

**THE STANDARD BANK OF SOUTH AFRICA LIMITED**

(Incorporated with limited liability on 13 March 1962 under Registration Number 1962/000738/06 in the Republic of South Africa)

as **Issuer**

**RISK FACTORS & OTHER DISCLOSURES SCHEDULE RELATING TO THE
STANDARD BANK OF SOUTH AFRICA LIMITED ZAR120,000,000,000 STRUCTURED
NOTE PROGRAMME**

*This is the Risk Factors and Other Disclosures Schedule relating to The Standard Bank of South Africa Limited ZAR120,000,000,000 Structured Note Programme (the "**Programme**") (the "**Risk Factors & Other Disclosures Schedule**"), and is 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 & Other Disclosures Schedule is dated as of 8 December 2022 and contains all information pertaining to:

- *the risk factors which outlines the factors the Issuer believes may affect its ability to fulfil its obligations under the Notes as well as the factors which are material for the purpose of assessing the market risks associated with the Notes;*
- *the Banking Sector in South Africa;*
- *South African Exchange Control;*
- *South African Taxation;*
- *Subscription and Sale;*
- *Settlement, Clearing and Transfer of Notes; and*
- *Corporate Information.*

*Capitalised terms used in this Risk Factors & Other Disclosures Schedule are defined in the section of the Programme Memorandum headed "Terms and Conditions of the Notes" (the "**Terms and Conditions**"), unless separately defined or clearly inappropriate from the context.*

RISK FACTORS

The Issuer believes that the factors outlined below may affect its ability to fulfil its obligations under the Notes. All 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 the Notes are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, 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 together with this Risk Factors & Other Disclosures Schedule and the Issuer Disclosure Schedule relating to The Standard Bank of South Africa Limited (the "**Issuer Disclosure Schedule**", collectively the "**Disclosure Schedules**")) to reach their own views prior to making any investment decision. The information given below is as at the date of this Risk Factors & Other Disclosures Schedule.*

*References in this section to "**SBSA**" are to the Issuer and references to the "**Group**" are to Standard Bank Group Limited ("**SBG**") and its subsidiaries and therefore include the Issuer and its subsidiaries. Investors should note that SBG is not a guarantor of, and will not guarantee, any Notes issued by the Issuer under the Programme. Investors' sole recourse in respect of any Notes issued by the Issuer is to the Issuer.*

*References in this section to a "**Condition**" are to a Condition in the 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.

Purchasers of and investors in Credit Linked Notes or Equity Linked Notes are solely responsible for making their own independent appraisal of an investigation into the business, financial condition,

prospects, creditworthiness, status and affairs of any Reference Entity and its Obligations, Underlying Obligations, Underlying Obligors, Reference Obligations and Deliverable Obligations or Share Company and its Shares.

Purchasers of and investors in FX Linked Notes are solely responsible for making their own independent appraisal of, and investigation into, the credit risk of the FX Deliverable Obligations and the obligor(s) in respect of the FX Deliverable Obligations, including, but not limited to, general economic conditions, the condition of relevant financial markets, relevant political events and developments or trends in any relevant industries.

Purchasers of and investors in Credit Linked Notes, Equity Linked Notes or FX Linked Notes should be aware that none of the Programme Parties has any duty to conduct or accepts any responsibility for conducting or failing to conduct any investigation into the business, financial condition, prospects, creditworthiness, status and/or affairs of any Reference Entity and its Obligations, Underlying Obligations, Underlying Obligors, Reference Obligations and Deliverable Obligations or Share Company and its Shares or FX Deliverable Obligation as applicable.

Purchasers of and investors in the Notes may not rely on the views, opinions or advice of the Issuer for any information in relation to any person other than the Issuer itself.

Factors that may affect the Issuer's ability to fulfil its obligations in respect of the Notes issued under the Programme

Risks relating to the Issuer

The investments, business, profitability and results of operations of the Group may be adversely affected by difficult conditions in the global, South African and, with respect to SBG, sub-Saharan 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

The COVID-19 pandemic and the widespread and rapid implementation of measures to contain it had a significant adverse impact on the global economy, including the economies of sub-Saharan Africa. As a result, COVID-19 emerged as a multi-faceted risk with a variety of implications for the Issuer. The impact of the COVID-19 pandemic, the steps taken to control it and the measures introduced to support the economy in South Africa, where the Issuer generates a majority of its revenue, and in many of the countries in which the Group operates, created credit, operational, conduct, regulatory, financial crime and financial risks which may have a material adverse effect on the businesses, financial condition, capital position, results of operations, execution of medium-term growth strategies, customer proposition development and prospects of the Issuer.

The economies of sub-Saharan Africa have partially recovered from the impact of the COVID-19 pandemic, however the precise duration and strength of the economic recovery in the region is uncertain. The vaccination rate in the region is low, as such the influx of new variants and renewed restrictions remain a risk. Renewed restrictions would disrupt the economic recovery and could result in higher credit risk, defaults, provisions and impairments.

Renewed global customer demand and residual supply chain disruptions in the region are causing inflation to rise and central banks have started to adopt a more aggressive stance and/or raise interest

rates. If inflation rises beyond acceptable levels, it will reduce affordability, drive up poverty and place strain on the sub-Saharan African economies. If interest rates are increased at a rate beyond that which the Issuer's customers can absorb, they are likely to experience financial strain impacting their ability to service their debt. Both, high inflation and large increases in interest rates, could result in higher credit risk, defaults, provisions and impairments.

In response to the impact of COVID-19, the Issuer provided various forms of support to its customers, including the granting of capital repayment holidays, forbearance and extensions of credit, including through governmental and central bank support measures such as the South African Government Guarantee Loan Scheme. The credit provisions held by the Issuer on these portfolios are based on expected losses, which are based on available information. However, the COVID-19 pandemic is ongoing and the duration, impact and severity of the pandemic cannot be predicted as future variants may be identified with more severe impacts than those of currently known variants. Consequently, if the COVID-19 pandemic continues and global economic conditions deteriorate, there is a risk that levels of default increase, provisions are insufficient and additional impairments arise, which could have a material adverse effect on the businesses and financial conditions of the Issuer.

Additional capital may be required by the Issuer to absorb the impact of heightened levels of credit risk and any increase of impairment levels over time resulting from the COVID-19 pandemic. If the pandemic causes dislocation in wholesale markets or a reduction in investor appetite for holding its securities, this may adversely affect the Group and Issuer's ability to access capital and funding respectively or require the Issuer to access funds at a higher cost, or on unfavourable terms. Additionally, customers' use of deposits may change as a result of the pandemic, particularly amongst businesses, all of which could have a material adverse effect on the businesses, financial condition, capital positions, results of operations and prospects of the Issuer.

Other potential risks include credit rating migration and increase in credit losses which could negatively impact the Issuer's risk-weighted assets and capital positions, and potential liquidity stress due, among other factors, to decreased customer deposits. In addition, the potential full or partial withdrawal of the significant initiatives that governments and central banks in the region have put in place to support funding and liquidity, either in a disorderly manner or too soon, may disrupt markets and asset prices. This could potentially increase credit losses and risk-weighted assets, which in turn could negatively impact the Issuer's capital positions and liquidity.

There is a risk that increased remote working, the implementation of new processes and pressure on customer support areas as a result of the pandemic could lead to increased errors or delays and subsequent losses for the Issuer. Working from home can increase the risk of internal fraud due to reduced control over restricted access to systems and there is an increased risk of cyber-attacks from phishing emails which use a COVID-19 theme. There is an increased risk of fraud, as fraudsters take advantage of the vulnerabilities created by the current situation. Any breach of the Issuer's systems could disrupt the Issuer's businesses, result in the disclosure of confidential information, create significant financial and/or legal exposure and damage its reputation and/or brand, which could have a material adverse effect on the Issuer's businesses, financial condition, results of operations and prospects.

The spread of COVID-19 and measures taken to contain it may also have a direct impact on colleagues' health as well as causing longer term wellbeing risks, such as impact on mental health resulting in absence, increasing pressure on the Issuer's workforces and reducing skills available in key areas. The

unavailability of staff could harm the Issuer's ability to perform critical functions and adversely impact the quality and continuity of service to customers and the reputation of the Issuer. In addition there is a risk that failure to recognise the impact of COVID-19 on vulnerable customers or those in financial difficulties could lead to claims for conduct matters or regulatory censure which could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

The Issuer continues to operate in highly competitive environments, with growth across a number of digital-only providers and emerging signs of participation from large technology companies. Forced changes in customer behaviour, as a result of COVID-19, could make it easier and faster for these digital companies to enter the South African and other sub-Saharan African financial services markets in which the Issuer operates placing increasing competitive pressure on the Group which could have a material adverse effect on the Issuer's businesses, financial condition, results of operations and prospects.

The Issuer may also be exposed to regulatory risk where it has had to introduce new or shortened processes in order to meet its commitment to provide urgent support to customers.

The full extent to which the COVID-19 pandemic impacts the Issuer's businesses, financial condition and results of operations, as well as its regulatory capital and liquidity ratios, will depend on future developments, which are highly uncertain and cannot be predicted, including the risk of the emergence, severity and spread of additional COVID-19 variants in the future.

The investments, business, profitability and results of operations of the Group may be adversely affected by difficult conditions in the global, South African and, with respect to SBG, sub-Saharan financial markets

The Group's business has significant holdings in South Africa, in particular through SBSA and its subsidiaries, with the majority of the Issuer's revenues derived from operations in South Africa. Therefore, the Issuer's business and results of operations are primarily affected by economic and political conditions in South Africa and, as a consequence of its impact on the South African economy, global economic conditions.

In addition, the Group is an Africa focused universal financial services group with operations in nineteen countries in sub-Saharan Africa outside of South Africa (which it refers to as "**Africa Regions**") and satellite offices in five key financial centres and two offshore hubs. As a result, SBG's performance is also affected by its operations in sub-Saharan Africa. Africa Regions contributed 36 per cent. to SBG's headline earnings for the year ended 31 December 2021, and total assets for Africa Regions represented 18.3 per cent. of SBG's total assets at 31 December 2021. Economic and political conditions in the Africa Regions in which it operates therefore also have an impact on SBG's business and results.

In 2021, the global economy, including the economies of South Africa and the Africa Regions, experienced a recovery from the material downturn caused by the COVID-19 pandemic in 2020. Recovery rates differed and the gross domestic product in many sub-Saharan African economies, including South Africa, remain below pre-COVID-19 pandemic levels. Economic observers such as the International Monetary Fund (the "**IMF**") have predicted that the recovery will continue into 2022 however it is likely to moderate (source: *IMF January 2022 Report*). Additionally, the precise duration and strength of the economic recovery in South Africa and the economies of the Africa Regions is uncertain. Any continued national or regional economic recovery is dependent on many factors beyond the Group's control, including government monetary and fiscal policies, an effective and efficient domestic and international COVID-19 vaccination programme, and domestic and international

economic and political conditions in general. Additionally, should the general global economic recovery continue during the course of 2022, this is likely to continue to be uneven across different economies and emerging markets, including the economies of sub-Saharan Africa, are expected to take longer to recover relative to more mature markets.

Moreover, the COVID-19 pandemic and its enduring effects could result in significant and continued market volatility, renewed declines in global financial markets, higher default rates and a substantial and/or sustained economic downturn or recession. Any further deterioration in global economic conditions may result in lower customer demand, including lower demand for borrowing from creditworthy customers, and/or a reduction in the value of related collateral and/or an increase of the Group's default rates, delinquencies, write-offs, and impairment charges, which in turn could adversely affect the Group's performance and prospects. A deterioration in economic conditions could also impact the ability of the Group to raise funding from external investors.

In the event that the current recovery conditions do not persist, the Group's business, financial condition and results of operations are likely to be negatively affected.

On 24 February 2022 Russia invaded Ukraine (the "**Russia–Ukraine Conflict**"). Following the invasion of Ukraine, various countries including those in the European Union as well as the United States, the United Kingdom, Switzerland, Canada, Japan and Australia announced, and have since implemented, certain economic sanctions.

The Group has limited direct exposure to Russia and Ukraine through its controlled operations. ICBC Standard Bank Plc ("**ICBCS**") (an entity in which the Group holds a 40 per cent. stake) is an emerging markets and commodities business and has exposure to certain entities which are being impacted, directly and indirectly, by the developments in Ukraine and Russia. While, ICBCS is responding to developments in line with its contingency plans, given the uncertainties and fluid nature of the developments, as at the date of this Risk Factors & Other Disclosures Schedule, there is no certainty as to the impact this may have on its financial results and in turn the Group's exposure to this risk.

The Russia-Ukraine Conflict may have an indirect impact on the Group's operations as a result of the impact on the global economy and thereby, on inflation and growth rates in the countries in which the Group operates. As a result of the Russia–Ukraine Conflict, there has been volatility in global energy, food and commodity prices, including platinum group metals, gold and fertilizer.

The situation in Russia and Ukraine is complex and constantly evolving and it is not possible to predict the potential impact of the Russia-Ukraine Conflict on the global economy or the Group. A potential slowdown in economic growth caused by the Russia-Ukraine Conflict could affect the Group's business, financial condition and results of operations. It may also lead to an increase in the Issuer's funding costs and execution risks related to debt issuance in the capital markets.

A deterioration in the South African economy may adversely affect the Group's business and results of operations in a manner that may be difficult to predict

The Group's business and results of operations may be impacted by a number of South African macroeconomic conditions, including subdued economic growth, rising unemployment, increases in inflation and/or interest rates and adverse foreign exchange rate movements.

Prior to the outbreak of the COVID-19 pandemic in January 2020, the South African economy had shown signs of weakness (including, for example, high unemployment, a decrease in income levels, depressed consumer confidence and an unreliable electricity supply) and had been in a period of declining economic activity since December 2013. While the South African economy grew by 4.9 per cent. in 2021 (*source: Statistics South Africa*), compared to the 6.4 per cent. decrease in 2020 (*source: Statistics South Africa*), as a result of COVID-19, the recovery in South Africa's economy and consumption levels was weighed down by an increase in levels of long-term unemployment, a reduction in income levels and persistent depressed consumer confidence. The economic recovery within South Africa in 2021 was uneven across income groups (*source Statistics South Africa*). Low-income groups have been most impacted by job losses (*source: Statistics South Africa*) although they continue to receive support through government schemes such as the special relief of distress grant (expected to be provided until March 2023). High-income groups have been relatively less affected by job losses (*source: Statistics South Africa*) and are likely to benefit from improved income levels in 2021 and 2022. The Issuer currently anticipates that consumer spending should recover this year, despite expectations of higher interest rates and that household consumption expenditure is likely to be supported by a recovery in private-sector employment and ongoing fiscal support. The recovery across income groups is expected to remain uneven.

