STANDARD BANK GROUP LIMITED
(*Incorporated with limited liability on 25 November 1969 under Registration Number 1969/017128/06 in the Republic of South Africa*)

as **Issuer**

RISK FACTORS & OTHER DISCLOSURES SCHEDULE RELATING TO THE STANDARD BANK GROUP LIMITED ZAR 50,000,000,000 DOMESTIC MEDIUM TERM NOTE PROGRAMME

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*This is the Risk Factors & Other Disclosures Schedule relating to the Standard Bank Group Limited ZAR 50,000,000,000 Domestic Medium Term 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 dated 8 December 2022, 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 "General Terms and Conditions" (the "**General Terms and Conditions**") or "Additional Tier 1 Terms and Conditions" (the "**Additional Tier 1 Terms and Conditions**", and together with the General Terms and Conditions, the "**Terms and Conditions**") (as applicable), 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 Standard Bank Group Limited (the "**Issuer Disclosure Schedule**", and together with the Risk Factors & Other Disclosures Schedule, 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 and Other Disclosures Schedule.*

*References in this section to the "**Group**" are to Standard Bank Group Limited ("**SBG**") and its subsidiaries and therefore include The Standard Bank of South Africa Limited and its subsidiaries.*

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.

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 the Issuer, 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 Issuer 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 Group 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 Group 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 businesses, 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 Issuer 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 the Issuer, sub-Saharan financial markets

The Group's business has significant holdings in South Africa, in particular through The Standard Bank of South Africa Limited ("**SBSA**") and its subsidiaries, with the majority of the Issuer's revenues derived from operations in South Africa. Therefore, the Issuer's businesses 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, The Issuer's performance is also affected by its operations in sub-Saharan Africa. Africa Regions contributed 36 per cent. to the Issuer's headline earnings for the year ended 31 December 2021, and total assets for Africa Regions represented 18.3 per cent. of the Issuer'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 the Issuer'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 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 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 the Issuer 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 the Issuer 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 the Issuer, 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 continue to 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 Group'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 Group'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 Group's businesses. 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 Group'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 the Group's clients, an impairment in value of clients' operating assets which would have an adverse impact on the Group'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 fail 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.

Noteholders recourse to assets and/or cash flows of the Issuer may be subordinated to the rights of investors and funders to the assets and/or cash flows of the subsidiaries

The Issuer is a holding company and its ability to make payments in respect of the Notes issued by it under the Programme depends partially on the results of its operating subsidiaries and its ability to receive distributions and repayments from such subsidiaries

The Issuer is the ultimate holding company for the Group's interests and conducts its business through operating subsidiaries. The Issuer's ability to meet its financial obligations, including payments under Notes issued by it, depends partially on receipt of interest and principal payments on loans made by it to its operating subsidiaries (including, for example, any loans which may be made with the issue proceeds of Notes issued by the Issuer) and/or distributions of earnings and capital from its operating subsidiaries in the form of dividends, distributions or other advances and payments.

Certain of the Issuer's subsidiaries have incurred or may in the future incur indebtedness pursuant to loan agreements, indentures or other financial instruments that rank senior to the Issuer's loans to its subsidiaries. Furthermore, such subsidiaries are, or may in the future be, subject to restrictions contained in loan agreements or indentures which prohibit or limit their ability to transfer funds to the Issuer and/or require that any existing or new indebtedness of such subsidiaries to the Issuer be subordinated to the indebtedness under such loan agreements or indentures. the Issuer's subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due under Notes issued by the Issuer or to make any funds available therefore, whether in the form of dividends or otherwise. Any right that the Issuer may have to receive assets of any such subsidiary upon its liquidation, and the consequent right of the holders of Notes to benefit from the distribution of proceeds from those assets, will be effectively subordinated to the claims of creditors of such subsidiaries, including tax authorities, employees, trade creditors and lenders.

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 titled "*Description of Standard Bank Group 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 the Group's 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. The Issuer 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 the Issuer 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, the Group 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 respective net assets in foreign operations, intragroup foreign-denominated debt and foreign-denominated cash exposures and accruals.

The Issuer has exposure to changes in its 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 the Issuer 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 the Issuer'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 the Issuer's Statement of Financial Position as at 31 December 2021 was R1,073 million.

In addition, the Issuer, through its shareholding in Liberty Holdings Limited ("**Liberty**"), is exposed to insurance risk. The Issuer increased its shareholding in Liberty in February 2022 to 100 per cent. from the 53.62 per cent. held as at 31 December 2021 (for more information, see the section titled "*Description of Standard Bank Group Limited – Business of SBG – Liberty Holdings Limited ("Liberty")*" of the Issuer Disclosure Schedule). 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 the Issuer'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 the Issuer's liquidity and business operations, which could further impact the Issuer'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 the Issuer'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 the Issuer.

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 the Issuer'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 Group's financial prospects if, for example, the Group incurs large losses, experiences significant deposit outflows or if the level of the Group'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, the Issuer's long-term issuer rating was assessed by Moody's Investors Service Cyprus Ltd. ("**Moody's**") as Ba3 with a stable outlook and the Issuer'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, SBSA's short and long-term foreign currency deposit rating was assessed by 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 as B and BB-, respectively, with a stable outlook. Moody's award of the Issuer's rating is one notch lower than the deposit rating assigned to SBSA. The Issuer's issuer rating is mainly driven by the structural subordination of the Issuer'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, 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 I, 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 I. The

Issuer's 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. The Issuer 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 the Issuer'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 Group maintained NSFR compliance for 2021, with SBSA reporting a NSFR of 107.6 per cent. as at 31 December 2021 in excess of the 100.0 per cent. regulatory requirement, and the Issuer reporting 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

There is no active trading market for the Notes

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). 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 admitted to listing on the JSE, there is no assurance that such applications 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.

