THE STANDARD BANK OF SOUTH AFRICA LIMITED

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

as **Issuer**

RISK FACTOR & OTHER DISCLOSURES SCHEDULE RELATING TO THE STANDARD BANK OF SOUTH AFRICA LIMITED USD 1,000,000,000 STRUCTURED NOTE PROGRAMME

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*This is the Risk Factor and Other Disclosures Schedule (the "**Risk Factor and Other Disclosures Schedule**") relating to The Standard Bank of South Africa Limited ("**SBSA**" or the "**Issuer**") USD 1,000,000,000 Structured Note Programme (the "**Programme**"), and is applicable to all Notes issued under the Programme pursuant to the Programme Memorandum, dated 12 September 2023 (the "**Programme Memorandum**").*

This Risk Factor and Other Disclosures Schedule is dated as of 12 September 2023 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;*
- *South African Exchange Control;*
- *South African Taxation;*
- *Subscription and Sale; and*
- *the Banking Sector in South Africa.*

This Risk Factor and Other Disclosures Schedule supersedes and replaces the Risk Factor and Other Disclosures Schedule relating to The Standard Bank of South Africa Limited USD1,000,000,000 Structured Note Programme dated as of 9 September 2022.

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

RISK FACTORS

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

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

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

*Prospective investors should also read the detailed information set out elsewhere in the Programme Memorandum (as read together with this Risk Factor and Other Disclosures Schedule and the Issuer Disclosure Schedule (as defined below), collectively the "**Disclosure Schedules**") to reach their own views prior to making any investment decision. The information given below is as at the date of this Risk Factor 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 Issuer and its subsidiaries. Investors should note that SBG is not a guarantor of, and will not guarantee, any Notes issued by the Issuer under the Programme. Investors' sole recourse in respect of any Notes issued by the Issuer is to the Issuer.*

References in this section to a "Condition" are to a Condition in the Terms and Conditions.

INDEPENDENT REVIEW AND ADVICE

Each purchaser of and investor in the Notes is fully responsible for making its own investment decisions as to whether the Notes (i) are fully consistent with its (or if it is acquiring the Notes in a fiduciary capacity, the beneficiary's) financial needs, objectives and conditions, (ii) comply and are fully consistent with all investment policies, guidelines and restrictions applicable to it (or its beneficiary) and (iii) are a fit, proper and suitable investment for it (or its beneficiary).

Purchasers of and investors in Notes are deemed to have sufficient knowledge, experience and professional advice to make their own investment decisions, including, without limitation, their own legal, financial, tax, accounting, credit, regulatory and other business evaluation of the risks and merits of or associated with investments in the Notes.

Purchasers of and investors in Notes should ensure that they fully understand the risks of or associated with investments of this nature which are intended to be sold only to sophisticated investors having such knowledge, appreciation and understanding.

Purchasers of and investors in Credit Linked Notes or Equity Linked Notes are solely responsible for

making their own independent appraisal of an investigation into the business, financial condition, prospects, creditworthiness, status and affairs of any Reference Entity and its Obligations, Underlying Obligations, Underlying Obligors, Reference Obligations and Deliverable Obligations or Share Company and its Shares.

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

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

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

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

Risks relating to the Issuer

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

The Group's business has significant holdings in South Africa, in particular through SBSA and its subsidiaries, with the majority of the Issuer's revenues derived from operations in South Africa. Therefore, the Issuer's businesses and results of operations are primarily affected by economic and political conditions in South Africa and, because of their 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 ("**SSA**") outside of South Africa (the "**Africa Regions**") and satellite offices in four key financial centres and two offshore hubs. As a result, SBG's performance is also affected by its operations in SSA. Africa Regions contributed 36 per cent. to SBG's headline earnings for the year ended 31 December 2022, and total assets for Africa Regions represented 19 per cent. of SBG's total assets at 31 December 2022. Economic and political conditions in the Africa Regions in which it operates therefore also have an impact on SBG's business and results.