However, uncertainty around the availability of electricity supply continues to threaten economic activity. The Eskom CEO, Andre de Ruyter, has publicly announced that Eskom expects an electricity supply shortfall of approximately 4,000MW over the next five years, which implies a sustained risk of load shedding during this period, which could limit the country's economic recovery prospects. The South African Reserve Bank ("**SARB**") has projected GDP growth to increase by 2.0 per cent in 2022. The SARB noted that the risks to the growth outlook are balanced. Support from private sector energy investments following the relaxation of embedded generation regulations as well as traction with infrastructure spending will aid growth. However, growth is still curbed by the well-known growth impediments, including renewed electricity load shedding and growing frustration with logistical constraints. Furthermore, there is downside growth risk from the Ukrainian invasion.

The South African banking sector is widely regarded as one of the country's key pillars of economic strength. The South African banking sector was impacted by the negative economic effects of the COVID-19 pandemic during 2020, and to a lesser extent during 2021, and remains exposed to South Africa's general macroeconomic conditions and stability.

The downgrade of South Africa's sovereign credit rating by each of Moody's Investor Services Cyprus Ltd., Fitch Ratings Limited and S&P Global Ratings to sub-investment grade in 2020 saw South Africa excluded from the World Government Bond Index, triggering investors who were mandated to invest in investment grade countries to sell South African assets. These rating agencies currently rate South Africa as sub-investment grade. The South African government (the "**Government**") announced its commitment to fiscal consolidation in its 2022 Budget. S&P Global Ratings unexpectedly revised its outlook on South Africa's sovereign credit ratings to positive from stable in May 2022 and kept its long-term foreign currency rating at BB-. S&P Global Ratings indicated that the "expectation that favourable terms of trade, a path toward contained fiscal expenditure, and the implementation of some structural reforms could lead to a continued easing of fiscal and external pressures". Moody's also recently preserved South Africa's local and foreign currency ratings at Ba2 (non-investment grade), while changing the outlook to stable.

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 & Other Disclosures Schedule.

A deterioration in the economies of the Africa Regions may adversely affect the Group's business and results of operations in a manner that may be difficult to predict

While the COVID-19 pandemic's downside risks to economic activity have broadly moderated because most African governments have significantly eased, or entirely withdrawn, public health restrictions, they now face the risks arising from geopolitical tensions (such as between Russia and Ukraine), increasing portfolio outflows due to deteriorating global risk appetite, and further disruptions to supply chains due to China's renewed lockdowns. GDP growth forecasts for 2022 are largely lower (except for Nigeria and Angola) largely due to the sharp rise in fuel and food prices which will inevitably crimp disposable income and shrink personal consumption expenditure. With central bank monetary policy committees tightening their policy stance to constrain inflation expectations, private investment may also dwindle as commercial banks' appetite for private sector lending lessens. Notable downward growth revisions for 2022 include Ghana, Uganda and Malawi. Ghana's ongoing difficulty in attracting external funding will keep the Ghanaian cedi under pressure. Fiscal space being limited will limit the government intervening to support the Ghanaian economy. Higher fuel prices will weigh down private consumption expenditure in Uganda. Furthermore, long-standing ESG concerns are further obscuring the government's financing options for Uganda's USD 10 billion crude oil pipeline.

It may seem that the Ukraine war will have a more limited impact on direct trade dynamics for African economies. However, the supply side shock of this conflict, via the price transmission, spells an impact for African economies from both higher oil and food prices. Net oil exporters, such as Angola and Nigeria, are already benefiting from the sharp rise in international oil prices, while net oil importers face external account pressures as imports swell. Similarly, as food prices rise, the food import bill for many of the economies face upside pressure. Inflation in most of the markets has increased materially, and second-round effects, chiefly from higher oil and food prices, may therefore dislocate inflation expectations further during the remainder of 2022. Côte d'Ivoire, DRC, Kenya and Ghana usually depend on fertiliser supply from Russia and Ukraine. The inevitable disruptions here pose a risk to their harvests – including key agrarian exports such as tobacco from Malawi, cocoa from Ghana and Côte d'Ivoire, and tea and coffee from Kenya and Uganda respectively.

A deterioration in the economies of the Africa Regions may have an adverse effect on the business, financial condition and results of operations of SBG and, by extension, the Group.

Changes in the credit quality of counterparties could impact the recoverability and value of assets, which may have an adverse impact on the Group's profitability

The Group's lending and trading businesses are subject to inherent risks relating to the credit quality of its counterparties, which may impact the recoverability of loans and advances due from these counterparties. Changes in the credit quality of the Group's lending and trading counterparties, or arising from systemic risk in the financial sector, could reduce the value of the Issuer's assets and require increased provisions for bad and doubtful debts.

In addition, the Group is exposed to credit concentration risk, which is the risk of loss arising from an excessive concentration of exposure to a single counterparty, an industry, a market or segment of a market, a product, a financial instrument or type of security, a country or geography, or a maturity. The Group's credit portfolio also contains concentration risk of exposure to respective governments in the

regions in which it operates, through prudential requirements and direct lending. The Group manages this exposure within a clearly defined risk appetite framework and stress tests portfolios against weaknesses and sovereign downgrades.

The Group's credit impairment charges decreased by 52 per cent. to R9.9 billion for the year ended 31 December 2021 from R20.6 billion for the year ended 31 December 2020. The total credit loss ratio also decreased to 0.73 per cent. for the year ended 31 December 2021 from 1.51 per cent. for the year ended 31 December 2020. The improvement in credit performance from 31 December 2020 to 31 December 2021 was driven by higher quality customer risk profiles, improved collections and enhanced forward-looking assumptions based on expectations for improved operating conditions. Positive repayment behaviour from personal customers resulted in higher cure rates in the Group's consumer and high net worth business segment, while successful restructuring and repayment of some corporate and investment banking exposures supported a net release of provisions.

Stage 3 loans and advances were 4.7 per cent. of gross loans and advances for SBG for the year ended 31 December 2021, a decrease from 5.5 per cent. for the year ended 31 December 2020. Stage 3 loans and advances are financial assets on which a lifetime expected credit loss is calculated, and which are assessed as being credit impaired due to either an event of default, significant financial distress, high probability of bankruptcy or reorganisation or the loss of an active market.

As at 31 December 2021, SBSA's gross loans and advances of R1,244 billion represented 84 per cent. of the Group's gross loans and advances of R1,475 billion. As at 31 December 2020, SBSA's gross loans and advances of R1,164 billion were 88 per cent. of the Group's total gross loans and advances of R1,321 billion. SBSA's Stage 3 loans and advances decreased from R62 billion as at 31 December 2020 (comprising 5.3 per cent. of SBSA's total gross loans and advances) to R59 billion as at 31 December 2021 (comprising 4.8 per cent. of SBSA's total gross loans and advances). The improvements in the Stage 3 balances were driven by reduced credit quality deterioration across all portfolios, as more customers recovered from the higher levels of stress experienced in 2020 and resumed debt repayments.

SBSA's credit impairment charges on total loans and advances decreased by 54 per cent. to R7.8 billion for the year ended 31 December 2021 (compared to R17.1 billion for the year ended 31 December 2020) and the credit loss ratio on total loans and advances also decreased to 0.68 per cent. from 1.48 per cent. for the prior year, driven in each case by improved collections as the economy recovered from the lockdowns in 2020, as well as by the improved performance of the client relief portfolio, as customers resumed making loan repayments.

The Consumer and High Net Worth SA business segment reported a 39 per cent. decrease in impairment charges year-on-year, from R11.2 billion for the year ended 31 December 2020 to R6.9 billion for the year ended 31 December 2021. This was due to improved collections and better customer risk assessments driven by more refined data science and artificial intelligence analytics.

The Business and Commercial SA business segment recorded a 50 per cent. decrease in credit impairment charges year-on-year, from R2.7 billion for the year ended 31 December 2020 to R1.3 billion for the year ended 31 December 2021. The main drivers for this were the non-recurrence of large forward-looking provisions raised in 2020 due to the improved operating conditions in 2021, as well as an improvement in the risk profile of the portfolio during the year.

The Corporate and Investment Banking SA business segment reported a decrease in impairment charges on loans and advances of 113 per cent. from R3.1 billion for the year ended 31 December 2020 to a release of provisions amounting to minus R0.4 billion for the year ended 31 December 2021. The

release in credit impairments provisions on this portfolio during 2021 was mainly due to no new material counterparty defaults, the successful restructuring of previously non-performing loans, as well as adequate provisions having been raised for existing stage 3 exposures at the end of 2020.

SBSA's credit portfolio contains a concentration of exposure to the Government through prudential requirements and direct lending. SBSA manages this exposure within a clearly defined risk appetite framework and also stress tests the portfolio against weaknesses and sovereign downgrades.

Home services (previously mortgage loans) amounted to 33 per cent. of SBSA's gross loans and advances as at 31 December 2021, which represents a credit concentration in SBSA's portfolio. SBSA manages this exposure within a clearly defined risk appetite framework, which includes portfolio limits. SBSA also regularly stress tests the portfolio against various weaknesses in the economy, such as a sovereign ratings downgrade, which could negatively affect consumer creditworthiness and the repayment of home loans.

Many factors affect the ability of the Group's customers to repay their loans. Some of these factors, including adverse changes in consumer confidence levels due to local, national and global factors, consumer spending, bankruptcy rates, and increased market volatility, might be difficult to anticipate and are outside of the Issuer's control. The Issuer conducts annual credit risk type scenario and sensitivity stress testing on its portfolio to assess the impact on its risk profile and to inform changes to forward-looking risk appetite and strategy.

The Group continues to apply appropriate and responsible lending criteria and to manage credit risk by maintaining a culture of responsible lending and a robust risk policy and control framework, in line with anticipated economic conditions and forward-looking risk appetite. Despite this, if macroeconomic conditions (including inflationary pressures driven by higher commodity, fuel and other input prices as a result of the current Russia-Ukraine Conflict, for more information, see "*The investments, business, profitability and results of operations of the Group may be adversely affected by difficult conditions in the global, South African and, with respect to SBG, sub-Saharan financial markets*" above) in South Africa and globally remain uncertain, this could lead to variable demand for credit and may result in an increase in the level of the Issuer's non-performing loans and credit impairments. This, in turn, could have an adverse effect on the Issuer's financial condition or results of operations.

South African political uncertainty may impact the South African economy, which in turn could have a negative effect upon the Group's operations and its financial condition, in a manner that may be difficult to predict

Historically, the South African political environment has been characterised by a high level of uncertainty and concerns about the strength and independence of the country's institutions.

In 2022, the political outlook is currently dominated by the national elective conference of the ruling African National Congress ("ANC"), which is scheduled to be held in December 2022. At the conference, it is expected that President Cyril Ramaphosa will make himself available for re-election as party leader. If successful, President Ramaphosa's party leadership would then extend until December 2027. The ANC is also expected to establish a new set of policy priorities at the December conference.

National security concerns which arose during 2021 as a result of unrest in July 2021 in KwaZulu-Natal and Gauteng present risks to political stability. The Report of the Expert Panel into the July 2021 Civil Unrest, which was commissioned by President Ramaphosa, stated that ANC factional tensions were a contributory factor to the violence, and that the Cabinet should take responsibility for

the State's failure to adequately respond to the unrest when it began. In this year's State of the Nation Address, President Ramaphosa committed to implementing security reforms that would respond to the weaknesses identified by the Expert Panel. However, these reforms have yet to be announced, or implemented.

In addition to this, a continued focus is the need for the Government to undertake structural macroeconomic reforms that are required to stabilise the fiscal outlook in South Africa and to remedy chronic operational and financial weaknesses across several core state-owned entities, particularly Eskom. Intensified load shedding during 2022 has led Government to announce an emergency plan to resolve the energy crisis. Though aspects of the plan are expected, if implemented, to improve generation capacity, there remains a sustained risk of load shedding continuing for some time, which will limit the country's economic recovery prospects.

The performance of various Anti-Corruption Task Team institutions, in particular the National Prosecuting Authority, will continue to be of importance, particularly in light of the Government's commitment to hold accountable those responsible for corruption and 'state capture' during the tenure of former President Zuma. Linked to this, the Judicial Commission of Inquiry into State Capture has delivered its final report to President Ramaphosa who has in turn committed to providing an outline of how the ANC and the Government intend to implement the recommendations outlined in the report by the end of 2022.

Civil unrest and political instability, including the inability of the Government to implement the necessary structural reforms, may have an adverse impact on the South African economy and could have an adverse effect on the Group, its business, financial condition and results of operations.

The Issuer faces risk from the impact of climate change

The Issuer's activities may give rise to climate-related risks, as a result of its own operations and, more significantly, in respect of financed emissions across its client portfolios. The Issuer is exposed to physical and transition risks arising from climate change.

Physical risks from climate change relate to specific weather-related events such as heatwaves, droughts, floods and storms, and longer-term shifts in climate resulting in changes to mean temperatures and precipitation patterns, rising sea levels and coastal erosion. Acute physical risks such as more frequent and more intense extreme weather events pose a risk to the Issuer's own operations and those of its customers, especially in vulnerable sectors. Chronic physical risks such as rising average temperatures and changing precipitation patterns over the medium to long term, that lead to heat stress, droughts, higher wildfire risks and water shortages, may impact the Issuer's clients in sectors including mining, industrial, manufacturing and agriculture through water shortages, reduced labour productivity, reduced economic output and increased occupational health risks, which could impact performance of clients and in turn have an adverse impact on the Issuer's business. The nature and timing of extreme weather events are uncertain but they are increasing in frequency and their impact on the economies in which the Group operates is expected to be more acute in the future. Potential economic impacts include, but are not limited to, lower GDP growth, higher unemployment and significant changes in asset prices and the profitability of industries. Damage to client's properties and operations could impair asset values and impact the creditworthiness of clients leading to increased default rates, delinquencies, write-offs and impairment charges in the Issuer's portfolios and financial losses for the Issuer. In addition, the Issuer's own premises and resilience may suffer physical damage due to weather events leading to increased costs for the Issuer.

Transition risks, including policy risk, market risk and reputational risk, arise from the process of adjustment towards a low-carbon economy. As economies transition toward low-carbon economies, financial institutions, including the Issuer, may face significant and rapid developments in policy, law and regulation, technology and sentiment, which could lead to the increased risk of stranded assets of the Issuer or its clients, an impairment in value of clients' operating assets which would have an adverse impact on the Issuer's financials and increased risk in the probabilities of client default. As sentiment towards climate change shifts and societal preferences change, the Issuer may face greater scrutiny of the types of business it conducts, adverse media coverage and reputational damage from a failure to meet changing societal, customer, or investor demands as well as failure to comply with governmental and regulatory requirements. This may in turn impact customer demand for the Issuer's products, returns on certain business activities, costs of funding and the value of certain assets resulting in impairment charges.