The Notes may be redeemed prior to maturity

Unless in the case of any particular Tranche of Notes the relevant Applicable Pricing Supplement specifies otherwise, in the event that the Issuer has or will be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of South Africa or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions.

In addition, if in the case of any particular Tranche of Notes the relevant Applicable Pricing Supplement specify that the Notes are redeemable at the Issuer's option in certain other circumstances, the Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes. Any redemption

of Tier 2 Notes prior to their Maturity Date or Additional Tier 1 Notes prior to their Maturity Date (if any) requires the prior written approval of the PA.

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 13 (Exchange of Beneficial Interests and Replacement of Individual Certificates) of the General Terms and Conditions and Condition 14 (Exchange of Beneficial Interests and Replacement of Individual Certificates) of the Additional Tier 1 Terms and Conditions, 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 depositary 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.

Exchange rate risks

The Issuer will pay principal and interest on the Notes in the Specified Currency (as defined in the relevant Applicable Pricing Supplement). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency equivalent value of the principal payable on the Notes and (iii) the Investor's Currency equivalent market value of the Notes. Similarly, the Issuer may be exposed to potential losses if the Specified 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 delisted, 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 delisted. If any Notes are delisted, 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), delisting 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.

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 and substitution

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.

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

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

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

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

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

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

On 19 June 2020 the SARB published the '*Statement of methodology and the policies governing the SARB-administered interest rate benchmarks*', otherwise referred to as the Technical Specification Paper ("**TSP**"), for public comment. The TSP is a draft statement of the methodology and policies that will govern proposed interest rate benchmarks to be administered by the SARB. An extensive consultation process was followed in the development of the technical specification of the proposed

interest rate benchmarks, including consultations with global counterparts. In the domestic market, input from members of the MPG and its various work streams was considered.

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

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

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

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

The Applicable Pricing Supplement relating to any specific Tranche of Notes may provide that it will be the Issuer's intention to apply the proceeds from an offer of those Notes specifically for projects and activities that (i) promote climate-friendly and other environmental purposes ("**Green Projects**"), (ii) are aimed at reducing economic and social inequality ("**Social Projects**"), or (iii) have both a positive environmental and social impact ("**Sustainable Projects**"). Prospective investors should determine for themselves the relevance of such information for the purpose of any investment in such Notes together with any other investigation such investor deems necessary. In particular no assurance is given by the Issuer that the use of such proceeds for any Green Projects, Social Projects or Sustainable Projects, as applicable, will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, social or sustainability impact of any projects or uses, the subject of or related to, any Green Projects, Social Projects or Sustainable

Projects, as applicable. Furthermore, it should be noted that there is currently no clearly defined definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a "green", "social" or "sustainable" or an equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as "green", "social" or "sustainable" or such other equivalent label nor can any assurance be given that such a clear definition or consensus will develop over time. Accordingly, no assurance is or can be given to investors that any projects or uses the subject of, or related to, any Green Projects, Social Projects or Sustainable Projects, as applicable, will meet any or all investor expectations regarding such "green", "social" or "sustainable" or other equivalently-labelled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Green Projects, Social Projects or Sustainable Projects, as applicable.

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

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

While it is the intention of the Issuer to apply the proceeds of any Notes so specified for Green Projects, Social Projects or Sustainable Projects, as applicable, in, or substantially in, the manner described in the applicable relevant Applicable Pricing Supplement, there can be no assurance that the relevant project(s) or use(s) the subject of, or related to, any Green Projects, Social Projects or Sustainable Projects, as applicable, will be capable of being implemented in or substantially in such manner and/or accordance with any timing schedule and that accordingly such proceeds will be totally or partially disbursed for such Green Projects, Social Projects or Sustainable Projects, as applicable. Nor can there be any assurance that such Green Projects, Social Projects or Sustainable Projects, as

applicable, will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Issuer. Any such event or failure by the Issuer will not constitute an Event of Default under the Notes.

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

Investors should refer to the Standard Bank Group's Sustainable Bond Framework (as further described in the Programme Memorandum) for further information.

Risks relating to Subordinated Notes

Substitution or Variation of Tier 2 Notes upon the occurrence of a Capital Disqualification Event, Tax Event (Gross Up), Tax Event (Deductibility) or a Change in Law

Upon the occurrence and continuation of a Capital Disqualification Event, Tax Event (Gross Up), Tax Event (Deductibility) or, if specified in the relevant Applicable Pricing Supplement, a Change in Law (each as defined in Condition 1 (*Interpretation*) of the General Terms and Conditions), the Issuer may, subject as provided in Condition 8.6 (*Substitution or Variation*) of the General Terms and Conditions and without the need for any consent of the Noteholders or Couponholders, substitute all (but not some only) of any Series of Tier 2 Notes, or vary the terms of all (but not only some) such Notes so that it remains or, as appropriate, becomes, Qualifying Tier 2 Securities (as defined in Condition 1 (*Interpretation*) of the General Terms and Conditions). While the Issuer cannot make changes to the terms of Tier 2 Notes that are materially less favourable to the holders of the relevant Tier 2 Notes, no assurance can be given as to whether any of these changes will negatively affect any particular Holder. In addition, the tax consequences of holding such substituted or varied Tier 2 Notes could be different for some categories of Holders from the tax consequences for them of holding the Tier 2 Notes prior to such substitution or variation.