In 2022, increased geopolitical tensions, the Russia/Ukraine conflict, and China's Covid-19 related restrictions fueled inflation, uncertainty, elevated market volatility and an asset price shock. Inflation concerns drove monetary policy tightening and higher funding costs weighed on economic activity. In 2023, global growth is expected to slow, and inflation is expected to decline. The International Monetary Fund ("**IMF**") forecasts global real GDP growth of 2.8 per cent. for 2023, and SSA to grow at 3.6 per cent. (*source: IMF April 2023 Report*). High sovereign debt levels in certain African countries remain

a concern, particularly Ghana, Kenya, Malawi, and Nigeria. In South Africa, the economy is expected to grow at 1.2 per cent., held back by severe electricity shortages and structural constraints (*source: Standard Bank Research, 8 March 2023*). The economic growth across the Group's various markets of operation is dependent on many factors beyond the Group's control, including geopolitical developments, South African government (the "**Government**") monetary and fiscal policies and domestic and international economic and political conditions in general. Additionally, should the general global economic environment deteriorate during the course of 2023, this could negatively impact the economies of SSA.

Any deterioration in global and SSA economic conditions may negatively affect the Group's business, financial condition, and results of operations. This could 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.

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 2022 was uneven across income groups (*source: Statistics South Africa*). The labour market remains weak and household credit growth is slowing. Higher-income households remain on a better footing, with non-wage income showing sturdy growth. While spending growth is expected to slow this year, household spending is likely to be supported by lower inflation and interest rates into next year. Household spending is likely to remain uneven across the different income categories.

Uncertainty around the availability of electricity supply continues to threaten economic activity. Rolling blackouts (referred to as "load shedding") continue despite the announcement in 2022 of energy reforms by the Government to eventually end these recurring outages. Supply cuts were implemented by Eskom Hld SOC Ltd (the state-owned power utility provider in South Africa) ("**Eskom**") in 2022, with a record number of load shedding days, with more days of load shedding already recorded in 2023. The Energy Availability Factor ("**EAF**") averaged around 58.7 per cent. in 2022, down from 62 per cent. in 2021 and 65 per cent. in 2020 (*source: Eskom*). It remains well below Eskom's long-term target of 75 per cent. The EAF dropped below 50 per cent. for the first time this year in the first week of January and again in May. The EAF averaged 54.5 per cent. in Q2:23 and 57.2 per cent. thus far in Q3:23.

The South African economy grew at 1.9 per cent. in 2022 (*source: Statistics South Africa*). The SARB projects GDP to increase by 0.4 per cent. in 2023. The forecast assumes lower commodity prices, higher inflation and interest rates. On the supply-side the forecasts incorporate load shedding, albeit the intensity of this has declined. Load shedding may have broader price effects on the general costs of doing business

and the overall cost of living. Energy and logistical constraints continue to remain binding on the SA growth outlook, which limits economic activity and increases costs. Households and firms have remained resilient; however economic growth has been volatile for some time and highly sensitive to new shocks. The risks to the medium-term growth outlook are assessed to be balanced by the South Africa Reserve Bank ("**SARB**").

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 and remains exposed to South Africa's general macroeconomic conditions and stability.

Moody's Investor Services, Fitch Ratings Limited and S&P Global Ratings currently rate South Africa as sub-investment grade. The South African government ("**Government**") announced its commitment to fiscal consolidation in its 2023 budget, however there is no assurance that there may not be a further ratings downgrade or that an investment grade rating is obtained.

S&P Global has revised the outlook on its credit rating of South Africa to stable from positive in March 2023, pushing South Africa further down the line to regain an investment rating. The agency affirmed the long-term foreign currency rating at BB-. The change to the outlook came on the back of a less optimistic assessment of the economy; it noted that the change reflects the risks to economic growth posed by "acute electricity shortages". It also noted that government reforms to address infrastructure shortfalls and improve governance at state-owned companies have been slow. S&P Global said that it "could raise the ratings if there is an improving track record of effective reforms, resulting in structural improvements in economic growth alongside a reduction in public debt and contingent liabilities".