If the Issuer does not adequately embed risks associated with climate change into its risk frameworks to appropriately measure, manage and disclose the various financial and operational risks it faces as a result of climate change, or fails to adapt its strategies and business models to changing regulatory requirements and market expectations on a timely basis, this may have a material and adverse impact on the Issuer's business, financial condition, results of operations, prospects and reputation.

The investments, business, profitability and results of operations of the Issuer may be adversely affected by risks relating to the Group's internal processes and operations

Fraudulent activity may result in financial losses which may have an adverse effect on the operations of the Group

The Group faces the risk of regulatory sanction, reputational damage and financial losses due to fraud, crime and misconduct. Internal and external fraud remain a top risk for the Group and the Group continues to invest in maintaining an appropriate control environment as the forms of fraud evolve in sophistication and complexity. Card fraud, defined under external fraud, remains the highest contributor to fraud losses suffered by the Group. This is mainly driven by the global trend of increased volumes of payments made on e-commerce channels, in-app purchases and electronic subscriptions, where cards are the preferred method of payment.

In addition, the Group continues to monitor for market abuse, market manipulation, rogue trading and trends of syndicate or collusive behaviour where staff may be complicit during economic downturns, as these activities may result in financial losses.

As the Group grows its digital offerings and footprint, the risk of impersonation and breaches of logical access management, which could result in regulatory sanction, reputational damage or financial loss, is heightened.

Should the Group fall victim to fraudulent activities or be unable to detect or mitigate fraudulent activities, this may have an adverse effect on the business, financial condition and results of operations of the Group.

Cyber-crime may result in losses which negatively impact the Group's business, financial condition and/or results of operations

The Group's operations are largely dependent upon its own information technology infrastructure (and systems) along with those of its third-party service providers. The Group's businesses are subject to their

ability to quickly adapt to disruptions while maintaining continuous business operations. Protecting the Group, its clients and partners from cyber risk is crucial as the Group continues to advance its digital capabilities.

The Group is cognisant of the mounting risk posed by cyber-crime. Financial services remain the most targeted economic sector from a cyber-threat perspective. The key sources of concern include the escalating sophistication of threats, increased volumes of cyber-attacks in the world at large, and an ever-expanding cyber-attack surface. Megatrends like cloud, mobile and big data are essential for the organisation to survive and thrive in new markets however they increase the risk of cyber-crime. Successful cyber-attacks have far reaching consequences which could result in fraud, material losses of client or customer information, cyber extortion, sabotage and/or damage of computer systems or reputational damage and may lead to regulatory penalties or financial losses; but ultimately, serve to damage the consumer's trust in the banking system.

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

The Issuer is required to comply with applicable anti-money laundering, counter terrorist financing and bribery and corruption reporting laws in South Africa; see the section headed "*Description of The Standard Bank of South Africa Limited - Regulation - Anti-money laundering regulatory requirements*" of the Issuer Disclosure Schedule. Additionally, regulators across Africa require financial institutions to adopt the risk-based approach to managing risks associated with money laundering and the financing of terrorism, as espoused by the Financial Action Task Force Recommendations. Regulators expect financial institutions to conduct due diligence on all their clients, and also require technologically driven transaction monitoring and reporting mechanisms in all countries in which the Group operates. 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 may fail to fully comply with applicable laws and regulations, various regulatory authorities that are responsible for supervision of compliance with anti-money laundering and counter terrorist financing legislation have the authority to impose fines and other penalties. In addition, the Issuer could suffer reputational harm if clients are found to have used its products or services for money laundering or illegal purposes, and this could adversely affect its financial condition and results of operations.

A failure or interruption in or breach of the Group's information technology systems could have an adverse effect on the Issuer's business, financial condition and/or results of operations

The Group's technology risk refers to the risk associated with the use, ownership, operation, involvement, influence and adoption of technology by the Issuer. It consists of technology-related events and conditions that could potentially impact the business including but not limited to technology changes, updates or alterations, digital services and cloud computing. A key consideration within technology risk is the Issuer's strategic focus to effectively adopt and use technology to achieve business objectives and be competitive.

The Group's main technology risks include the failure or interruption of critical systems, cybercrime, unauthorised access to systems, failure or exposure of a third-party service provider / partner used by the Issuer and the inability to serve its customers' needs in a timely manner.

The Group has a high dependency on its technology systems and operations infrastructure to conduct its business. The Group regards these systems as critical to improving productivity and maintaining the Group's competitive edge. SBG has introduced fully digital solutions for transactional banking (internet banking, mobile phone banking via text message, and smartphone banking via the app) in most countries in which it operates, and SBG actively encourages customers to switch from physical to digital channels.

Any failure, interruption or breach in security of these systems could result in failures or interruptions in its risk management, general ledger, deposit servicing, loan servicing, debt recovery, payment custody and/or other important systems. If the Group's information systems fail, even for a short period of time, it could be unable to serve some or all customers' needs on a timely basis which could result in a loss of business.

The Group plans to transform client experiences using digital technologies. This entails building a platform business and growing its partner network that extend beyond banking services. The chosen strategic position and execution plans face a number of risks that may result in an adverse impact on the Group's business and prospects

A lack of appropriate infrastructure (funding, organisational processes, technology, leadership and operating skills) and the volume of change in the Group may hinder execution of the digital first and platform business strategy, delay or prevent transformation of the way the Group operates, while increasing operating and governance costs. There is a risk that new customer solutions, and distribution partnerships are not well received by existing customers resulting in a loss of brand loyalty and loss of existing market share. Bigtech and fintech offer simple, efficient and affordable banking and other financial services through existing and familiar platforms. These are competitors with limited or no regulations restricting their innovation speed. The Group's innovations might not be fast enough to market, resulting in failure to capture more customers or grow revenue in line with expectations, which could lead to a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group may suffer reputational or financial damage as a result of misconduct by third- and fourth-parties

Third party risk is the potential risk that arises when the Group enters into a relationship with third parties and relies on third parties to perform services or activities on behalf of the Group. Third parties are engaged to form collaborative, mutually beneficial relationships and partnerships whilst ensuring effective customer delivery in line with the Group's strategic objectives. The Group relies on a large number of third parties to deliver critical services to customers. This includes customer interfacing services such as sales agents, brokers, digital banking products and core banking systems.

Non-performance by the Group's third parties may impact service delivery to customers and can potentially expose the Group to non-compliance with regulatory requirements, and consequently penalties, fines and/or reputational damage.

The Group is further exposed to concentration risk arising from relationships with key material service providers which provide critical IT systems and services to the Group. The COVID-19 pandemic may heighten third party risk within the Group whereby essential third parties, concentrated in high risk geographic areas, could themselves experience financial pressure which in turn could negatively impact service delivery and the continuation of essential services to customers.

Competition and Market Risk

An evolving competitive landscape may have an adverse effect on the Group's financial condition and results of operations

The Group is subject to significant competition from other major banks operating in its markets, including competitors such as international banks that may have greater financial and other resources, particularly in the corporate and investment banking market. Many of these banks compete for substantially the same customers as the Issuer and/or other members of the Group. The Group 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 "bigtech", and entities in the shadow banking industry. The shadow banking industry is large and inconsistently regulated in some of the Group's markets, which creates additional competition and may in future cause heightened systemic risk. Increased competition from non-bank entities in the money markets and capital markets could impact the Issuer's ability to attract funding. The Group's retail businesses may face increasing competition from Central Bank Digital Currencies ("CBDCs") such as Nigeria's eNaira. Competition may increase in some, or all, of the Issuer's principal markets including business banking, where new entrants are competing aggressively for market share. These forms of competition may have an adverse effect on the Issuer's financial condition and results of operations.

Adverse movements in market variables such as equity, bond and commodity prices, currency exchange and interest rates, credit spreads, recovery rates and correlations, could impact the market value of the Group's financial instruments

Market risk is the risk of a change in the market value, actual or effective earnings, or future cash flows of a portfolio of financial instruments, including commodities, which is caused by adverse movements in market variables such as equity, bond and commodity prices, currency exchange and interest rates, credit spreads, recovery rates, correlations and implied volatilities in all of these variables. The Group's key market risks are trading book market risk, interest rate risk in the banking book, equity risk in the banking book, foreign currency risk, own equity-linked transactions and post-employment obligation risk. Should the Group be unable to manage its market risk this could have a negative impact upon the value of its securities. At the Group level for the year ended 31 December 2021, market risk consumed R998 million, or 0.6 per cent. of Group economic capital. Interest rate risk in the banking book for the year ended 31 December 2021 consumed R6.2 billion, or 4.0 per cent. of Group economic capital.

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

Equity risk is defined as the risk of loss arising from a decline in the value of equity or an equity-type instrument held in the banking book, whether caused by deterioration in the underlying operating asset performance, net asset value, enterprise value of the issuing entity, or by a decline in the market price of the equity or instrument itself. Equity risk for the year ended 31 December 2021 consumed R6.5 billion, or 4.2 per cent. of Group economic capital.

The Group's primary non-trading related exposures to foreign currency risk arise as a result of the translation effect on its net assets in foreign operations, intragroup foreign-denominated debt and foreign-denominated cash exposures and accruals.

The Issuer has exposure to changes in SBG's share price arising from the equity-linked remuneration contractual commitments and post-employment obligation risk through the requirement to contribute as an employer to an underfunded defined benefit plan. Total expenses recognised in SBSA staff costs for own equity-linked transactions for the year ended 31 December 2021 was R1,553 million and the total liability recognised in other liabilities for own equity-linked transactions as at 31 December 2021, was R1.7 billion. Total expenses recognised in SBG staff costs for own equity-linked transactions for the year ended 31 December 2021 was R1,927 million and the total liability recognised in other liabilities for own equity-linked transactions as at 31 December 2021 was R438 million. The amount recognised as an asset in SBG's Statement of Financial Position as at 31 December 2021 for pension and other post-employment benefits was R1,437 million. The amount of pension and other post-employment benefits recognised as a liability in SBG's Statement of Financial Position as at 31 December 2021 was R1,073 million.

In addition, SBG, through its shareholding in Liberty Holdings Limited ("**Liberty**"), is exposed to insurance risk. SBG increased its shareholding in Liberty in February 2022 to 100 per cent. from the 53.62 per cent. held as at 31 December 2021. The Group's share of Liberty's headline earnings for the year ended 31 December 2021 was R419 million, which equates to -1.7 per cent. of SBG's total headline earnings. The Group's Liberty business unit provides life insurance products and services through Liberty Group Limited, a subsidiary of Liberty. Market risk within the Group's life insurance business is split into three categories:

- market risks to which Liberty wishes to maintain exposure on a long-term strategic basis;
- market risks to which Liberty does not wish to maintain exposure on a long-term strategic basis as they are not expected to provide an adequate return on economic capital over time; and
- market risks to which Liberty does not wish to maintain exposure but where Liberty is unable to economically mitigate these risks through hedging.

A reduction in the value of the financial instruments that the Group invests in may have a material adverse effect on its business, growth prospects, results of operations and/or financial condition.

Uncertainty in the timing and volume of future cash outflows resulting from obligations under insurance contracts could adversely impact SBG's liquidity and business operations, which could further impact SBG's operations and its financial condition, in a manner that may be difficult to predict

Insurance risk arises due to uncertainty regarding the timing and amount of future cash flows from insurance contracts. This could be due to variations in mortality, morbidity, policyholder behaviour or expense experience in the case of life products, and claims incidence, claim severity or expense experience in the case of non-life insurance products. Insurance risk applies to the life insurance operations housed in Liberty and non-life insurance operations housed in Standard Insurance Limited ("**SIL**"). The Group's share of Liberty's headline earnings for the year ended 31 December 2021 was R419 million, which equates to -1.7 per cent. of SBG's total headline earnings, while the non-life insurance operations housed in SIL are not considered to contribute a material risk in the context of the Group.

With the risk of further waves of COVID-19 infections arising, for example, through new variants, there is a risk that there are significant mortality claims that may occur. In addition, there is a risk that material claims may emerge from the long-term side-effects of COVID-19. With a potential continued deterioration of socio-economic circumstances in South Africa and other countries in which the Group operates as a result of the COVID-19 pandemic and other global geopolitical developments, the Group may experience a number of risks including a decrease in new business generation, an increase in cancellations of the Group's contracts with customers, and an increase in average cost per claim due to fewer service providers willing and able to attend to claims, which may result in an increase in cash in lieu payments. Further, there is a risk of increases in fraud and increases in average cost of claims due to price surges driven by inflation and exchange rate risk.

An influx of insurance claims could lead to insufficient cash flow, which could increase the Group's reliance on external financing, and adversely affect the Group's financial condition and results of operations.

The Issuer's business and profitability may be adversely affected by liquidity and funding risks

Volatility in capital or credit markets may impact the Group's ability to access liquidity and funding

The Group's primary funding sources are in the form of deposits across a spectrum of retail and wholesale clients, as well as long-term capital and loan markets.

In respect of South Africa, the banking sector is characterised by certain structural features, such as a low discretionary savings rate in general and a high percentage of these are captured by institutions such as pension funds, provident funds and providers of asset management services. A portion of these savings translate into institutional funding for the banking system that comprises wholesale funding from financial institutions across a range of deposits, loans and financial instruments. These deposits have a different liquidity profile to retail deposits. As a result, the Issuer, along with other banking groups in South Africa, has a higher reliance on wholesale funding than retail deposits. As at 31 December 2021, retail deposits comprised 21.6 per cent. of the total funding-related liabilities of SBSA and 26.4 per cent. of the total funding-related liabilities of SBG.

Wholesale funding sourced by members of the Group is usually of a short-to-medium term and entered into on a contractual basis. Wholesale funding is more expensive than retail deposits, and is sourced from a small number of depositors, principally, fund managers. As at 31 December 2021, 87 per cent. of SBSA's deposits and debt funding had a contractual maturity date of 12 months or less or were repayable on demand. As at 31 December 2021, SBSA's largest single depositor accounted for 4.2 per cent. of total deposits and the top 10 depositors accounted for 13.4 per cent. of total deposits, well within SBSA's risk appetite of 10 per cent. and 20 per cent. respectively. As at 31 December 2021, 89 per cent. of SBG's deposits and debt funding had a contractual maturity date of 12 months or less or were repayable on demand. As at 31 December 2021, the largest single depositor accounted for 3.1 per cent. of total deposits and the top 10 depositors accounted for 9.6 per cent. of total deposits, well within the Group's risk appetite of 10 per cent. and 20 per cent. respectively.

If a substantial portion of the depositors withdraw their demand deposits or do not roll over their term deposits upon maturity, the Issuer may need to seek more expensive sources of funding to meet its funding requirements and no assurance can be made that additional funding will be obtained on commercially reasonable terms as and when required, or at all. Any inability to refinance or replace such deposits with alternative funding could adversely affect the liquidity and financial condition of the Issuer.