Substitution or Variation of Additional Tier 1 Notes upon the occurrence of a Capital Disqualification Event, Tax Event (Gross Up), Tax Event (Deductibility) or a Change in Law

Upon the occurrence and continuation of a Capital Disqualification Event, Tax Event (Gross Up), Tax Event (Deductibility) or, if specified in the relevant Applicable Pricing Supplement, a Change in Law (each as defined in Condition 1 (*Interpretation*) of the Additional Tier 1 Terms and Conditions), the Issuer may, subject as provided in Condition 9.6 (*Substitution or Variation*) of the Additional Tier 1 Terms and Conditions and without the need for any consent of the Noteholders, substitute all (but not some only) of any Series of Additional Tier 1 Notes, or vary the terms of all (but not only some) such Additional Tier 1 Notes so that they remain or, as appropriate, become Qualifying Tier 1 Securities (as defined in Condition 1 (*Interpretation*) of the Additional Tier 1 Terms and Conditions).

Early Redemption of Subordinated Notes (other than Additional Tier 1 Notes) upon the occurrence of a Capital Disqualification Event (in relation to Tier 2 Notes only), Tax Event (Gross Up), Tax Event (Deductibility) or a Change in Law

Upon the occurrence and continuation of a Capital Disqualification Event (in relation to Tier 2 Notes only), Tax Event (Gross up), Tax Event (Deductibility) or, if specified in the relevant Applicable Pricing Supplement, a Change in Law (each as defined in Condition 1 (*Interpretation*) of the General Terms and Conditions), but (other than in respect of a Capital Disqualification Event) subject to Condition 8.7 (*Conditions to Redemption, Purchase, Modification, Substitution or Variation of Tier 2 Notes*) of the General Terms and Conditions, the Issuer may, at its option, redeem all (but not some only) of the Subordinated Notes at the Early Redemption Amount as specified in, or determined in the manner specified in, the relevant Applicable Pricing Supplement or Pricing Supplement. Noteholders will not receive a make-whole amount or any other compensation in the event of any early redemption of Notes.

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

Early Redemption of Additional Tier 1 Notes upon the occurrence of a Capital Disqualification Event, Tax Event (Gross Up), Tax Event (Deductibility) or a Change in Law

Upon the occurrence and continuation of a Capital Disqualification Event, Tax Event (Gross Up), Tax Event (Deductibility) or, if specified in the relevant Applicable Pricing Supplement, a Change in Law (each as defined in Condition 1 (*Interpretation*) of the Additional Tier 1 Terms and Conditions), but (other than in respect of a Capital Disqualification Event) subject to Condition 9.7 (*Conditions to Redemption, Purchase, Modification, Substitution or Variation of Additional Tier 1 Notes*) of the Additional Tier 1 Terms and Conditions, the Issuer may, at its option, redeem all (but not some only) of the Additional Tier 1 Notes at the Redemption Amount as specified in, or determined in the manner specified in, the relevant Applicable Pricing Supplement. Noteholders will not receive a make-whole amount or any other compensation in the event of any early redemption of Additional Tier 1 Notes.

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

The Issuer's obligations under Tier 2 Notes are subordinated and Tier 2 Noteholders will have no right of set-off

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

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

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

Subject to Applicable Law, in accordance with the Terms and Conditions no Tier 2 Noteholder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer under or in connection with the Tier 2 Notes and each Tier 2 Noteholder shall, by virtue of being the holder of any Tier 2 Note, be deemed to have waived all such rights of set-off, compensation and retention.

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

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

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

If the Issuer is wound-up or put into liquidation, voluntarily or involuntarily, the Additional Tier 1 Notes shall become repayable but rank junior to the claims of Senior Creditors and holders of Tier 2 Preference Shares. The amount payable in such instance by the Issuer in respect of each Note (in lieu of any other payment by the Issuer) shall be equal to the amount as would have been payable to the Noteholder if, on the day prior to the commencement of such winding-up or administration and thereafter, such Noteholder were (in respect of such Note) the holder of one of a class of preference shares in the capital of the Issuer ranking *pari passu* as to a return of assets in such winding-up or administration with other Additional Tier 1 Noteholders of the Issuer and with that class or classes of preference shares (if any) from time to time issued or which may be issued by the Issuer which have a preferential right to a return of assets in such winding-up or administration over, and so rank ahead of, the holders of all other classes of issued shares for the time being in the capital of the Issuer other than preference shares which, upon issue, qualified (or were intended to qualify) as Tier 2 Capital.

In addition, the rights of Additional Tier 1 Noteholders are limited in certain respects. In particular, if the Issuer defaults on a payment of any amount due on an Additional Tier 1 Note for a period of 7 (seven) days or more, such Additional Tier 1 Noteholder may only institute proceedings for the winding-up of the Issuer but take no other action in respect of that default. Further, if at any time prior to the date on which the Original Principal Amount of the Additional Tier 1 Notes has been Converted or Written-off (as applicable) in full, a liquidation or winding-up (whether or not instituted by an Additional Tier 1 Noteholder as aforesaid and other than an Approved Winding-up) or administration of the Issuer occurs where the liquidator or administrator has given notice that it intends to declare and distribute a dividend, each Additional Tier 1 Noteholder may only prove in such winding-up or administration of the Issuer and/or claim in the liquidation of the Issuer in respect

of the Additional Tier 1 Notes, such claim being as provided in Condition 9.2 (*Winding-up of the Issuer*) of the Additional Tier 1 Terms and Conditions. Consequently, Additional Tier 1 Noteholders have no rights to accelerate the payment obligations of the Issuer under Additional Tier 1 Notes.

