) **Financial Promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 (Financial Promotion) of the FSMA) received by it in connection with the issue or sale of any Securities in which section 21(1) of the FSMA would not, if it was not an authorised person, apply to the Issuer; and
- (b) **General Compliance:** it has complied and will comply with all applicable provisions of the FSMA and the Financial Conduct Authority Handbook with respect to anything done by it in relation to any Securities in, from or otherwise involving the United Kingdom.

## ***Selling Restrictions Addressing Additional United Kingdom Securities Laws***

Prior to the issue of any Tranche of Notes under the Programme, each Dealer who has (or will have) agreed to place that Tranche of Notes will be required to represent and agree that:

- (a) in relation to any of the Notes in that Tranche which have a maturity of less than one year, (i) it is a Person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any of such Notes other than to Persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of such Notes would otherwise constitute a contravention of section 19 of the FSMA by the Issuer;
- (b) 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 FSMA) received by it in connection with the issue or sale of any of the Notes in that Tranche under circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any of the Notes in that Tranche in, from or otherwise involving the United Kingdom.

## **European Economic Area**

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

- (a) in the period beginning on the date of publication of a prospectus in relation to those Notes which has been approved by the competent authority in that Member State in accordance with the EU Prospectus Regulation and/or, where appropriate, published in another Member State and notified to the competent authority in that Member State in accordance with Articles 24 and 25 of the EU Prospectus Regulation and ending on the date which is 12 months after the date of such publication;
- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which has two or more of: (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than € 43 000 000.00; and (iii) an annual turnover of more than € 50 000 000.00 as shown in its last annual or consolidated accounts; or
- (d) at any time in any other circumstances which do not require the publication by the Issuer or any Dealer of a prospectus pursuant to Article 3 of the EU Prospectus Regulation, or supplement a prospectus pursuant to Article 23 of the EU Prospectus Regulation.

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

## **General**

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

of Notes in that Tranche under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, subscriptions, offers or sales.

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

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

## **CORPORATE INFORMATION**

### **ISSUER**

**Absa Group Limited**  
**7th Floor**  
**Absa Towers West**  
15 Troye Street  
Johannesburg, 2001  
South Africa  
Contact: Head of Investor Relations  
Email: ir@absa.africa  
Tel: 011 350 4000

### **ARRANGER**

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

15 Alice Lane  
Sandown  
Sandton, 2196  
South Africa  
Contact: Head: Debt Capital  
Markets  
Email: IBDDCM@absa.africa  
Tel: 011 895 6000

### **DEALER**

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

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South Africa  
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Markets  
Email: IBDDCM@absa.africa  
Tel: 011 895 6000

### **DEBT SPONSOR**

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

15 Alice Lane  
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Email:  
IBDJSESponsor@absa.africa  
Tel: 011 895 6000

### **CALCULATION AGENT**

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

15 Alice Lane  
Sandown,  
Sandton, 2196  
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Contact: CIB Africa CM Bonds  
Email: AbcapCMBonds@absa.africa  
Tel: 011 895 6000

### **TRANSFER AGENT**

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

15 Alice Lane  
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Sandton, 2196  
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Contact: CIB Africa CM  
Bonds  
Email:  
AbcapCMBonds@absa.africa  
Tel: 011 895 6000

### **PAYING AGENT**

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

15 Alice Lane  
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Contact: CIB Africa CM Bonds  
Email:  
AbcapCMBonds@absa.africa  
Tel: 011 895 6000

### **SETTLEMENT AGENT**

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

15 Alice Lane  
Sandown  
Sandton, 2196  
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Contact: Absa Investor Services (AIS)  
Email: AISBonds@absa.africa  
Tel: 011 501 5444

## **DEBT OFFICER**

### **Absa Group Limited**

Jason Quinn  
Group Financial Officer  
15 Alice Lane  
Sandown  
Sandton, 2196  
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