Disruptions, uncertainty or volatility in the capital and credit markets may limit the Issuer's ability to refinance maturing liabilities with long-term funding and may increase the cost of such funding. The availability to the Issuer of any additional financing it may need will depend upon a variety of factors, such as market conditions, the availability of credit generally and to borrowers in the financial services industry specifically, and the Issuer's financial condition, credit ratings and credit capacity. The possibility that customers or lenders could develop a negative perception of the Issuer's financial prospects if, for example, the Issuer incurs large losses, experiences significant deposit outflows or if the level of the Issuer's business activity decreases, could also affect the availability of any additional financing.

Although the Issuer believes that its level of access to domestic and international inter-bank and capital markets and its liquidity risk management policies allow and will continue to allow the Issuer to meet its short-term and long-term liquidity needs, any maturity mismatches may have an adverse impact on its financial condition and results of operations. Furthermore, there can be no assurance that the Issuer will be successful in obtaining additional sources of funds on acceptable terms or at all.

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

As of the date of this Risk Factors & Other Disclosures Schedule, SBSA's short and long-term foreign currency deposit rating was assessed by Moody's Investors Service Cyprus Ltd. ("**Moody's**") as NP and Ba2, respectively, with a stable outlook and SBSA's short and long-term foreign currency issuer default rating was assessed by Fitch Ratings Limited ("**Fitch**") as B and BB-, respectively, with a stable outlook. As of the date of this Risk Factors & Other Disclosures Schedule, SBG's long-term issuer rating was assessed by Moody's as Ba3 with a stable outlook and SBG's short and long-term foreign currency issuer default rating was assessed by Fitch as B and BB-, respectively, with a stable outlook. Moody's award of SBG's rating is one notch lower than the deposit rating assigned to SBSA. SBG's rating is mainly driven by the structural subordination of SBG's creditors to those of SBSA.

A downgrade of the Issuer's credit ratings may increase its cost of borrowing, limit its ability to raise capital and adversely affect its results of operations.

The COVID-19 pandemic severely impacted South Africa's economic growth performance, pressuring the banks' asset quality and earnings. Asset quality deteriorated as a result of the systemic shock of the COVID-19 pandemic in an already weak operating environment.

A downgrade or potential downgrade of the South African sovereign rating or a change in ratings agencies' methodologies relating to systemic support provided by the South African sovereign could also negatively affect the perception by rating agencies of the Issuer's ratings. The banks' ratings are highly influenced by Fitch's assessment of South Africa's operating environment and the banks' capitalisation and leverage, which are highly sensitive to adverse changes in the sovereign's credit profile, as Fitch believes it is unlikely that the banks would remain solvent following a sovereign default.

The Issuer continues to proactively plan for the potential implications of further South African sovereign credit rating agency downgrades for both local and foreign currency which could still have a significant impact on the Issuer's access to, and cost of foreign currency liquidity sources.

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.

The Issuer is subject to prescribed regulatory capital and liquidity requirements that could affect its operations. A failure to adhere to these requirements may result in constrained asset growth and restrictions being placed on distributions

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

The amended Regulations relating to Banks (as further amended on 20 May 2016) (as defined in the Conditions) effective 1 January 2013 are based on the Basel III framework ("**Basel III**") introduced by the Basel Committee on Banking Supervision ("**BCBS**") and provide the minimum risk based capital ratios. The PA adopted the Basel III framework, subject to certain phase-in provisions as provided by the BCBS from 1 January 2013. From 1 January 2019 the requirements that were subject to phase-in provisions have been fully implemented.

In response to potential pressures on banks' capital supply brought about by the COVID-19 pandemic, and to assist banks to continue to serve their clients under very difficult circumstances, the PA implemented measures to reduce the minimum capital and reserve funds maintained by banks in South Africa through a temporary relaxation of the pillar 2A capital requirement, in 2020. The PA announced the reinstatement of the pillar 2A capital requirement which came into effect from 1 January 2022.

Taking into account the temporary removal of the pillar 2A capital requirement, the South African minimum Basel III capital requirements were 8.0 per cent. for CET 1, 10.0 per cent. for tier I and 13.0 per cent. for total capital adequacy in 2021, increasing to 8.5 per cent., 10.8 per cent. and 14.0 per cent., respectively, following the re-instatement of Pillar 2A buffer requirements from 1 January 2022. These minimums exclude the countercyclical buffer, which for the time being has not been announced as a requirement for South Africa and confidential bank-specific pillar 2B capital requirements but include the maximum potential domestic systemically important bank ("**D-SIB**") requirement of 2.5 per cent. South African banks were required to disclose their D-SIB capital requirements from 1 September 2020. The Group's and SBSA's D-SIB buffer requirements amount to 1.5 per cent. and 2.0 per cent. respectively of which 1 per cent. is required to be held in CET 1. The Issuer reinstated Pillar 2A buffer requirements in its internal target capital adequacy ratios with effect from June 2021 in anticipation of the reinstatement of the requirements by the PA in January 2022.

The Basel III capital buffers continue to make it more challenging for banks and bank holding companies to comply with minimum capital ratios. Failure by the Issuer to meet certain of these buffers, for example the capital conservation and countercyclical 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.

In addition, Basel III prescribes two minimum liquidity standards for funding liquidity. The first is the liquidity coverage ratio ("**LCR**") which became effective on 1 January 2015 and aims to ensure that banks maintain an adequate level of high-quality liquid assets to meet liquidity needs for a 30 calendar day period under a severe stress scenario. The second is the net stable funding ratio ("**NSFR**"), which became effective on 1 January 2018, and which aims to promote medium and long-term funding of banks' assets and activities.

In light of the effects of the COVID-19 pandemic on the South African market, the PA amended the minimum requirements relating to the LCR under Directive D1/2020, issued in terms of section 6(6) of the Banks Act from 100 per cent. to 80 per cent. with effect from 1 April 2020. The Directive was aimed at providing temporary liquidity relief during this time to banks, branches of foreign institutions and controlling companies, in line with the intention of the Basel III LCR framework. However, during 2021 financial markets largely normalised driven by increased deposits and a return to stability of bank wholesale funding markets. As a result, the temporary relief measures previously granted were withdrawn in a phased approach, with 90 per cent. and 100 per cent. minimum regulatory requirements becoming effective from 1 January 2022 and 1 April 2022, respectively.

SBSA reported a LCR of 110.8 per cent. as at 31 December 2021 based on a simple average of 92 days of daily observations over the quarter ended 31 December 2021, exceeding the SARB's minimum requirement of 80 per cent. SBG reported a LCR of 144.3 per cent. as at 31 December 2021 based on a simple average of 92 days of daily observations over the quarter ended 31 December 2021 for the majority of SBG's balance sheet and a simple average of the three month-end data points for certain Africa Regions banking entities which are not yet reported daily, exceeding the SARB's minimum requirement of 80 per cent.

The Issuer maintained NSFR compliance for 2021, reporting a NSFR of 107.6 per cent. as at 31 December 2021, in excess of the 100.0 per cent. regulatory requirement, while SBG reported a NSFR of 122.0 per cent. as at 31 December 2021 in excess of the 100.0 per cent. regulatory requirement, as well as specified internal risk appetite requirements.

Failure by the Issuer to meet the minimum liquidity standards for funding liquidity (LCR and NSFR), could limit its ability to support planned lending activities, and any failure by the Issuer to maintain its liquidity ratios may result in the enforcement and execution of the contingent funding plan.

Regulatory risks relating to the Issuer

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

The Issuer is subject to the laws, regulations, administrative actions and policies of South Africa and each other jurisdiction in which it operates, and the Issuer's activities may be constrained by applicable legal and regulatory requirements. Changes in regulation and supervision, particularly in South Africa, could materially affect the Issuer's business, the products or services offered, the value of its assets and its financial condition. Although the Issuer works closely with its regulators and continuously monitors the situation, future changes in regulation, fiscal or other policies cannot be predicted and are beyond the control of the Issuer. The Issuer may incur reputational damage and financial losses if it is unable to anticipate or prepare for future changes to law or regulation.

Changes in government policy, legislation or regulatory interpretation applying to the financial services industry in the markets in which the Group operates may adversely affect the Issuer's product range, distribution channels, capital requirements and, consequently, reported results and financing requirements. In particular, any change in regulation to increase the requirements for capital adequacy or liquidity, or a change in accounting standards, could have a material adverse impact on the Group's business, results, financial condition or prospects.

In the context of South Africa: Amendments to the Expropriation Act are being debated in Parliament. This investigation, together with slow progress on the legislation necessary for land reform

programmes, is likely to create an uncertain policy environment for land reform in the short term for the financial sector.

Consumer credit regulation has been tightened to provide stronger consumer protection under the National Credit Act, 2005 (the "**National Credit Act**"). Additional amendments to the National Credit Act were enacted in 2019. These include increased powers of enforcement of the regulator, and additional mechanisms to assist vulnerable, over-indebted customers, and, *inter alia*, to provide for debt intervention for low income earners within South Africa (earning less than or equal to R7500). The combined impact of these reforms may increase the cost of credit for consumers as well as restrict access to credit from formal credit providers for the lower income market, which may negatively impact demand for products and services provided by SBSA.

The Financial Sector Conduct Authority ("**FSCA**") has issued the draft Conduct of Financial Institutions Bill which is still under consultation. The draft bill strengthens existing consumer protection legislations and codifies the Treating Customers Fairly framework. The impact of the legislation will be increased direction on product and service development processes and requirements.

The Financial Sector Laws Amendment Act recently came into effect and provides for, amongst other things, the establishment of the Deposit Insurance Fund. A deposit insurance premium will be imposed according to Deposit Insurance Premiums Bill, 2022.

In the context of the Africa Regions: The global banking system entered the COVID-19 pandemic with high levels of capital and liquidity due to the Basel III reforms. These levels of capital and liquidity were sustained throughout the various waves of COVID-19, aided by focused efforts of the International Standard Setting Bodies ("**ISSBs**") and regulators in providing COVID-19 related guidance and policy decisions to mitigate the impact on financial stability. While COVID-19 continues to impact the global economy, regulators have begun to reduce the prudential relief provided for COVID-19 given the strength shown by the banking industry and have been shifting their attention to other regulatory areas.

There is continued attention by the ISSBs and regulators on the implementation and impact assessment of the post crisis reforms, including Basel III finalisation and the fundamental review of the trading book which will have a significant impact on capital requirements, as well as operational requirements, due to the resource intensive nature of implementing these regulations.

The impact of any future changes in laws or regulations on the Issuer's business is uncertain and may have a material and adverse impact on the Issuer's business, financial condition, results of operations and prospects.

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

South Africa and the economies of the Africa Regions are generally considered by international investors to be emerging markets. SBSA and its subsidiaries are fully integrated with the rest of the Group and therefore also play a key role in positioning the Group to capitalise on the growth in emerging markets in the rest of Africa. Investors in emerging markets such as South Africa and sub-Saharan 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 in other emerging market countries is caused by many different factors, including the following:

- the COVID-19 pandemic;
- electricity supply instability;
- a deteriorating fiscal outlook;
- policy uncertainty and rising populism;
- currency volatility;
- constrained commodity prices;
- capital outflows; and
- a 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 emerging 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 advisors before making an investment in the Notes.

Investors should also note that developing markets, such as those in African countries, are subject to rapid change.

Exchange control regulations may impact the Group's operations in the relevant countries in which it operates

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 the Africa Regions, 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 not be a suitable investment for all investors

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the

information contained or incorporated by reference in the Programme Memorandum or any Applicable Pricing Supplement; (ii) 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 such an investment will have on its overall investment portfolio; (iii) 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; (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and (v) 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 and 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.

There is no active trading market for the Notes

There can be no assurance that any secondary market for any of the Notes will develop, or if a secondary market does develop, that it will provide the holders of the Notes with liquidity of investment or that it will continue for the life of such Notes. It will also not be possible to redeem the Notes prior to their Maturity Date except in the limited circumstances referred to in the Terms and Conditions of the Notes. Consequently, a purchaser of Notes must be prepared to hold the Notes at least until their Maturity Date. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. Although applications have been, or will be, made for the Notes issued under the Programme to be listed on the JSE or such other the Financial Exchange, there is no assurance that such application will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes.

Because the Uncertificated Notes are held in the Central Depository, investors will have to rely on their procedures for transfer, payment and communication with the Issuer

Notes issued under the Programme will be uncertificated. Except in the circumstances described in Condition 12 (*Exchange of Beneficial Interests and Replacement of Certificates in respect of Notes held in the Central Depository*), investors will not be entitled to receive certificated Notes. The Participants will maintain records of the Beneficial Interests in the Uncertificated Notes. Investors of such Uncertificated Notes will be able to trade their Beneficial Interests only through the Central Depository.

The Issuer will discharge its payment obligations under the Uncertificated Notes by making payments to or to the order of the common depository for the Central Depository for distribution, via the Participants, to the holders of Beneficial Interests in such Uncertificated Notes, in accordance with the CSD Procedures. A holder of a Beneficial Interest in an Uncertificated Note must rely on CSD Procedures to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, Beneficial Interests.

Holders of Beneficial Interests in the Uncertificated Notes must vote in accordance with the CSD Procedures. Holders of Beneficial Interests in the Uncertificated Notes must exercise their respective rights to vote through their respective Participants. The respective Participants will vote in accordance with the respective instructions conveyed to them by the respective holders of Beneficial Interests in the Uncertificated Notes, in accordance with CSD Procedures.

Credit Rating

Tranches of Notes issued under the Programme may be rated or unrated. If a rating is assigned to any issue of Notes, the rating may not reflect the potential impact of all risks related to structure, market, additional factors discussed herein, 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 subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Any adverse change in an 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 (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk based capital or similar rules.

Exchange rate risks

The Issuer will pay principal and interest on the Notes in the Payment Currency (as defined in the Applicable Pricing Supplement). This presents certain risks relating to currency conversions if (i) the underlying investments and/or hedges are expressed to be denominated in a currency other than the Payment Currency (the "**Related Currency**") or (ii) an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Payment Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Payment Currency or revaluation of the Related Currency or the Investor's Currency) and the risk that authorities with jurisdiction over the Related Currency or the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Related Currency or the Investor's Currency relative to the Payment Currency would decrease (i) the Related Currency or the Investor's Currency-equivalent yield on the Notes, (ii) the Related Currency or the Investor's Currency equivalent value of the principal payable on the Notes and (iii) the Related Currency or the Investor's Currency equivalent market value of the Notes. Similarly, the Issuer may be exposed to potential losses if the Payment Currency were to depreciate against key currencies in which the Issuer's revenues are based, which may have an adverse effect on its financial condition and results of operations.

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. If any Notes are de-listed, the Issuer is obliged to endeavour promptly to obtain an alternative listing. 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), de-listing the Notes may have a material adverse effect on a Noteholder's ability to resell the Notes in the secondary market.

Risks related to the structure of the 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 certain such features:

Notes subject to optional redemption by the Issuer

An optional redemption feature is likely to limit the market value of the Notes. During any period when the Issuer may elect to redeem the 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 re-invest 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.