Subject to Applicable Laws, in accordance with the General Terms and Conditions no Additional Tier 1 Noteholder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer under or in connection with the Additional Tier 1 Notes and each Additional Tier 1 Noteholder shall, by virtue of being the holder of any Additional Tier 1 Note, be deemed to have waived all such rights of set-off, compensation and retention.

Accordingly, although Additional Tier 1 Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is a real risk that an investor in Additional Tier 1 Notes will lose all or some of its investment should the Issuer become insolvent.

Subordinated Notes that are not Tier 2 Notes or Additional Tier 1 Notes will be subordinated to most of the Issuer's liabilities

The payment obligations of the Issuer under Subordinated Notes that are not Tier 2 Notes or Additional Tier 1 Notes will rank behind Senior Notes. Subordinated Notes that are not Tier 2 Notes or Additional Tier 1 Notes constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* among themselves and at least *pari passu* with all Other Subordinated Securities (as defined in Condition 1 (*Interpretation*) of the General Terms and Conditions) but in priority to Tier 2 Capital and Additional Tier 1 Capital.

With regard to any Subordinated Notes that are not Tier 2 Notes or Additional Tier 1 Notes, if the Issuer is declared insolvent and a winding-up is initiated, the Issuer will be required to pay the holders of unsubordinated debt and meet its obligations to all its other creditors (including unsecured creditors but excluding any obligations in respect of Other Subordinated Securities, Additional Tier 1 Securities and Other Tier 2 Securities) in full before it can make any payments on Subordinated Notes that are not Tier 2 Notes or Additional Tier 1 Notes. If this occurs, the Issuer may not have enough assets remaining after these payments to pay amounts due under such Subordinated Notes that are not Tier 2 Notes or Additional Tier 1 Notes.

The Issuer is not prohibited from issuing further debt which may rank pari passu with or senior to the Subordinated Notes

There is no restriction on the amount of securities or indebtedness that the Issuer may issue or incur which ranks senior to, or *pari passu* with, Subordinated Notes. The issue of any such securities or indebtedness may reduce the amount recoverable by holders of Subordinated Notes on a winding-up, liquidation or curatorship of the Issuer.

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

Basel III requires the implementation of certain non-viability requirements as set out in the press release dated 13 January 2011 of the BCBS entitled "*Minimum requirements to ensure loss absorbency at the point of non-viability*" (the "**Basel III Non-Viability Requirements**"). The Basel III Non-Viability Requirements represent part of the broader package of guidance issued by the BCBS on 16 December 2010 and 13 January 2011 in relation to Basel III.

Under the Basel III Non-Viability Requirements, the terms and conditions of all Additional Tier 1 and Tier 2 instruments (as defined below) issued by an internationally-active bank must have a provision

that requires such instruments, at the option of the relevant authority, to either be written-off or converted into common equity upon the occurrence of a trigger event (described below) unless:

(a) the governing jurisdiction of the bank has in place laws that (i) require such Additional Tier 1 and Tier 2 instruments to be written-off upon such event, or (ii) otherwise require such instruments to fully absorb losses before tax-payers are exposed to loss (a "**Statutory Loss Absorption Regime**" or "**SLAR**");

(b) a peer group review confirms that the jurisdiction conforms with paragraph (a) above; and

(c) it is disclosed by the relevant regulator and by the issuing bank, in issuance documents going forward, that such instruments are subject to loss under paragraph (a) above.

The trigger event is the earlier of: (1) a decision that a write-off, without which the issuing bank would become non-viable, is necessary, as determined by the relevant authority; and (2) the decision to make a public sector injection of capital, or equivalent support, without which the issuing bank would have become non-viable, as determined by the relevant authority (the "**Point of Non-Viability**" or "**PONV**").

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

The SARB has provided clarity on the loss absorbency requirements contemplated in the Regulations Relating to Banks in Guidance Note 2 of 2012 (*Matters related to the implementation of Basel III*) and Guidance Note 6 of 2017 (*Loss absorbency requirements for Additional Tier 1 and Tier 2 capital instruments*) ("**Guidance Note 6**"), Circular 6 of 2013 (*Matters related to conditions for the issue of instruments or shares, the proceeds of which rank as Tier 2 capital*) and Circular 6 of 2014 (*Interpretation of specified conditions for the issuing of instruments or shares which rank as additional tier 1 capital and tier 2 capital*).

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

In South Africa, the Relevant Regulator currently has the power to trigger contractual write-off or conversion of Additional Tier 1 instruments and Tier 2 instruments at the Point of Non-Viability (PONV), i.e. where the Relevant Regulator determines it necessary to prevent the institution from becoming non-viable or when public sector support would be required to prevent failure; such "regulatory bail-in" is executed outside resolution. The FSLAA introduces a power that will subject most types of debt to bail-in, in accordance with their statutory hierarchy and provided resolution is invoked ("**statutory bail-in**"). As a result, losses for investors may differ depending on whether regulatory bail-in, statutory bail-in or both powers are applied and the sequence in which they are applied. In particular, in a scenario where investors in Additional Tier 1 and Tier 2 instruments are first subject to regulatory and subsequently to statutory bail-in, this may lead to resolution action being challenged on the grounds that such investors would have been better off had a liquidation been invoked.