Fitch Ratings has affirmed South Africa's long-term foreign currency debt rating at BB- with a stable outlook in July 2023. The agency lowered its growth forecast for South Africa to 0 per cent. for 2023, from a previous estimate of 0.2 per cent. in March. The South African economy is expected to grow 0.9 per cent. next year and 1.3 per cent. in 2025, according to Fitch. Fitch noted that the downward growth revision is due to severe power shortages in recent months. The agency noted that "strong investment in power generation after the deregulation of the industry should moderately improve energy supply from next year". Fitch expects the consolidated fiscal deficit forecast to have widened to 4.5 per cent. of GDP in the year through March, from 4.2 per cent. in 2022-23.

Moody's rating agency retained South Africa's rating at Ba2 with a stable outlook in May 2023. Moody's noted that the stable outlook comes as the agency expects Government's debt burden to stabilise, or decline slightly, over the medium term. However, Moody's also noted that risks related to social demands and SOEs remain.

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 Programme Memorandum.

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

SBG's performance is impacted by its operations in its Africa Regions, which consist of nineteen countries in sub-Saharan Africa outside of South Africa. Economic and political conditions in the Africa Regions in which it operates therefore also have an impact on SBG's business and results.

In 2023, growth in SSA is expected to moderate. The IMF lowered its 2023 real GDP growth forecast for SSA to 3.5 per cent. (previously 3.6 per cent.), down from 3.9 per cent. in 2022 (*source: IMF July 2023 Report*). Economic growth across the Group's various markets of operation is dependent on many factors beyond the Group's control, including geopolitical developments, government monetary and fiscal policies, domestic and international economic and political conditions in general.

In particular, cyclical swings in prices for commodities are likely to impact average GDP growth in SSA. Previously, reductions in global rates of GDP growth have been attributed to the commodities cycle. Notably, economies such as Angola and Nigeria may see weaker growth if commodities prices are dragged down further. Any material reduction in the price or demand for commodities would likely negatively impact growth in these economies due to their reliance on commodities and, by extension, external demand, thereby decreasing average GDP across SSA. Nigeria and South Africa are two largest economies in SSA, accounting for nearly 50 per cent. of SSA's GDP.

Furthermore, there are predictions of an El Niño event, projected to start during Q4:23, which may bring about excessive rainfall in East Africa and drier weather conditions in parts of southern Africa, may alter the growth outlook over the coming year.

The forces that elevated the cost of debt in 2022 still persist. Policy tightening by central banks in advanced economies, in response to sticky inflation, has raised the cost of borrowing into 2023. Therefore, the debt vulnerabilities for some economies still linger due to the steep increase in interest rates in advanced economies, compounded by persisting geopolitical tensions. The impact of higher interest rates extends to public finances, especially in poorer countries grappling with elevated debt costs (including African economies), constraining room for priority investments. Moreover, tighter monetary policy conditions in H1:23, which triggered further capital outflows from Africa, not only resulted in fiscal funding shortfalls, but also exacerbated balance of payment pressures. Many African economies had used external funding sources from international capital markets to boost foreign exchange reserve buffers over the last decade, therefore enhancing external account pressures in 2023. High sovereign debt levels in certain African countries remain a concern, particularly Ghana, Kenya, Malawi, and Nigeria. In Ghana, which is in the process of restructuring sovereign public debt, the restoration of macroeconomic stability is likely to be dependent on the outcome and timing of the restructuring process of its public external debt.

In a still uncertain global risk environment, FX liquidity pressures continued to dislocate inflation expectations in most African markets, thus most policymakers adopted a hawkish bias in H1:23. Though base effects could see inflation unwind, the recent warnings that El Niño weather conditions will likely commence in H2:23 may have a more pronounced impact on food inflation which has thus remained sticky in most African economies.