Equity Linked, Index Linked and FX Linked Notes

The Issuer may issue Notes, the terms of which provide for interest or principal payable in respect of such Note to be 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**") or with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- the market price of such Notes may be volatile;
- no interest may be payable on such Notes;
- payments of principal or interest on such Notes may occur at a different time or in a different currency than expected;
- the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero;
- a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- 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
- 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.

Please also see the risk factors headed "*Risks relating to Credit Linked Notes*" on pages 31 – 33, "*Risks relating to Equity Linked Notes*" on pages 34 – 38 and "*Risks relating to FX Linked Notes*" on pages 38 – 40.

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.

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 and waivers

The Terms and Conditions of the Notes contain provisions for permitting modifications and amendments to the Notes with the consent of a specified quorum and majority of the outstanding Notes in other circumstances. 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 in law

The Programme Memorandum (as read together with the Disclosure Schedules), the Notes and the applicable Terms and Conditions, are governed by, and will be construed in accordance with, the laws of South Africa. No assurance can be given as to the impact of any possible judicial decision or change to the laws of South Africa or administrative practice in South Africa after the Programme Date. Such changes in law may include changes in statutory, tax and regulatory regimes during the life of the Notes, which may have an adverse effect on an investment in the Notes.

U.S. Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the U.S. Internal Revenue Code (commonly known as "**FATCA**") impose a new reporting regime and potentially a 30 per cent. withholding tax with respect to certain payments to any non-U.S. financial institution (a "**foreign financial institution**", or "**FFI**" (as defined by FATCA)). The new withholding regime will be phased in beginning 1 July 2014 for payments from sources within the United States and will apply to "foreign passthru payments" (a term not yet defined) no earlier than two years after the date on which final regulations defining foreign passthru payments are published in the U.S Federal Register.

An FFI will be exempt from applying the 30 per cent. withholding tax if it is (i) a "registered deemed-compliant FFI" following the conclusion of an intergovernmental agreement to facilitate the implementation of FATCA (an "**IGA**") between the United States and that FFI's jurisdiction or (ii) a "Participating FFI", to the extent that recipients of payments of U.S. source income have provided the Participating FFI with the necessary documentation, and are not deemed to be recalcitrant or non-participating FFIs, by entering into a direct agreement with the U.S. Internal Revenue Service (the "**IRS**") to provide the IRS with certain information in respect of its account holders and investors.

On 9 June 2014, the United States and South Africa formally concluded "*The Agreement between the Government of the Republic of South Africa and the Government of the United States of America to Improve International Tax Compliance and to Implement FATCA*" (the "**SA/US IGA**") which has been given force and effect in South African tax law, in terms of which FFIs in South Africa will report

information about their U.S. account holders to the South African Revenue Service who will in turn relay that information by means of automatic exchange of information to the IRS under the Double Taxation Convention in force between the United States and South Africa.

The Issuer is registered as a "Reporting Model 1 FFI" on the IRS FATCA website and is therefore a "registered deemed-compliant FFI". Provided that South Africa complies with its information and reporting obligations under Articles 2 and 3 of the SA/US IGA, the Issuer will be treated as complying with, and not subject to withholding under, section 1471 of the U.S. Internal Revenue Code. The Issuer is however obliged to comply with certain due diligence procedures and reporting requirements applicable to it as a "Reporting Model 1 FFI".

FATCA may affect payments made to custodians or intermediaries in the payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA), provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. The Issuer's obligations under the Notes are discharged once it has paid the common depositary for the ICSDs (as bearer/registered holder of the Notes) and the Issuer has therefore no responsibility for any amount thereafter transmitted through hands of the ICSDs and custodians or intermediaries and will not gross up for any withholding for or on account of FATCA.

Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them.

Emerging market currencies

Where the Notes are denominated in an emerging market currency, have an emerging market currency as the Payment Currency (as defined in the Applicable Pricing Supplement) in which that Issuer will pay principal and interest on the Notes, or are linked to one or more emerging market currencies, the value of such Notes may be significantly more volatile and subject to less certainty as to future rates than if the Notes were linked to currencies of more developed markets. For example, emerging markets' currencies are highly exposed to the risk of a currency crisis happening in the future.

In particular, policies or actions of the governments of the jurisdictions of the Subject Currencies and Base Currencies (the "**Currency Jurisdictions**") could adversely affect the relevant exchange rate(s) (such as through market interventions of their central banks or equivalent bodies; governmental action which changes or interferes with currency valuations or currency fluctuations that would otherwise occur in response to economic forces; and restrictions on foreign investment and currency convertibility or movement across borders). Non-governmental action may also directly or indirectly adversely affect the relevant exchange rates (such as through speculation, weak overall growth and performance of each applicable Currency Jurisdiction's economy and stock exchanges; political, economic and social uncertainty, including risks of nationalisation and expropriation of assets and natural disasters; or wars which affect any Currency Jurisdiction directly or indirectly). In addition, the policies or actions of the governments of the jurisdictions of a Payment Currency or non-governmental action could adversely

affect the Issuer's ability to make payments of principal and interest on the Notes including preventing any payment of principal and interest.

Investors should note that the risk of occurrence and the severity of consequence of the matters described above may be greater with respect to any emerging market jurisdiction than they otherwise would be in relation to more developed countries. Economies in emerging markets are generally more heavily dependent upon international trade, and accordingly, may be affected adversely by trade barriers, foreign exchange controls (including taxes), managed adjustments in relative currency values and other protectionist measures imposed or negotiated with countries with which they trade.

The occurrence of any of the above circumstances may have an adverse effect on the value of the Notes and amounts due or assets deliverable, or the date for payment thereunder.

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

EU and UK benchmarks regulation

The Euro Interbank Offered Rate ("**EURIBOR**") and other interest rates or other types of rates and indices which are deemed to be "benchmarks" are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to or referencing such "benchmark".

Regulation (EU 2016/1011) (the "**EU Benchmarks Regulation**") applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. It, among other things, (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities of "benchmarks" of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed). The UK Benchmarks Regulation among other things, applies to the provision of benchmarks and the use of a benchmark in the UK. Similarly, it prohibits the use in the UK by UK supervised entities of benchmarks of administrators that are not authorised by the FCA or registered on the FCA register (or, if non-UK based, not deemed equivalent or recognised or endorsed).

The EU Benchmarks Regulation and the UK Benchmarks Regulation, as applicable could have a material impact on any Notes linked to or referencing a "benchmark", in particular, if the methodology or other terms of the "relevant benchmark" are changed in order to comply with the requirements of the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable. Such changes could among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the "relevant benchmark".

More broadly, any of the international or national reform initiatives or the increased regulatory scrutiny of "benchmarks" could increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements.

The euro risk free-rate working group for the euro area has published a set of guiding principles and high level recommendations for fallback provisions in, amongst other things, new euro denominated cash products (including bonds) referencing EURIBOR. The guiding principles indicate, among other things, that continuing to reference EURIBOR in relevant contracts (without robust fallback provisions) may increase the risk to the euro area financial system. On 11 May 2021, the euro risk-free rate working group published its recommendations on EURIBOR fallback trigger events and fallback rates.

Such factors may have (without limitation) the following effects on certain "benchmarks": (i) discouraging market participants from continuing to administer or contribute to the "benchmark"; (ii) triggering changes in the rules or methodologies used in the benchmarks; or (iii) leading to the disappearance of the "benchmark". Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations could have a material adverse effect on the value of and return on any Notes linked to, or referencing, or otherwise dependent (in whole or in part) upon a "benchmark".

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the EU Benchmarks Regulation and/or UK Benchmarks Regulation reforms in making any investment decision with respect to any Notes linked to or referencing a "benchmark".

Reform in relation to JIBAR

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 per cent. of the distribution of interest rates paid on eligible unsecured overnight deposits.

In August 2020 the MPG released a Position Paper titled "*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 over the course 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, to be discontinued entirely 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 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.

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>.

Risks relating to Credit Linked Notes

Credit Exposure to Reference Entities

The amount payable under Credit Linked Notes will be dependent in part upon whether or not a Credit Event has occurred. A Credit Event may occur in respect of one or more entities or governmental or other authorities (each a **Reference Entity**) specified in the Applicable Pricing Supplement. If a Credit Event occurs in relation to any Credit Linked Notes, the Issuer will, subject to certain conditions, redeem those Notes by payment of money (in an amount equal to the Cash Settlement Amount) or, if so provided, by the Delivery of Deliverable Obligations comprising the Entitlement or, if so provided, partly in money and partly in Deliverable Obligations. The Cash Settlement Amount or the value of the Deliverable Obligations comprising the Entitlement may be less than the Nominal Amount of the Notes or zero. Accordingly, the Noteholders may be exposed to the credit of the Reference Entities up to the full extent of their investment in the Notes.

Prospective investors in the Credit Linked Notes should be aware that, depending on the terms of the Credit Linked Notes, if a Credit Event occurs, the Notes will cease to bear interest (if any) from (and including) the Interest Period in which the Credit Event Determination Date falls and, as stated above, the amount received or the value of the assets delivered on redemption of the Notes may be materially less than the original investment and in certain circumstances may be zero. This timing for payment of any such amounts or delivery of any such assets, as applicable, may occur at a different time than expected.

The market price of the Credit Linked Notes may be volatile and will be affected by various factors including, but not limited to, the time remaining to the maturity date of the Note, prevailing credit spreads in the market and the creditworthiness of the Reference Entity, which in turn may be affected by the economic, financial, political and other events in one or more jurisdictions.

Prospective investors in the Credit Linked Notes should conduct their own investigation and analysis, including, where applicable, obtaining independent expert advice, with respect to the credit risk of the Reference Entity and the factors that may assist in determining the likelihood of the occurrence of a Credit Event with respect to the Reference Entity, including, but not limited to, general economic conditions, the condition of relevant financial markets, relevant political events and developments or trends in any relevant industries. All such analysis should be conducted in both a South African and foreign context.

Non-Transferability of Deliverable Obligations

The Issuer may in certain circumstances be precluded from transferring Deliverable Obligations to a Noteholder of Credit Linked Notes as a result inter alia of the Exchange Control Regulations, 1961 made pursuant to the Currency and Exchanges Act, 1933 (the **Exchange Control Regulations**).

A Credit Event may occur prior to the Trade Date

Noteholders may suffer a loss of some or all of their principal if a Credit Event occurs prior to the Trade Date or the Issue Date. Neither the Calculation Agent nor the Issuer nor any of their Affiliates has any responsibility to inform any Noteholder, or avoid or mitigate the effects of a Credit Event that has taken place prior to the Trade Date or the Issue Date.

Role of the Credit Derivatives Determinations Committee

Credit Derivative Determinations Committees were established pursuant to the 2009 ISDA Credit Derivatives Determinations Committees and Auction Settlement Supplement to the 2003 ISDA Credit Derivatives Definitions (published on 12 March 2009) to make determinations that are relevant to the majority of the credit derivatives market and to promote transparency and consistency. In respect of a Credit Event relating to a Credit Linked Note, prospective investors should note that the Credit Derivatives Determinations Committee has the power to make binding decisions on critical issues such as whether a Credit Event has occurred, which obligations are to be valued and whether an auction should take place in accordance with, and as more fully described in the Credit Derivatives Determinations Committees Rules, as published by DC Administration Services, Inc on behalf of ISDA, on its website at www.cdsdeterminationscommittees.org (or any successor website thereto) from time to time and as amended from time to time in accordance with the terms thereof. Consequently, the payments on the Notes and the timing of any such payments may be affected by any such relevant decisions if Auction Settlement is specified as the applicable Settlement Method for a series of Notes in the Applicable Pricing Supplement.

Auction Settlement – Auction Final Price

If Auction Settlement is the applicable Settlement Method, the Cash Settlement Amount payable in respect of the Credit Linked Notes will be calculated by reference to the Auction Final Price. The Auction Final Price will be determined according to the auction procedure set out in the applicable Transaction Auction Settlement Terms. The Issuer, the Calculation Agent or one of their Affiliates may act as a participating bidder in any such auction, and shall be under no obligation to consider the interests of the Noteholders when deciding whether or not to take action. Such participation may have an adverse effect on the Auction Final Price, and the Auction Final Price determined pursuant to an auction (whether or not the Issuer, the Calculation Agent or one of their Affiliates chooses to participate) may be less than the market value that would otherwise have been determined in respect of the relevant Reference Obligation.

Auction Settlement – Local Market Variation

If Auction Settlement is the applicable Settlement Method and Local Market Variation is specified as applicable in the Applicable Pricing Supplement, the terms of the Credit Linked Notes will be different to the standard terms used by the Credit Derivatives Determinations Committee to determine whether or not a Credit Event has occurred. Therefore, the Calculation Agent may determine that a Credit Event has occurred under the terms of the Credit Linked Notes in circumstances where the Credit Derivatives Determinations Committee has not determined that a Credit Event has occurred or has made a DC No Credit Event Announcement (as defined in the Credit Linked Conditions).

In these circumstances, as no auction will be held, the Credit Linked Notes will be settled in accordance with the Fallback Settlement Method specified in the Applicable Pricing Supplement.

Physical Settlement – Obligations of the Noteholder

If Physical Settlement is the applicable Settlement Method, the occurrence of a Credit Event may result in the redemption of a Credit Linked Note in whole or in part by the Delivery of Deliverable Obligations. The Issuer's obligation to Deliver the Deliverable Obligations comprising the Entitlement to the Noteholder is subject to various conditions, including the delivery by the Noteholder to the Issuer of an Asset Transfer Notice and, in certain circumstances, the payment to the Issuer of the Delivery Expenses within the prescribed time limit. If the Noteholder fails to so deliver an Asset Transfer Notice, the Issuer may be discharged from its obligations under the Note. Where applicable, if a Noteholder fails to so pay Delivery Expenses, the Deliverable Obligations comprising the Entitlement deliverable to such Noteholder will be reduced to reflect such Delivery Expenses.

Physical Settlement – Undeliverable Obligations

If, on the scheduled date for physical delivery of the Entitlement, the Calculation Agent determines that any Deliverable Obligations comprising the Entitlement are Undeliverable Obligations, settlement in respect of the Credit Linked Notes may be delayed until such time as the Issuer can procure the Delivery of the Undeliverable Obligations and, in certain circumstances, the Issuer's obligations to Deliver the Undeliverable Obligations may be replaced by an obligation to pay a cash amount. In each case, the value of the Credit Linked Notes may be affected.