Tier 2 Notes

Guidance Note 6 requires banks to indicate, in the contractual terms and conditions of any Tier 2 instruments issued, whether such instruments would be either written-off or converted into the most subordinated form of equity of the bank and/or its controlling company (such conversion, "**Conversion**") at the occurrence of a trigger event determined in the Relevant Regulator's discretion, as envisaged in Regulation 38(12)(a)(i) of the Regulations Relating to Banks. In accordance with Guidance Note 6, the terms and conditions of Tier 2 Notes issued under the Programme accordingly provide for the Write-off (as defined in Condition 1 (*Interpretation*) of the General Terms and Conditions) of such Tier 2 Notes at the discretion of the Relevant Regulator upon the occurrence of a Non-Viability Event (see Condition 5.4 (*Loss Absorption Following A Non-Viability Event*) of the General Terms and Conditions (subject to Condition 5.5 (*Disapplication of Non-Viability Loss Absorption*) of the General Terms and Conditions).

In addition, paragraph 6.3 of Guidance Note 6 provides that banks have the option to elect, upon the commencement of the SLAR, to have the existing contractual write-off/Conversion provisions of any Tier 2 instruments issued prior to the implementation of the SLAR replaced with the write-off/Conversion provisions in the legislation and/or regulations which implement(s) the SLAR (see Condition 5.5 (*Disapplication of Non-Viability Loss Absorption*) of the General Terms and Conditions). Where the Issuer elects to have the Non-Viability Loss Absorption Condition continue to apply to Tier 2 Notes issued subject to such Non-Viability Loss Absorption Condition, rather than subjecting such Tier 2 Notes to the SLAR (on commencement of the legislation and/or regulations which implement(s) the SLAR), such Tier 2 Notes will be subject to such minimum requirements of the Statutory Loss Absorption Regime required to ensure that the Tier 2 Notes continue to qualify as Tier 2 Capital.

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

Additional Tier 1 Notes

Guidance Note 6 requires banks to indicate, in the contractual terms and conditions of any Additional Tier 1 instruments issued, whether such instruments would be either written-off or converted into the most subordinated form of equity of the bank and/or its controlling company (such conversion, a "**Conversion**") at the occurrence of a trigger event determined in the Relevant Regulator's discretion, as envisaged in Regulation 38(11)(b)(i) of the Regulations Relating to Banks. To the extent that any Additional Tier 1 instruments are issued prior to the commencement of the SLAR, such Additional Tier 1 instruments will have to contractually provide for write-off or Conversion (at the discretion of the Relevant Regulator) at the occurrence of a Non-Viability Event, as write-off and Conversion are understood and applied in terms of the regulatory framework applicable at the time of the issuance of such Additional Tier 1 instruments in order to qualify as Additional Tier 1 Capital. The terms and conditions of Additional Tier 1 Notes issued under the Programme accordingly provide for the Conversion (as defined in Condition 1 (*Interpretation*) of the Additional Tier 1 Terms and Conditions) or the Write-off (as defined in Condition 1 (*Interpretation*)) of the Additional Tier 1 Terms and Conditions of such Additional Tier 1 Notes, as specified in the relevant Applicable Pricing Supplement, at the discretion of the Relevant Regulator upon the occurrence of a Non-Viability Event (see Condition 8 (*Loss Absorption Following A Non-Viability Event*) of the Additional Tier 1 Terms and Conditions (subject to Condition 8.4 (*Disapplication of Non-Viability Loss Absorption Conditio*n) of the Additional Tier 1 Terms and Conditions).

Notwithstanding the requirement to provide for write-off and/or Conversion in the contractual terms and conditions of an Additional Tier 1 instrument, paragraph 6.3 of Guidance Note 6 provides that banks have the option to elect, on the commencement of the SLAR, to have the existing contractual write-off/Conversion provisions of any Additional Tier 1 instruments issued prior to the implementation of the SLAR replaced with the statutory bail-in provisions in the legislation and/or regulations which implement(s) the SLAR (see Condition 8.4 (*Disapplication of Non-Viability Loss Absorption Condition*) of the Additional Tier 1 Terms and Conditions). Where the Issuer elects to have the Non-Viability Loss Absorption Condition continue to apply to Additional Tier 1 Notes issued subject to such Non-Viability Loss Absorption Condition, rather than subjecting such Additional Tier 1 Notes to the SLAR (on commencement of the legislation and/or regulations which implement(s) the SLAR), such Additional Tier 1 Notes will be subject to such minimum requirements of the Statutory Loss Absorption Regime required to ensure that the Additional Tier 1 Notes continue to qualify as Additional Tier 1 Capital.

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

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

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

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

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

(a) a decision that a write-off, without which the Issuer would become non-viable, is necessary, as determined and notified by the relevant regulator; or

(b) a decision to make a public sector injection of capital, or equivalent support, without which the Issuer would have become non-viable, as determined and notified by the relevant regulator.

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

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

It will be difficult to predict when, if at all, a Non-Viability Event may occur. Accordingly, the trading behaviour of Tier 2 Notes is not necessarily expected to follow the trading behaviour of other types of debt instruments without this feature.

Any indication that a Non-Viability Event may occur can be expected to have a material adverse effect on the market price of Tier 2 Notes.

