

BARCLAYS AFRICA GROUP LIMITED

Incorporated in the Republic of South Africa

Registration number: 1986/003934/06

ISIN: ZAE000174124

JSE share code: BGA

("Barclays Africa" or "BAGL")

ABSA BANK LIMITED

Incorporated in the Republic of South Africa

Registration number: 1986/004794/06

ISIN: ZAE000079810

JSE share code: ABSP

("Absa Bank")

TERMS OF SEPARATION WITH BARCLAYS SIGNED

Background

Barclays PLC ("**Barclays**", including, where required by the context, its relevant subsidiaries) announced on 1 March 2016 that it intended, over a two- to three-year period, to reduce its shareholding in Barclays Africa Group Limited ("**BAGL**", including, where required by the context, its relevant subsidiaries) to a level which will permit Barclays to de-consolidate BAGL from a regulatory perspective and, prior to that, from an accounting perspective.

On 23 February 2017, BAGL announced that the terms of the transitional services arrangements and the separation payments (the "**Separation Arrangements**") had been agreed with Barclays. These were submitted to relevant regulators as part of a request for approval by Barclays to sell down its holding in BAGL to below 50%.

Regulatory approval

As announced earlier today, Barclays and BAGL have now received the required regulatory approvals from the Minister of Finance in South Africa for Barclays to reduce its holding in BAGL to below 50%.

Key separation agreement terms

Furthermore, Barclays and BAGL have today entered into the agreements governing the terms on which the separation will occur. The key terms of these agreements are as follows:

Separation contribution and timing

As announced on 23 February 2017, the separation terms include contributions from Barclays to BAGL, which BAGL will use to separate from Barclays, totalling £765 million and comprising:

- £55 million to cover separation-related expenses, of which £27.5 million was paid in December 2016, with the remaining £27.5 million (ZAR465 million) (note 1) to be paid on the date on which Barclays' holding in BAGL falls to 50% or below ("**Initial Sell Down Date**");
- £515 million (ZAR8,293 million) (note 2) to provide additional capital to BAGL to allow it to make investments required to separate, including in respect of technology, rebranding and other separation projects. The contribution is to be made 30% on signing of the agreements and 70% on Initial Sell Down Date; and
- £195 million (ZAR3,295 million) (note 1) for terminating the existing Master Services Agreement between Barclays and BAGL, which governs the provision of services by Barclays to the BAGL subsidiaries acquired from Barclays in 2013 (the "**MSA**"), which will be contributed on the Initial Sell Down Date.

The expectation is that the financial contributions will neutralise the capital and cash flow impact of separation investments on BAGL over time. However, the separation process will have an impact on BAGL's financial statements for the next few years, most notably by increasing the capital base in the near term and generating endowment revenue thereon, with increased costs likely over time as the separation investments are concluded. Consequently, BAGL will start to report normalised results that better reflect the underlying performance of the business once the contributions have been received.

Black economic empowerment contribution

In addition, Barclays will contribute the equivalent of 1.5% of BAGL's market capitalisation, equating to approximately ZAR1,856 million (note 3), towards the establishment of a broad-based black economic empowerment ("**BBBEE**") scheme. Further details on the proposed BBBEE scheme will be communicated in due course.

Intra-group agreements

Subject to certain limited exceptions, the current intra-group arrangements between Barclays and BAGL, including the MSA and the intra-group framework agreement (the "**IGFA**"), will terminate on the Initial Sell Down Date. The Separation Arrangements include a transitional services agreement (the "**TSA**") to replace the existing MSA and IGFA. The TSA will be effective from the Initial Sell Down Date. The term of the TSA will be determined by the timeframes specified for the individual services provided, which range from three months to three years, subject to extension(s).

Governance framework and protective covenants

A governance framework will apply during the separation. Certain protective covenants (including non-compete arrangements and non-solicit obligations) will apply to Barclays, in respect of the countries BAGL operates in, from today until three years from the Initial Sell Down Date. These protective covenants are subject to certain agreed carve-outs and it is expected that Barclays and BAGL will continue to cooperate for the benefit of mutual clients, where appropriate.

Brand and trademarks

The Separation Arrangements also include a Transitional Trade Mark Licence agreement (“**TTML**”), which will be effective from the Initial Sell Down Date, to replace the existing trademark licence agreements between Barclays and BAGL. In terms of the TTML, BAGL will continue to use the Barclays brand for up to 12 months in South Africa and for up to three years in other BAGL presence countries, subject to limited exceptions. Further details on rebranding will be communicated in due course.

Indemnities

Under the Separation Arrangements, Barclays has agreed to indemnify BAGL against certain potential losses suffered by BAGL, including as a result of (i) the business of Barclays, untrue statements or omissions contained in any document issued by Barclays in connection with any placing or marketing of BAGL shares under the proposed sell-down of BAGL shares, and any failure by any Barclays company to discharge any liability in respect of taxation for which Barclays is primarily liable (the “**Perimeter Indemnity**”); or (ii) BAGL having adhered to any Barclays policy which is not compliant with the laws for which that policy was designed (the “**Policy Indemnity**”). Barclays’ liability under the Perimeter Indemnity is uncapped and under the Policy Indemnity is capped at £614.7 million (ZAR10,385 million) (note 4).

Notes:

1. Payable in GBP. Converted at a GBP:ZAR exchange rate of 16.8949 as at 30 May 2017;
2. Payable in ZAR at a GBP:ZAR exchange rate of 16.1029 (being the prevailing exchange rate on 1 March 2017);
3. Based on BAGL’s share price of R145.95 as at 30 May 2017; and
4. Converted at a GBP:ZAR exchange rate of 16.8949 as at 30 May 2017.

Johannesburg

31 May 2017

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