Risks relating to Equity Linked Notes

Amounts payable in respect of Equity Linked Notes

The Issuer may issue Equity Linked Notes where the amounts payable under such Notes, including any interim amounts, are dependent upon the price of or changes in the price of a Share, some or all of the Shares comprising a Basket of Shares, or an Equity Index (as defined in the Applicable Pricing Supplement), or where, depending on the price of or change in the price of a Share, some or all of the Shares comprising a Basket of Shares, or an Equity Index, the Issuer has an obligation to either make a payment under the Notes, if the Notes are cash settled, or deliver specified assets if the Notes are physically settled. Accordingly, an investment in Equity Linked Notes (as defined in the Applicable Pricing Supplement) may bear similar market and credit risks to a direct investment in Shares, the Shares comprising a Basket of Shares, or the equity securities referenced in the composition of the relevant Equity Index, and investors must seek professional investment advice accordingly. An investment in Equity Linked Notes entails significant risks in addition to those associated with an investment in a conventional debt security.

Amounts payable in respect of Equity Index Linked Notes

The return payable on Equity Linked Notes that reference an Equity Index or a Basket of Equity Indices (each as defined in the Applicable Pricing Supplement) may not be the same as the return a Noteholder would realise if it actually owned the relevant equity securities referenced in the composition of the relevant Equity Index or in the Indices comprising the Basket of Equity Indices. For example, if the components of the Equity Index are shares, Noteholders of the relevant Equity Index Linked Notes (as defined in the Applicable Pricing Supplement) will not receive any dividends paid on those shares and will not participate in the return on those dividends, save where the relevant Equity Index takes such dividends into account for purposes of calculating the relevant level of such Equity Index. Similarly, Noteholders of Equity Index Linked Notes and Notes linked to a Basket of Equity Indices will not have any voting rights in the underlying shares or any other equity securities referenced in the composition of the relevant Equity Index or in the Indices comprising the Basket of Equity Indices. Accordingly, a Noteholder may receive a lower return on Equity Linked Notes linked to Equity Indices than it would have received if it had directly invested in the securities referenced in the composition of the relevant Equity Index or in the Indices comprising the Basket of Equity Indices.

Share Companies

Equity Linked Notes are associated with particular risks beyond the Issuer's control, such as the risk that a relevant Share Company will become insolvent, be nationalised or the subject of a Merger Event or Tender Offer and the risk that the Share Closing Price will fluctuate. The value of the Shares depends to a significant extent on developments in the capital markets and the markets in which the relevant Share Company operates, which in turn depends on the general global economic situation and more specific economic and political conditions. Investors must seek professional investment advice in this regard.

No dividends

Holders of Equity Linked Notes unlike investors which directly invest in Shares, do not receive dividends or other distributions payable to the holders of such Shares.

Features of Equity Linked Notes

Equity Linked Notes may, if so specified in the Applicable Pricing Supplement, include any of the following features:

- "Knock-in", being the occurrence of a specified event when the price of the relevant Share or Basket of Shares reaches or breaches a pre-defined barrier on a specified Observation Date(s) during an Observation Period, which results in certain specified pay-out(s) occurring;
- "Knock-out", being the occurrence of a specified event when the price of the relevant Share or Basket of Shares reaches or breaches a pre-defined barrier on a specified Observation Date(s) during an Observation Period, which results in certain specified pay-out(s) payment not occurring; and
- "Best/Worst Performance", being, in relation to Equity Linked Notes referencing more than one Share, that one or more pay-out(s) can be determined by reference to the Share or Basket of Shares giving the highest performance or lowest performance on specified Observation Date(s).

In such circumstances, the market value of such Equity Linked Notes may be more volatile than for securities that do not include such features and the timing of changes to the price of the Share or Basket of Shares may affect the return on such Equity Linked Notes even if the price is generally consistent with an investor's expectations.

Adjustments to Equity Linked Notes

If the Calculation Agent determines that an event giving rise to a Disrupted Day has occurred at any relevant time in respect of any Equity Linked Notes, any such determination may have an effect on the timing of valuation and consequently the value of such Equity Linked Notes and/or may delay settlement in respect of such Equity Linked Notes. Prospective purchasers of Equity Linked Notes should conduct their own investigation and analysis, including how such provisions apply to such Equity Linked Notes.

Following the declaration by the Share Company of the terms of any Potential Adjustment Event, the Calculation Agent will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the Shares and, if so, will (i) make the corresponding adjustment, if any, to any of the terms of the Terms and Conditions and/or the Applicable Pricing Supplement as the Calculation Agent determines appropriate to account for that diluting or concentrative effect (provided that no adjustments will be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relative to the relevant Share) and (ii) determine the effective date of that adjustment. Such adjustment may have an adverse effect on the value and liquidity of the affected Equity Linked Notes.

If a Merger Event, Tender Offer, Delisting, Nationalisation or Insolvency occurs in relation to any Share Company, the Issuer in its sole and absolute discretion may take the action described in paragraph (i) or (ii) below:

- (i) require the Calculation Agent to determine the appropriate adjustment, if any, to be made to any of the Terms and Conditions and/or the Applicable Pricing Supplement to account for the Merger Event, Tender Offer, Delisting, Nationalisation, or Insolvency and determine the effective date of that adjustment. Such adjustment may have an adverse effect on the value and liquidity of the affected Equity Linked Notes, or

- (ii) redeem or cancel part (in the case of Equity Linked Notes relating to a Basket of Shares) or all (in any other case) of the Notes. Following such redemption or cancellation an investor generally may not be able to reinvest the redemption or cancellation proceeds on the same terms as the Equity Linked Notes being redeemed or cancelled and may only be able to do so at significantly worse terms. Prospective investors in Equity Linked Notes should consider reinvestment risk in light of other investments available at that time, and

if the Applicable Pricing Supplement in respect of Equity Linked Notes linked to a Basket of Shares provides that "Share Substitution" is applicable, require the Calculation Agent to adjust the Basket of Shares to include a share selected by it in accordance with the criteria for share selection set out in the Applicable Pricing Supplement in place of the Share(s) in the basket which are affected by such Merger Event, Tender Offer, Delisting, Nationalisation or Insolvency and the substituted shares will be deemed to be "Shares" and the relevant issuer of such shares, a "Share Company" for the purposes of the affected Equity Linked Notes, and the Calculation Agent will make such adjustment, if any, to any of the Terms and Conditions and/or the Applicable Pricing Supplement as the Calculation Agent determines appropriate.

A change in the composition or discontinuance of an Equity Index could adversely affect the market value of the Equity Linked Notes

The sponsor of any Equity Index may add, delete, or substitute the equity securities referenced in the composition of the relevant Equity Index or in the Indices comprising the Basket of Equity Indices or make other methodological changes that could change the level of one or more referenced equity securities. The changing of the referenced equity securities of any Equity Index may affect the level of such Equity Index as a newly added equity security may perform significantly worse or better than the referenced equity security it replaces, which in turn may affect the payments made by the Issuer to a Noteholder under the Equity Index Linked Notes or the Notes linked to a Basket of Equity Indices. The sponsor of any such Equity Index may also alter, discontinue, or suspend calculation or dissemination of such Equity Index. The sponsor of an Equity Index will have no involvement in the offer and sale of the Equity Linked Notes and will have no obligation to any holder of Equity Linked Notes. The sponsor of an Equity Index may take any actions in respect of such Equity Index without regard to the interests of the holders of Equity Linked Notes, and any of these actions could adversely affect the return on the Equity Linked Notes.

Miscellaneous risks associated with Equity Linked Notes

The market price of Equity Linked Notes may be volatile and may be affected by the time remaining to the redemption or exercise date, the volatility of the Share or the Shares comprising the Basket of Shares, the dividend rate (if any) and the financial results and prospects of the relevant Share Company or Share Companies as well as economic, financial and political events in one or more jurisdictions, including factors affecting the stock exchange(s) or quotation system(s) on which any such Share or Shares may be traded.

No Share Company will have participated in the preparation of the Applicable Pricing Supplement or in establishing the terms of the Equity Linked Notes and none of the Issuer nor the Dealer will make any investigation or enquiry in connection with such offering with respect to any information concerning any such Share Company contained in such Applicable Pricing Supplement or in the documents from which such information was extracted. Consequently, there can be no assurance that all events occurring prior to the relevant Issue Date (including events that would affect the accuracy or

completeness of the publicly available information described in this paragraph or in any relevant Applicable Pricing Supplement) that would affect the trading price of any relevant Share will have been publicly disclosed. Subsequent disclosure of any such events or the disclosure of or failure to disclose material future events concerning a relevant Share Company could affect the trading price of the relevant Share and therefore the trading price of the relevant Equity Linked Notes.

Investors in Equity Linked Notes should be aware that except as provided in the Terms and Conditions in relation to Physical Delivery Notes, no Noteholder will have voting rights or rights to receive dividends or distributions or any other rights with respect to the relevant Shares to which such Equity Linked Notes relate.

Physical Delivery Requirements and Settlement Risk

In order to receive the Entitlement in respect of the Equity Linked Note which is a Physical Delivery Note, the Noteholder must (1) duly deliver a duly completed Asset Transfer Notice on or prior to the relevant time on the Asset Transfer Notice Cut-Off Date and (2) pay the relevant Expenses prior to delivery of the Entitlement.

Prospective purchasers of Equity Linked Notes must obtain information regarding the Entitlement in respect of a Physical Delivery Note prior to purchasing any such Equity Linked Notes and must not assume that they will be able to sell the Entitlement in respect of a Physical Delivery Notes for a specific price. The value of an Entitlement in respect of a Physical Delivery Note at the time of its delivery may be significantly lower than at the time of the purchase of the relevant Equity Linked Notes or the time when physical settlement was determined (or lower than the price paid for the relevant Equity Linked Notes). In the event of physical settlement, investors will be exposed to the risks that are associated with an investment in the Relevant Assets comprising the Entitlement.

If indicated in the Applicable Pricing Supplement, the Issuer has an option to vary settlement in respect of the Equity Linked Notes. If exercised by the Issuer, this option will lead to Physical Delivery Notes being cash settled or cash settled Equity Linked Notes being physically settled (that is, converted into Physical Delivery Notes). Exercise of such option may affect the value of the relevant Equity Linked Notes.

Settlement Disruption Event and Failure to Deliver due to Illiquidity

In the case of Physical Delivery Notes, if a Settlement Disruption Event occurs or exists on the Delivery Date, settlement will be postponed until the next date on which no Settlement Disruption Event occurs. The Issuer in these circumstances also has the right to pay the Disruption Cash Settlement Price in lieu of delivering the Entitlement. In addition, if "Failure to Deliver due to Illiquidity" is specified as applying in the Applicable Pricing Supplement, and in the opinion of the Calculation Agent it is impossible or impracticable to deliver some or all of the Relevant Assets comprising the Entitlement when due as a result of illiquidity in the market for the Relevant Assets, the Issuer has the right to pay the Failure to Deliver Settlement Price in lieu of delivering those Relevant Assets. In each case, such a determination may have an adverse effect on the value of the relevant Equity Linked Notes.

Expenses

Holders of Physical Delivery Notes must pay all Delivery Expenses relating to such Physical Delivery Notes. As used in the Terms and Conditions, "Delivery Expenses" includes any costs, taxes, duties

and/or expenses (including stamp duty, securities transfer tax and/or other costs, taxes, or expenses) of effecting any delivery of the Entitlement.

Risks relating to FX Linked Notes

General

The Issuer may issue Notes where the amount of principal and/or interest payable are dependent upon movements in currency exchange rates or are payable in one or more currencies which may be different from the currency in which the Notes are denominated ("**FX Linked Notes**"). Accordingly an investment in FX Linked Notes may bear similar market risks to a direct foreign exchange investment and potential investors should take advice accordingly.

Potential investors in any such FX Linked Notes should be aware that, depending on the terms of the FX Linked Notes (i) they may receive no or a limited amount of interest and/or principal, (ii) payment of principal or interest may occur at a different time or in a different currency than expected (iii) the FX Linked Notes may be redeemed by delivery of and/or payment of a cash amount calculated by reference to the fair market value of certain selected FX Deliverable Obligations, rather than at the redemption amount expected and (iv) they may lose a substantial portion or all of their investment. In addition, movements in currency exchange rates may be subject to significant fluctuations that may not correlate with changes in interest rates or other indices and the timing of changes in the exchange rates may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in currency exchange rates, the greater the effect on yield.

The foreign exchange rate(s) to which the FX Linked Notes are linked will affect the nature and value of the investment return on the FX Linked Notes. The performance of foreign exchange rates are dependent upon the supply and demand for currencies in the international foreign exchange markets, which are subject to economic factors, including inflation rates in the countries concerned, interest rate differences between the respective countries, economic forecasts, international political factors, currency convertibility and safety of making financial investments in the currency concerned, speculation and measures taken by governments and central banks. Such measures include, without limitation, imposition of regulatory controls or taxes, issuance of a new currency to replace an existing currency, alteration of the exchange rate or exchange characteristics by devaluation or revaluation of a currency or imposition of exchange controls with respect to the exchange or transfer of a specified currency that would affect exchange rates and the availability of a specified currency. Where the FX Linked Notes are linked to the currency of an emerging market jurisdiction, such risks may be magnified – see also risk factor "*Risks relating to the Notes – Emerging market currencies*" above.

Effect of Leverage

If the amount of principal and/or interest payable in respect of the FX Linked Notes are dependent upon movements in currency exchange rates and are determined in conjunction with a multiplier greater than one or by reference to some other leverage factor, the effect of changes in the currency exchange rates on principal or interest payable will be magnified.

Disruption Events

Payments of principal and interest or other obligations of the Issuer in respect of any FX Linked Notes may be restricted or varied upon the occurrence of certain Disruption Events applicable to the FX Linked Notes. A relevant Disruption Event for a currency may relate to inability to obtain a rate of

exchange from the applicable price source(s), illiquidity, the split of any relevant exchange rate relating to the relevant currency into a dual exchange rate, inconvertibility, non-transferability, a material change in circumstances in the jurisdiction of the Subject Currency that makes it impossible to fulfil certain hedging arrangements, a nationalisation, the occurrence of default related events in relation to specified Benchmark Obligation(s) or relevant governmental authority obligation(s) or variations in the prices quoted for the exchange of the relevant currency on different sources being greater than a specified percentage threshold (or not quoted for by members of a survey used to determine such source) if specified for that currency in the terms and conditions of the FX Linked Notes and/or the Applicable Pricing Supplement.

Following a relevant Disruption Event:

- the applicable valuation date for the applicable exchange rate may be postponed so long as the relevant Disruption Event continues;
- the Calculation Agent may determine the applicable exchange rate;
- the Notes may be redeemed early (or on the originally designated date) by payment of an alternative redemption amount (calculated by reference to their fair market value or, if FX Deliverable Obligations are specified in the Applicable Pricing Supplement, the fair market value of selected FX Deliverable Obligations (see also "*FX Deliverable Obligations*" below)), rather than any amount that would have otherwise been calculated in respect of and due on the relevant date;
- if FX Deliverable Obligations are specified in the Applicable Pricing Supplement, the Notes may be redeemed early by delivery of selected FX Deliverable Obligations (see also "*FX Deliverable Obligations*" and "*Physical Delivery*" below), rather than by payment of any amount that would have otherwise been calculated in respect of and due on the relevant date;
- the related date for payment may be deferred so long as the relevant Disruption Event continues;
or
- a fallback reference price source or sources may be used to calculate the applicable exchange rate instead of the originally designated price source.