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

Upon the occurrence of a Non-Viability Event (as defined in Condition 1 (Interpretation) of the Additional Tier 1 Terms and Conditions), Additional Tier 1 Notes will be cancelled (in the case of a Conversion or Write-off (as applicable) in whole) or converted or written-off in part on a pro rata basis (in the case of a Conversion or Write-off (as applicable) in part) in accordance with the Capital Rules (as defined in Condition 1 (Interpretation) of the Additional Tier 1 Terms and Conditions). Further to such cancellation or Conversion or Write-off (as applicable), Additional Tier 1 Noteholders

will no longer have any rights against the Issuer with respect to any amounts cancelled or Converted or Written-off (as applicable) and the Issuer shall not be obliged to pay compensation in any form to Additional Tier 1 Noteholders. Furthermore, any such cancellation or Conversion or Write-off (as applicable) will not constitute an event of default or any other breach of the Issuer's obligations under the Additional Tier 1 Terms and Conditions nor will it constitute an Event of Default or any other breach of the Issuer's obligations under the General Terms and Conditions.

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

(a) at a minimum, the earlier of:

  (i) a decision that a write-off, without which the Issuer would become non-viable, is necessary, as determined and notified by the Relevant Regulator; or

  (ii) a decision to make a public sector injection of capital, or equivalent support, without which the Issuer would have become non-viable, as determined and notified by the Relevant Regulator; or

(b) when the Issuer's Common Equity Tier 1 Capital Ratio is equal to or below 5.875 per cent.,

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

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

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

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

It will be difficult to predict when, if at all, a Non-Viability Event may occur. Accordingly, the trading behaviour of Additional Tier 1 Notes is not necessarily expected to follow the trading behaviour of other types of debt instruments without this feature.

Any indication that a Non-Viability Event may occur can be expected to have a material adverse effect on the market price of Additional Tier 1 Notes.

The investment in, and disposal or write-off of, Tier 2 Notes may have tax consequences in the hands of Tier 2 Noteholders, the Issuer or both

The investment in, and disposal or write-off upon the occurrence a Non-Viability Event in respect of, Tier 2 Notes may have tax consequences in the hands of Tier 2 Noteholders, the Issuer or both. As any such potential consequence depends on various factors, prospective investors in Tier 2 Notes are strongly advised to consult their own professional advisers as to the tax consequence of investing in Tier 2 Notes, and particularly as to whether a disposal or write-off of Tier 2 Notes will result in a tax liability.

The Issuer's ability to make payments in respect of the Additional Tier 1 Notes is dependent on the satisfaction of the Solvency Condition

The terms of the Additional Tier 1 Notes provide that no payment of principal, interest or any other amount in respect of the Notes shall become due and payable unless, and to the extent that, the Issuer is able to make such payment and still be solvent immediately thereafter (except in the winding-up or liquidation of the Issuer). For these purposes, the Issuer shall be considered to be solvent if both (i) it is able to pay its debts to its Senior Creditors as they fall due and (ii) its Assets exceed its Liabilities. If and to the extent that the Issuer is unable to make a scheduled interest payment and still be solvent immediately thereafter, such interest payment shall not become due and will be cancelled. Any actual or anticipated cancellation of interest on Additional Tier 1 Notes will likely have an adverse effect on the market price of such Additional Tier 1 Notes. In addition, the market price of Additional Tier 1 Notes may be more volatile than the market prices of other debt securities on which interest accrues that are not subject to such cancellation and may be more sensitive generally to adverse changes in the Issuer's financial condition.

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

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

As a holding company, the level of the Issuer's distributable reserves is affected by a number of factors, principally its ability to receive funds, directly or indirectly, from its operating subsidiaries in a manner which creates distributable reserves for the Issuer. The Issuer is also reliant on the receipt of distributions from its subsidiaries for funding the Issuer's payment obligations. Consequently, the level of the Issuer's distributable reserves and available funding, and therefore its ability to make interest payments on any Additional Tier 1 Notes, are a function of its existing distributable reserves, future Group profitability, the ability of the Issuer's operating subsidiaries to distribute or pay dividend profits up the Group structure to the Issuer and other factors such as the amount and availability of such profits and how they are calculated in accordance with accounting rules including the valuation of investment in subsidiaries. In addition, the Issuer's distributable reserves available for making payments to Noteholders may also be adversely affected by the servicing of other instruments issued by the Issuer or by subsidiaries in the Group.

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

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

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

Further, the Issuer's distributable reserves and its available funding, and therefore its ability to make interest payments, may be adversely affected by the performance of the Group's business in general, factors affecting its financial position (including capital and leverage), the economic environment in which the Group operates and other factors outside of the Issuer's control (see "*Risk Factors – Risks relating to the Issuer*" for further detail). In addition, adjustments to earnings, as determined by the Issuer's board of directors, may fluctuate significantly and may materially adversely affect distributable reserves. The Issuer shall not make an interest payment on the Notes on any Interest Payment Date (and such interest payment shall therefore be deemed to have been cancelled and thus shall not be due and payable on such Interest Payment Date) if the level of distributable reserves is insufficient to fund that payment. In addition, if the Issuer's ability to receive distributions from its subsidiaries is restricted and alternative sources of funding are not available, the Issuer may exercise its discretion to cancel interest payments in respect of the Notes. Cancelled interest shall not be due and shall not accumulate or be payable at any time thereafter and a Noteholder shall have no rights thereto.

The investment in, and disposal or write-off of, Additional Tier 1 Notes may have tax consequences in the hands of Additional Tier 1 Noteholders, the Issuer or both

The investment in, and disposal or write-off upon the occurrence a Non-Viability Event in respect of Additional Tier 1 Notes may have tax consequences in the hands of Additional Tier 1 Noteholders, the Issuer or both. As any such potential consequence depends on various factors, prospective investors in Additional Tier 1 Notes are strongly advised to consult their own professional advisers as to the tax consequence of investing in Additional Tier 1 Notes, and particularly as to whether a disposal, conversion or write-off of Additional Tier 1 Notes will result in a tax liability.