Potential investors in any FX Linked Notes should ensure that they have read and understood the terms and conditions of such FX Linked Notes to understand which Disruption Events apply (and the consequences thereof) and should ensure that they are willing to accept the related risks prior to investing in the FX Linked Notes, which risks include an adverse effect on (i) the value of, and/or amounts or assets due in respect of, the FX Linked Notes due to the occurrence of any Disruption Event and application of the related disruption fallback(s); or (ii) an investor's investment schedule, timetable or plans if any due date for payment under the FX Linked Notes is postponed as a consequence of a Disruption Event.

FX Deliverable Obligations

In respect of FX Linked Notes for which FX Deliverable Obligations are specified in the Applicable Pricing Supplement, prospective purchasers should conduct their own investigation and analysis, including, where applicable, obtaining independent advice, with respect to the credit risk of the FX Deliverable Obligations and the obligor(s) in respect of the FX Deliverable Obligations, including, but

not limited to, general economic conditions, the condition of relevant financial markets, relevant political events and developments or trends in any relevant industries. All such analysis should be conducted in both a South African and foreign context. If FX Deliverable Obligations are delivered or valued for the purposes of the redemption of FX Linked Notes following a Disruption Event, their value may be significantly lower than at the time of the purchase of the FX Linked Notes, or the time when the Disruption Event arose and/or the Calculation Agent determined the related action to be taken under the FX Linked Notes (and/or lower than the price paid for the FX Linked Notes). In these circumstances investors will be exposed to the risks that are associated with an investment in the FX Deliverable Obligations. Further, prospective purchasers should not assume that they will be able to sell any FX Deliverable Obligations delivered for a specific price.

Physical Delivery

If FX Linked Notes are to be redeemed by delivery of FX Deliverable Obligations following a Disruption Event, the Issuer's obligation to deliver the FX Deliverable Obligations comprising the FX Entitlement to the Noteholder is subject to various conditions, including the delivery by the Noteholder to the Issuer of an FX Asset Transfer Notice and, in certain circumstances, the payment to the Issuer of the FX Delivery Expenses within the prescribed time limit. If the Noteholder fails to so deliver an FX Asset Transfer Notice, the Issuer may be discharged from its obligations under the FX Linked Note. Where applicable, if a Noteholder fails to so pay FX Delivery Expenses (or if they have not been calculated within the relevant time), the FX Deliverable Obligations comprising the FX Entitlement deliverable to such Noteholder will be reduced to reflect such FX Delivery Expenses.

If, on the scheduled date for physical delivery of the FX Entitlement, the Calculation Agent determines that any FX Deliverable Obligations comprising the FX Entitlement are FX Undeliverable Obligations, settlement in respect of the FX Linked Notes may be delayed for up to five Business Days until the Issuer can procure the delivery of the FX Undeliverable Obligations. Where any FX Deliverable Obligations are still FX Undeliverable Obligations on that fifth Business Day, the Calculation Agent will determine the action to be taken under the Notes, including whether or not the Issuer will continue to attempt to deliver the FX Undeliverable Obligations, and the future terms applicable to the Notes. In each case, the value of the FX Linked Notes may be affected.

THE BANKING SECTOR IN SOUTH AFRICA

The South African banking system is well developed and effectively regulated, comprising a central bank, several large, financially strong banks and investment institutions, and a number of smaller banks. Many foreign banks and investment institutions have also established operations in South Africa over the past decade. The Government is a subscriber to the IMF and World Bank regulations and policies. South African banks are regulated by the Prudential Authority (the "PA") and the Financial Sector Conduct Authority ("FSCA"). South Africa has implemented the Basel III framework through amendments to the Regulations Relating to Banks which became effective on 1 January 2013. South Africa is a member of the International Liaison Group of the BCBS. The South African banking regulator actively participates in international regulatory and supervisory standard-setting forums at which it is represented and provides input into the continued refinement of the supervisory framework in terms of Basel III.

The National Payment System Act, 1998 was introduced to bring the South African financial settlement system in line with international practice and systematic risk management procedures. The Payment Association of South Africa, under the supervision of the South African Reserve Bank ("SARB"), has facilitated the introduction of payment clearing house agreements. It has also introduced agreements pertaining to settlement, clearing and netting agreements, and rules to create certainty and reduce systemic and other risks in inter-bank settlement. These developments have brought South Africa in line with international inter-bank settlement practice. Electronic banking facilities are extensive, with a nationwide network of automatic teller machines and internet banking being available.

Regulation

Financial sector legislation in South Africa aligns with international best practice through the accords of international bodies such as the Bank of International Settlements ("BIS"); the International Organization of Securities Commissions; and the International Association of Insurance Supervisors. Banks in South Africa are governed by various Acts and legislation, most significantly the Banks Act.

Twin peaks model of financial regulation

The "twin-peaks" approach to financial sector regulation is primarily aimed at the enhancement of systemic stability, improving market conduct regulation, sound micro- and macro prudential regulation and the strengthening of the operational independence, governance and accountability of regulators. The perimeters of regulation will continue to be expanded to cover all sources of systemic risk, the regulation of all private pools of capital (for example, hedge funds and over-the-counter derivatives) and unregulated financial activities such as the functioning of credit rating agencies (now regulated by the Credit Rating Services Act, 2012).

The Financial Sector Regulation Act, 2017 (the "FSR Act"), which was signed into law on 21 August 2017 and commenced (with the exception of a couple of transitional periods) on 1 April 2018, gave effect to the Government's decision to implement the "twin-peaks" model of financial regulation with a view to ensuring that the sector is safer and more effective. The FSR Act covers four policy priorities to reform the financial sector, namely: financial stability; consumer protection and market conduct; expanding access of financial services through inclusion; and combating financial crime.

The FSR Act reflects the Government's undertaking to eliminate lending malpractices, protect customers and reduce systemic risk through increased market conduct regulation. The FSR Act established two financial sector regulators, namely the FSCA, which regulates market conduct with a purview over the full range of financial services related matters (such as the regulation of bank charges) and the PA which is responsible for the oversight of the safety and soundness of banks, insurers, financial conglomerates and market infrastructures. The FSCA is mandated to protect customers of financial services, improve the way in which financial service providers conduct their business, ensure that the integrity and efficiency of the financial markets is maintained, and promote effective financial consumer education.

The objective of the PA is to promote and enhance the safety and soundness of financial institutions that provide financial products, market infrastructures and payment systems to protect financial customers, including depositors, against the risk that those financial institutions may fail to meet their obligations.

The current legislative framework that underpins market conduct and consumer protection includes the following legislation: Financial Advisory and Intermediary Services Act, 2002, the Consumer Protection Act, 2008; the National Credit Act, 2005; the National Credit Amendment Act, 2014 and 2019; the Protection of Personal Information Act, 2013 as well as a comprehensive set of principles relating to Treating Customers Fairly (an outcomes based regulatory and supervisory approach designed to ensure that regulated financial institutions deliver specific, clearly set out fairness outcomes for financial customers).

The Government seeks to ensure financial stability through macro prudential regulation in line with international standards and measures including: improving the quality of capital; reducing pro-cyclicality; setting leverage and liquidity ratios; and issuing compensation guidelines. It further requires swift regulatory action to prevent contagion and proposes a more intense, intrusive and effective form of regulation. Government has commenced with the process of implementing regulations that will eventually be expanded to cover all sources of systemic risk including the regulation of all private pools of capital. In this regard, the Minister of Finance signed into law the Financial Markets Act Regulations (the "**FMA Regulations**") on 9 February 2018. The FMA Regulations provide the framework for regulation of over-the-counter derivative transactions in South Africa and the FSCA conduct standards, published in 2020 in connection with the FMA Regulations, set out the reporting requirements and code of conduct for over-the-counter derivative providers.

Anti-money laundering regulations

The Government has identified combating of money laundering and countering the financing of terrorism and countering the financing of proliferation activities as a policy priority. As a result thereof, South Africa has a well-established anti-money laundering ("**AML**")/combating the financing of terrorism ("**CFT**") legislative framework which includes but is not limited to the Financial Intelligence Centre Act, 2001 (the "**FIC Act**"), and the Protection of Constitutional Democracy Against Terrorist and Related Activities Act, 2004.

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

Flowing from these responsibilities, the PA conducts AML/CFT inspections to assess whether all banks in the South African market have adequate and effective AML/CFT controls in place. As part of its mandate the SARB through the PA may and has in the past imposed administrative sanctions and directives to implement remedial action on banks whose AML/CFT frameworks are found to have deficiencies (from the perspective of adequacy or effectiveness). In this regard, in September 2019, SBSA received an administrative sanction in the amount of ZAR 30 million (ZAR 7.5 million of which was suspended for a period of three years), for not complying with suspicious and unusual transaction reporting deadlines prescribed by the regulations issued in terms of the FIC Act. This sanction was accompanied with a confirmation that there had been no indication that SBSA had facilitated any transactions involving money laundering or the financing of terrorism. SBSA remediated all inspection findings in full by the 31 December 2019 deadline and on 22 April 2021, SBSA received confirmation from the PA concerning the completion of such remediation.

In October 2021, the Financial Action Task Force (an inter-governmental AML/CFT policy-making and standards setting body) ("**FATF**") published the Mutual Evaluation Report (the "**Report**") for South Africa, summarising the findings in relation to the adequacy of AML/CFT measures in place in South Africa, competent authorities' level of compliance with the FATF 40 Recommendations and the level of effectiveness of South Africa's AML/CFT framework.

Some of the key findings from the Report can best be summarised as follows:

- (a) some money laundering risks are being mitigated but some significant risks remain to be addressed, and terrorist financing risks are not adequately addressed;
- (b) South Africa has suffered from a sustained period of "state capture", which undermined key agencies with roles to combat such activity;
- (c) South Africa has had some good results pursuing corruption cases and recovering proceeds of corruption, but has been less successful addressing such issues resulting from "state capture"; and
- (d) larger banks are more developed at understanding their money laundering risks and implementing mitigation measures commensurate with those risks, notwithstanding, overall, the risk-based approach is inadequately implemented. Aligned with the findings of the Report, over the medium term, the Government is expected to take remedial steps within 18 months to address deficiencies identified in the Report.

South Africa is now in FATF's International Co-Operation Review Group follow up process, and will be required to report on its progress in remedying the deficiencies identified in the Report at regular intervals. The first progress report to FATF is due in October 2022. An Inter Departmental Working Group was formed to coordinate South Africa's participation in the evaluation process, and will now continue to coordinate South Africa's follow up process.

The review and enhancement of the AML/CTF risk assessments and risk management and compliance programmes ("**RMCPs**") of banking institutions is being co-ordinated by the PA. SBSA submitted an action plan to review and improve (where appropriate) the quality and efficacy of SBSA's ML/TF preventative measures (in relation to FATF Immediate Outcome 4) to the PA on 31 January 2022, and the first progress report was submitted in March 2022.

SBSA is committed to complying with all its regulatory requirements and supports global efforts to combat money laundering and terrorist financing. Consequently, SBSA has established and adopted policies and procedures for compliance with money laundering and terrorist financing control requirements to ensure the detection, analysis and reporting of suspicious activity to the relevant authorities. SBSA also continues to take measures to effect enhancements to its processes in response to evolving global money laundering and terrorist financing risks.

SARB

SARB is responsible for bank regulation and supervision in South Africa with the purpose of achieving a sound, efficient banking system in the interest of the depositors of banks and the economy as a whole. The SARB holds various international memberships including the G-20, the IMF, the BIS and the Committee of Central Bank Governors in the Southern African Development Community. The SARB serves on various BIS committees including the BCBS and the Committee on Payments and Settlement Systems. The SARB performs its function of bank regulation and supervision through the PA, which issues banking licences to institutions and monitors their activities under the applicable legislation. The PA has extensive regulatory and supervisory powers. Every bank is obliged to furnish certain prescribed returns to the PA in order to enable the banking regulator to monitor compliance with the formal, prudential and other requirements imposed on banks in terms of, *inter alia*, the Banks Act and the Regulations Relating to Banks. Such regulations may be, and are, amended from time to time in order to provide for amendments and additions to the prescribed returns, and the frequency of submission thereof. The PA acts with relative autonomy in executing its duties, but has to report annually to the Minister of Finance, who in turn has to table this report in Parliament.

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

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

The Issuer, as part of a banking group, is supportive of the SARB's objectives and endorses improvements in risk management and governance practices as an active participant in the new regulatory landscape. The same approach is also applied in respect of the Issuer's cooperation with other regulatory authorities and much effort and resources are dedicated in a cost efficient manner in order to

reap maximum benefits emanating from the implementation of best practice and the resultant enablement of its global business activities.

Currently the banking industry works within a three tiered framework:

- (i) the Banks Act (effecting changes to the Banks Act requires Parliamentary approval);
- (ii) the Regulations Relating to Banks (changes to the Regulations Relating to Banks require the approval of the South African Minister of Finance); and
- (iii) Banks Act circulars, directives and guidance notes.

Circulars may be issued by the PA to furnish banks with guidelines regarding the application and interpretation of the provisions of the Banks Act. Guidance notes may be issued by the PA in respect of market practices or market and industry developments. Directives may be issued by the PA, after consultation with the affected parties, to prescribe certain processes or procedures to be followed by banks with regard to certain processes or procedures necessary in the administration of the Banks Act. It is obligatory for banks to comply with its prescriptions.

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

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

In response to fundamental weaknesses in international financial markets, revealed by the 2008 global financial crisis, a large volume of regulatory and supervisory standards and requirements were issued by international standard-setting bodies such as the BCBS. The incorporation of the changes and enhancements into the domestic regulatory framework requires an ongoing review of South African banking legislation and regulatory requirements in order to ensure the appropriate alignment of the regulatory framework with international standards. In this regard, both the Banks Act and the Regulations Relating to Banks are amended from time to time.

SBSA views its relationship with the PA as being of the utmost importance and it is committed to fostering sound banking principles for the industry as a whole. In this regard, SBSA is a member of the Banking Association of South Africa, whose role is to establish and maintain the best possible platform on which banking groups can conduct competitive, profitable and responsible banking.

COVID-19 coronavirus pandemic

In response to the COVID-19 pandemic, the South African Government declared a national state of disaster under the Disaster Management Act, 2002 on 15 March 2020 (the "**National State of Disaster**"), pursuant to which it implemented a number of measures to contain the spread, and mitigate the impact, of COVID-19 in South Africa. The South African Government implemented a risk-adjusted

phased lockdown comprising five alert levels which were determined with reference to the risk and infection rate nationally, and in each province, district and metropolitan area. These alert levels are no longer applicable as the South African Government declared that the country had entered a "new phase in the COVID-19 pandemic" and as such the National State of Disaster was lifted with effect from 5 April 2022. Certain transitional measures remained in place for a period of 30 days from the date of termination of the National State of Disaster to ensure essential public health precautions and other necessary services were uninterrupted. New regulations in terms of the National Health Act, 2003 (the "**National Health Act**") were published on 5 May 2022, with the aim of providing a framework for mitigating against the spike in COVID-19 infections, driven by variants. The limited set of health regulations in terms of National Health Act were repealed by the Minister of Health with effect from 22 June 2022.

During the National State of Disaster, the South African Government, as well as business, called on the banking industry to extend credit to sectors in need, particularly households and small businesses, and to provide relief measures to reduce the strain on these sectors in an effort to sustain the local economy and maintain financial stability in South Africa. The PA issued a number of directives to provide temporary relief to banks, branches of foreign institutions and controlling companies (hereinafter collectively referred to as "banks") during this time of financial stress to ensure South Africa's continued compliance with the relevant internationally agreed capital framework. These measures are no longer in place in terms of the following directives:

- (i) *Directive D8/2021 issued in terms of section 6(6) of the Banks Act* – with effect from 1 April 2022 the PA withdrew the temporary relief measure related to the LCR and reinstated the minimum LCR to 100 per cent;
- (ii) *Directive D5/2021 issued in terms of section 6(6) of the Banks Act* – with effect from 1 January 2022 the PA withdrew the temporary relief measures which sought to reduce the minimum requirement of capital and reserve funds (including pillar 2A and capital conservation buffers) and reinstated the minimum pillar 2A capital requirements; and
- (iii) *Directive D7/2021 issued in terms of section 6(6) of the Banks Act* – the PA withdrew Directive D3/2020 which sought to support COVID-19 relief initiatives, such as payment holidays offered by banks in order to provide relief to certain borrowers in the retail and corporate sector, by providing temporary relief on the minimum capital requirements for banks relating to credit risk during this stress period. In terms of Directive D7/2021, all COVID-19 restructures that remain active from 31 March 2022, are to be reclassified and reported as distressed restructured credit exposures.

The ZAR 200 billion loan guarantee scheme that was introduced in 2020, as part of the ZAR 500 billion fiscal support package announced by President Ramaphosa, closed in July 2021. The fiscal support package included assistance to eligible businesses during the pandemic in terms of which profits and losses incurred under the scheme were apportioned between the South African Government and participating banks. The programme was not as effective as envisaged with approximately ZAR 18 billion in loans approved since implementation of the scheme.

Current Environment

As at 1 June 2022, there were 18 registered banks, 4 mutual banks, 5 co-operative banks, 13 local branches of foreign banks and 28 representative offices of foreign banks in South Africa (Source: SARB website). In addition, as at 1 June 2022, the South African banking sector had total assets of

approximately ZAR7 trillion according to statistics published by the SARB (Source: SARB monthly trends publication, June 2022). The five largest banks by assets (Source: BA900, 1 June 2022) were Absa Bank Limited, FirstRand Bank Limited, Investec Bank Limited, Nedbank Limited and The Standard Bank of South Africa Limited.

SOUTH AFRICAN EXCHANGE CONTROL

Capitalised terms used in this section headed "South African Exchange Control" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or clearly inappropriate from the context.

The information below is intended as a general guide to the position under the Exchange Control Regulations, 1961 as promulgated under the Currency and Exchanges Act, 1933, as amended, (the "Exchange Control Regulations") as at the date of this Risk Factors & Other Disclosures Schedule. The contents of this section headed "South African Exchange Control" do not constitute exchange control 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.

Programme Memorandum

The Programme Memorandum (as read together with the Disclosure Schedules) does not require the prior approval of the Financial Surveillance Department of the South African Reserve Bank (the "Exchange Control Authorities") in terms of the Exchange Control Regulations.

Issue of Notes

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.

In particular, in terms of Rule 3.12(c) of the JSE Debt Listings Requirements, "*where the ... Issuer issues listed [Notes] that will pay higher than the interest rate to be paid/discounted in terms of exchange control policy, and where there will be foreign participation in cross-border funding, the ... Issuer is required to obtain prior approval from the [Exchange Control Authorities] or a directive in respect of the issue. Exchange control policy allows interest to be paid up to the prime overdraft rate (predominant rate) plus 3% per annum or as amended from time to time*".

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

Non-South African resident Noteholders and emigrants from the Common Monetary Area

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.

Emigrants from the Common Monetary Area

Any Individual Certificates issued to Noteholders who are emigrants from South Africa, the Republic of Namibia, the Kingdom of Lesotho and the Kingdom of eSwatini (the "Common Monetary Area")

will be endorsed "*non-resident*". Such restrictively endorsed Individual Certificates shall be deposited with an authorised foreign exchange dealer(s) 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 Depository, the securities account maintained for such emigrant by the relevant Participant will be designated as an "*emigrant*" 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 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 Depository, the securities account for such Noteholder by the relevant Participant 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 has been endorsed "*non-resident*" or the relevant securities account has been designated as a "*non-resident*" account, as the case may be.

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 & Other Disclosures Schedule, no exchange control approval is required in respect of the Programme and/or the Notes.

SOUTH AFRICAN TAXATION

Capitalised terms used in this section headed "South African Taxation" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or clearly inappropriate from the context.

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 & 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 per cent. 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) (read together with section 2(1)(c)) 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 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, may be subject to VAT at the zero rate in terms of section 11(2)(1) of the VAT Act subject to compliance with section 11(3) 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:

- (a) that person is a natural person who was physically present in South Africa for a period exceeding 183 days in aggregate during the twelve month period preceding the date on which the interest is received or accrued by or to that person; or

- (b) the debt from which the interest arises is effectively connected to a permanent establishment of that person in South Africa.

Interest as defined in section 24J of the Income Tax Act (including the premium or discount) may qualify for the exemption under section 10(1)(h) of the Income Tax Act. If a Noteholder does not qualify for the exemption under section 10(1)(h) of the Income Tax Act, exemption from, or reduction of any South African income tax liability may be available under an applicable double taxation treaty.

Purchasers are advised to consult their own professional advisers as to whether the interest income earned on the Notes will be exempt under section 10(1)(h) of the Income Tax Act or under an applicable double taxation treaty.

Under section 24J of the Income Tax Act, broadly speaking, any discount or premium to the Nominal Amount of a Note is treated as part of the interest income on the Note. Section 24J of the Income Tax Act deems interest income to accrue to a Noteholder on a day-to-day basis until that Noteholder disposes of the Note. The day-to-day basis accrual is determined by calculating the yield to maturity and applying this rate to the capital involved for the relevant tax period.

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.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including South Africa) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019 and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. However, if additional notes (that are not distinguishable from previously issued Notes) are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, the Issuer will not be required to pay additional amounts as a result of the withholding.

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

Capitalised terms used in this section headed "Subscription and Sale" shall bear the same meanings as used in the relevant Terms and Conditions, except to the extent that they are separately defined in this section or clearly inappropriate from the context.

Selling restrictions

South Africa

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

Prior to the issue of any Tranche of Notes under the Programme, each Dealer who has (or will have) agreed to place that Tranche of Notes will be required to represent and agree that it will not make an "offer to the public" (as such expression is defined in the Companies Act, and which expression includes any section of the public) of Notes (whether for subscription, purchase or sale) in South Africa. The Programme Memorandum (as read together with the Disclosure Schedules) 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, 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 therein by reference 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 & Other Disclosures Schedule headed "*South African Exchange Control*").

United States of America

Regulation S Category 2 TEFRA D, unless TEFRA C is specified as applicable or TEFRA is specified as not applicable in the relevant Pricing Supplement

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain

transactions exempt from, or not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each Dealer has agreed that, except as permitted by the Programme Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche, as certified to the Principal Paying Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Principal Paying Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer and its affiliates will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

European Economic Area

Prior to the issue of any Tranche of Notes under the Programme, each Dealer who has (or will have) agreed to place that Tranche of Notes will be required to represent and agree that, in relation to each Member State of the European Economic Area which has implemented the EU Prospectus Regulations (each a "**Relevant Member State**"), with effect from and including the date on which the EU Prospectus Regulations is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of any of such Notes to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of any of such Notes to the public in that Relevant Member State:

- (a) if the terms or drawdown prospectus in relation to the Notes specifies that an offer of those Notes may be made other than pursuant to Article 1(4) of the EU Prospectus Regulations in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State in accordance with the EU Prospectus Regulations and/or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus, if not a drawdown prospectus, has subsequently been completed by the terms contemplating such Non-exempt Offer, in accordance with the EU Prospectus Regulations, in the period beginning and ending on the dates specified in the drawdown prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
- (b) at any time to any legal entity which is a qualified investor as defined in the EU Prospectus Regulations;

- (c) at any time to fewer than 150 (one hundred and fifty) natural or legal persons (other than qualified investors as defined in the EU Prospectus Regulations) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the EU Prospectus Regulations,

provided that no such offer of Notes referred to in (a) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the EU Prospectus Regulations or supplement a prospectus pursuant to Article 23 of the EU Prospectus Regulations.

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 Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, and the expression "**EU Prospectus Regulations**" means Regulation (EU) 2017/1129 (as amended).

The Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that, in relation to any offering of Notes to which Markets in Financial Instruments Directive 2014/65/EU (as amended, MiFID II) applies, that such offering is in accordance with the applicable rules set out in MiFID II (including any applicable national transposition of MiFID II), including that any commission, fee or non-monetary benefit received from the relevant issuer complies with such rules.

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:

- 1.1.2 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 ("**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;
- 1.1.3 at any time to any legal entity which is a qualified investor as defined in the UK Prospectus Regulation;
- 1.1.4 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

- 1.1.5 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 the 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.

General

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 agree that:

- (a) it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in each jurisdiction in which it purchases, subscribes or procures the subscription for, offers or sells Notes in that Tranche or has in its possession or distributes the Programme Memorandum (as read together with the Disclosure Schedules) and will obtain any consent, approval or permission required by it for the purchase, subscription, offer or sale by it of any 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, subscription, offers or sales; and
- (b) it will comply with such other or additional restrictions as the Issuer and such Dealer agree and as are set out in the relevant Applicable Pricing Supplement relating to the relevant Tranche of Notes.

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.

SETTLEMENT, CLEARING AND TRANSFER OF NOTES

Capitalised terms used in this section headed "Settlement, Clearing and Transfer of Notes" shall bear the same meanings as used in the relevant Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

Notes listed on the JSE and/or held in the Central Depository

Each Tranche of Notes which is listed on the JSE in uncertificated form will be held in the Central Depository. A Tranche of unlisted Notes may also be held in the Central Depository.

Clearing systems

Each Tranche of Notes listed on the JSE and/or held in the Central Depository will be issued, cleared and settled in accordance with the Applicable Procedures for the time being of the JSE and the Central Depository through the electronic settlement system of the Central Depository. Such Notes will be cleared by Participants who will follow the electronic settlement procedures prescribed by the JSE and the Central Depository.

The Central Depository has, as the operator of an electronic clearing system, been appointed by the JSE to match, clear and facilitate the settlement of transactions concluded on the JSE. Subject as aforesaid each Tranche of Notes which is listed on the JSE will be issued, cleared and transferred in accordance with the Applicable Procedures and the relevant Terms and Conditions, and will be settled through Participants who will comply with the electronic settlement procedures prescribed by the JSE and the Central 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).

Participants

The Central Depository maintains central securities accounts only for Participants. As at the date of this Risk Factors & Other Disclosures Schedule, the Participants which are approved by the Central Depository, in terms of the rules of the Central Depository, are Absa Bank Limited, Citibank NA, Johannesburg 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, as operator of the Euroclear System, and Clearstream Banking will settle off-shore transfers in the Notes through their Participants.

Settlement and clearing

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

While a Tranche of Notes is held in its entirety in the Central Depository, each relevant Participant's nominee or the individual Noteholder, where the Participant has set up a central securities account for such Noteholder, will be named in the Register as the Noteholder of the Notes in that Tranche. All amounts to be paid in respect of Notes held in the Central Depository will be paid to the relevant Participants for the holders of Beneficial Interests in such Notes.

In relation to each person shown in the records of the Central Depository or the relevant Participant, as the case may be, as the holder of a Beneficial Interest in a particular Nominal Amount of Notes, a certificate or other document issued by the Central Depository or the relevant Participant, as the case may be, as to the Nominal Amount of such Notes standing to the account of such person shall be *prima facie* proof of such Beneficial Interest. Each relevant Participant's nominee or the individual Noteholder, where the Participant has set up a central securities account for such Noteholder (as the registered Noteholder of such Notes named in the Register) will be treated by the Issuer, the Paying Agent, the Transfer Agent and the relevant Participant as the holder of that aggregate Nominal Amount of such Notes for all purposes.

Payments of all amounts in respect of a Tranche of Notes which is listed on the JSE and/or held in the Central Depository will be made to the relevant Participants for the holders of Beneficial Interests in such Notes. Each of the persons reflected in the records of the Central Depository as the holders of Beneficial Interests in Notes shall look solely to the Central Depository or the relevant Participant for such Person's share of each payment so made by (or on behalf of) the Issuer to, or for the order of, each Participant's nominee, as the registered Noteholder of such Notes.

Transfers and exchanges

The Participants will maintain records of the Beneficial Interests in Registered Notes held in the Central Depository.

Subject to the Applicable Laws, title to Beneficial Interest 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. Subject to the Applicable Laws, title to Beneficial Interests held by Participants directly through the Central Depository will pass on transfer thereof by electronic book entry in the central securities accounts maintained by the Central Depository for such Participants. Beneficial Interests may be transferred only in accordance with the CSD Procedures.

Beneficial Interests may be exchanged for Notes represented by Individual Certificates in accordance with Condition 13.1.2 (*Transfer of Registered Notes represented by Individual Certificates*) of the 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 and/or the JSE Guarantee Fund

The holders of Notes that are not listed on the JSE will have no recourse against the JSE, the JSE Debt Guarantee Fund Trust or the JSE Guarantee Fund, as applicable. Claims against the JSE Debt Guarantee Fund Trust or the JSE Guarantee Fund, as applicable, may only be made in respect of the trading of Notes listed on the JSE and can in no way relate to a default by the Issuer of its obligations under the Notes listed on the JSE. Any claims against the JSE Debt Guarantee Fund Trust or the JSE Guarantee

Fund may only be made in accordance with the rules of the JSE Debt Guarantee Fund Trust or the JSE Guarantee Fund, as applicable. 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 for the time being of that Financial Exchange. The settlement and redemption procedures for a Tranche of Notes which is listed on any Financial Exchange (other than or in addition to the JSE) will be specified in the relevant Applicable Pricing Supplement.

CORPORATE INFORMATION

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LEGAL ADVISERS

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