The Additional Tier 1 Notes are a novel form of security and may not be a suitable investment for all investors

The Additional Tier 1 Notes are a novel form of security. As a result, an investment in a Series of Additional Tier 1 Notes will involve certain increased risks. Each potential investor in a Series of Additional Tier 1 Notes must determine the suitability of such investment in light of its own circumstances. In particular, in respect of each Series of Additional Tier 1 Notes, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Additional Tier 1 Notes, the merits and risks of investing in the Additional Tier 1 Notes and the information contained in the Programme Memorandum (as read together with the Disclosure Schedules);

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Additional Tier 1 Notes and the impact the Additional Tier 1 Notes will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Additional Tier 1 Notes, including where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the Additional Tier 1 Notes, such as the provisions governing a Conversion or Write-off and the election or obligation to not pay interest, understand under what circumstances a Non-Viability Event will or may be deemed to occur, and be familiar with the behaviour of any relevant financial markets and their potential impact on the likelihood of a Non-Viability Event, a Capital Disqualification Event, a Tax Event or, if specified in the relevant Applicable Pricing Supplement, a Change in Law occurring; and
- 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, the Conversion or Write-off of the Additional Tier 1 Notes and its ability to bear the applicable risks.

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

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

The Issuer may decide to elect to not make interest payments in its sole and absolute discretion. The Additional Tier 1 Notes are not cumulative instruments and interest the Issuer elects or is not obliged to pay will not be cumulative

Interest on each Tranche of Additional Tier 1 Notes will be due and payable only at the sole and absolute discretion of the Issuer and, accordingly, the Issuer shall have sole and absolute discretion to elect not to pay (in whole or in part) the Interest Amount otherwise scheduled to be paid on any Interest Payment Date.

In addition, the Issuer will not be obliged to pay any Interest Amount otherwise scheduled to be paid on each Tranche of Additional Tier 1 Notes on an Interest Payment Date to the extent that (a) such Interest Amount together with any Additional Amounts payable with respect thereto, when aggregated with other Relevant Distributions paid, declared or required to be paid in the then current financial year of the Issuer exceeds the amount of the Issuer's Distributable Items, or (b) the Issuer shall not be obliged to pay that Interest Amount in accordance with the requirements of the Capital Rules, or (c) the Relevant Regulator orders the Issuer not to pay that Interest Amount (in whole or in part).

All accrued and unpaid Interest Amounts on Additional Tier 1 Notes will also not be paid, and the Issuer will not be obliged to pay such Interest Amounts if a Non-Viability Event occurs.

If the Issuer provides notice of its election to not pay a portion, but not all, of an Interest Amount and the Issuer subsequently does not make a payment of the remaining portion of such Interest Amount on the relevant Interest Payment Date, such non-payment shall evidence the Issuer's exercise of its discretion to elect not to pay such remaining portion of that Interest Amount and, accordingly, such remaining portion of that Interest Amount shall also not be due and payable.

The non-payment of any Interest Amount (or any part thereof) in accordance with the provisions set out above shall not constitute a default for any purpose on the part of the Issuer. Interest Amounts which the Issuer has elected not to pay or which the Issuer is not obliged to pay will never become due and are non-cumulative, and no Interest Amount (or any part thereof) which has not been paid (or any amount in lieu thereof) shall be payable in respect of the Additional Tier 1 Notes thereafter, whether in a winding-up, curatorship or administration of the Issuer or otherwise.

The non-payment of any Relevant Interest Amount in accordance with the above provisions shall not impose any other restrictions on the Issuer.

Any actual or anticipated non-payment of interest on Additional Tier 1 Notes in accordance with the above provisions will likely have an adverse effect on the market price of such Additional Tier 1 Notes. In addition, as a result of the interest payment provisions of the Additional Tier 1 Notes, the market price of Additional Tier 1 Notes may be more volatile than the market prices of other securities on which interest accrues that are not subject to such provisions and may be more sensitive generally to adverse changes in the Issuer's financial condition.

The Additional Tier 1 Notes may be traded with accrued interest, but under certain circumstances described above, such interest may be cancelled and not paid on the relevant Interest Payment Date

Additional Tier 1 Notes may trade, and/or the prices for Additional Tier 1 Notes may appear, on the JSE and in other trading systems with accrued interest. If this occurs, purchasers of Additional Tier 1 Notes in the secondary market will pay a price that includes such accrued interest upon purchase of the Additional Tier 1 Notes. However, if a payment of interest on any Interest Payment Date is cancelled or deemed cancelled (in each case, in whole or in part) as described herein, in particular in Condition 7 (*Limitations on Payments of Interest*) and Condition 10.7 (*Solvency Condition*) of the Additional Tier 1 Terms and Conditions, and thus is not due and payable, purchasers of such Additional Tier 1 Notes will not be entitled to that interest payment (or if the Issuer elects to make a payment of a portion, but not all, of such interest payment, the portion of such interest payment not paid) on the relevant Interest Payment Date. As a result, purchasers in the secondary market may not receive the interest payment they were expecting to be paid on the relevant Interest Payment Date.

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

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

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 PA and the 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 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, and bank controlling companies, 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 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 AML/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 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, the Issuer's primary banking entity, 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.

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

SARB

The 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 Bank for International Settlements ("**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:

1. the Banks Act (effecting changes to the Banks Act requires Parliamentary approval);
2. the Regulations Relating to Banks (changes to the Regulations Relating to Banks require the approval of the South African Minister of Finance); and
3. 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.

The Issuer and SBSA view their relationship with the PA as being of the utmost importance and are 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 ZAR 7 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 relevant 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 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 relevant 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)(l) 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.

Conversion of Additional Tier 1 Notes and Write-off of Tier 2 Notes and Additional Tier 1 Notes

It should be noted that the tax consequences to the holders of Additional Tier 1 Notes of the compulsory Conversion of Additional Tier 1 Notes into Issuer Ordinary Shares or the compulsory Write-off of Tier 2 Notes or Additional Tier 1 Notes, upon the occurrence of a Non-Viability Event, are complicated. A summary of some of the possible tax consequences of the compulsory Conversion of Additional Tier 1 Notes or the compulsory Write-off of Tier 2 Notes and Additional Tier 1 Notes is set out below. Prospective subscribers for or purchasers of Tier 2 Notes and/or Additional Tier 1 Notes must consult their professional advisers in this regard.

Conversion of Additional Tier 1 Notes

To the extent that Additional Tier 1 Notes are Converted into Issuer Ordinary Shares, the Conversion may potentially be regarded as a disposal for tax purposes, resulting in a tax consequences for the Noteholder.

Normal tax principles should be applied in determining whether the taxpayer will be subject to capital gains tax or normal income tax on conversion of Additional Tier 1 Notes into Issuer Ordinary Shares and write-off of Additional Tier 1 Notes.

The "*conversion*" of an asset is specifically included in the definition of a "*disposal*" of an asset in paragraph 11 of the Eighth Schedule of the Income Tax Act and capital gains tax consequences may arise to the Noteholder. Alternatively, normal income tax consequences may arise if the Note is held on revenue account. Noteholders should consult their professional advisers in this regard. The South African Revenue Service, in its Capital Gains Tax Guide, has specifically indicated that there will be an adjusted gain or loss arising on the conversion of a debenture (or a debt instrument such as the Additional Tier 1 Notes). This adjusted gain or loss is deemed to accrue in the year of transfer or redemption.

The Capital Gains Tax Guide indicates that, even if the "*right*" to convert a debenture (or a debt instrument such as the Additional Tier 1 Notes) into an ordinary share is acquired upfront, a capital gain or loss will have to be determined at the time of conversion. A similar consequence may arise to the extent that the Additional Tier 1 Notes are held on revenue account.

Write-off of Tier 2 Notes and Additional Tier 1 Notes

To the extent that Tier 2 Notes or Additional Tier 1 Notes are Written-off (on the basis that the Issuer is no longer obliged to pay the relevant amount to the Noteholders of the Tier 2 Notes or Additional Tier 1 Notes (as applicable)) the event is a "*disposal*" for capital gains tax purposes or a realisation for normal income tax purposes. If a debt is waived or reduced as envisaged in the Income Tax Act, this may result in a loss for the Noteholders. The normal principles of capital and revenue are to be applied in determining whether any such loss should be subject to normal income tax or capital gains tax in terms of the Income Tax Act. In addition, specific provisions in the Income Tax Act may apply

to the waiver or reduction of debt. In this regard, Noteholders must consult their own tax advisers to confirm the specific tax treatment of the waiver or reduction of debt.

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 (as described under "*General Terms and Conditions—Further Issues*" and "*Additional Tier 1 Terms and Conditions—Further Issues*" of the Programme Memorandum (as read together with the Disclosure Schedules)) 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 ZAR 1 000 000, 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 1(4) of the EU Prospectus Regulations, 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 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 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:

(a) if the final terms or drawdown prospectus in relation to the Notes specifies that an offer of those Notes may be made other than pursuant to section 86 of the Financial Services and Markets Act, 2000 (the "**FSMA**") (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which either (i) has been approved by the Financial Conduct Authority, or (ii) is to be treated as if it had been approved by the Financial Conduct Authority in accordance with the transitional provision in Regulation 74 of the Prospectus (Amendment etc.) (EU Exit) Regulations 2019, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), 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 section 86 of the FSMA, provided that no such offer referred to in (a) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to section 85 of FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

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

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

(a) **Financial Promotion**: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 (Financial Promotion) of the FSMA) received by it in connection with the issue or sale of any Securities in which section 21(1) of the FSMA would not, if it was not an authorised person, apply to the Issuer; and

(b) **General Compliance**: it has complied and will comply with all applicable provisions of the FSMA and the Financial Conduct Authority Handbook with respect to anything done by it in relation to any Securities in, from or otherwise involving the United Kingdom.

Selling Restrictions Addressing Additional United Kingdom Securities Laws

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

(a) in relation to any of the Notes in that Tranche which have a maturity of less than one year, (i) it is a Person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any of such Notes other than to Persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of such Notes would otherwise constitute a contravention of section 19 of the FSMA by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any of the Notes in that Tranche under circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any of the Notes in that Tranche in, from or otherwise involving the United Kingdom.

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 and 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 14.1(b) (*Transfer of Registered Notes represented by Individual Certificates*) of the General Terms and Conditions or Condition 15.2 (*Transfer of Registered Notes represented by Individual Certificates*) of the Additional Tier 1 Terms and Conditions.

Records of payments, trust and voting

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

JSE Debt Guarantee Fund Trust 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.

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