Inflationary pressures broadly accelerated in 2022 due to geopolitical tensions causing spikes in food, fuel and fertilizer prices. In addition, stronger USD globally exacerbated exchange rate depreciation due to capital outflows and placed further upside pressure on inflation. Russia's withdrawal from the Black Sea Grain Initiative, brokered between Ukraine and Russia by the United Nations (UN) and Türkiye in July 2022 to allow food to be exported from Ukrainian ports during the ongoing war, also poses further risk to global wheat prices in 2023.

The lingering risks from the ongoing war could still pose notable risks to the global risk environment, global supply chains, inflation and interest rates in the African Regions and internationally.

Any deterioration in the economies of the Africa Regions could 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 may have an adverse effect on the business, financial condition, results of operations and prospects of SBG and 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

Any deterioration in the economies of the Africa Regions could 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 may have an adverse effect on the business, financial condition, results of operations and prospects of SBG and the Group.

The Group's lending and trading businesses are subject to inherent risks relating to the credit quality of their 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 includes exposure concentrations to sovereign counterparties in the regions in which it operates, by way of prudential requirements for investment in Government securities and through 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 gross loans and advances to customers grew by 9 per cent. to R1.4 trillion at 31 December 2022 from the prior year's level of R1.3 trillion, despite a range of economic challenges faced by consumers. This was supported by strong growth in the corporate, business lending and vehicle and asset finance portfolio.

Impairment charges increased by 22 per cent. from R9,873 million in 2021 to R12,064 million in 2022 driven by higher corporate and sovereign-related charges, particularly in respect of exposures to the sovereign in Ghana, where the Group was impacted by the public debt restructuring in that country. Other drivers for the movement in impairments include larger specific provisions on consumer sector exposures in the corporate portfolio, and increased charges in the business and commercial Africa Regions portfolio. The Group's credit loss ratio increased marginally to 0.75 per cent. in 2022 points from 0.73 per cent. for the 2021 financial year.

Due to continued improvement in client activity and easing of Covid-19 restrictions loans grew by 5 per cent. in the Group's Consumer and High Net Worth ("**CHNW**") client segment, reporting headline earnings of R8,872 million up from R6,963 million in 2021. Credit impairment charges decreased by 3 per cent. from R7,946 million in 2021 to R7,745 million in 2022, due to effective credit recovery strategies implemented during the year. The CHNW credit loss ratio decreased to 1.22 per cent. in 2022 from 1.34 per cent. in 2021. Credit performance in the CHNW South Africa portfolio was improved in 2022 with impairments down 6 per cent. from R6,876 million in 2021 to R6,449 million in 2022, and the credit loss ratio improving from 1.34 per cent. in 2021 to 1.22 per cent. in 2022. Despite the improved credit performance, the pressure on consumers from higher interest rates is reflected in the higher Stage

3 loan balances for home services (R32,985 million in 2022, up from R32,045 million in 2021), vehicle and asset finance (R8,549 million in 2022, up from R7,261 million in 2021 and card (R3,187 million in 2022, up from R2,855 million in 2021).

The Business and Commercial Clients ("**BCC**") segment recorded a 10 per cent. increase in 2022 in gross loans and advances to customers from R197,856 million in 2021 to R218,114 million in 2022, particularly in the international and west African Regions where customers sought more lending products, whilst in South Africa higher inflation and interest rates limited lending growth to customers. Credit impairments for BCC were 1 per cent. lower in 2022 at R2,271 million, compared to R2,294 million in the previous year. The BCC credit loss ratio improved to 0.96 per cent. in 2022 from 1.11 per cent. in 2021.

The Corporate and Investment Banking ("**CIB**") segment recorded an 11 per cent. increase in headline earnings, from R13,293 million in 2021 to R14,772 million in 2022.

Following the release of credit impairments in 2021 of R374 million, CIB segment raised credit impairments of R2,549 million for 2022, driven largely by the Ghana sovereign distress impact on the corporate portfolio. CIB's customer credit loss ratio increased from -0.04 per cent. in 2021 to 0.27 per cent. in 2022.

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.

Mortgage loans amount to 34 per cent. of SBSA's gross loans and advances at 31 December 2022 and this 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.

Against a challenging economic environment in South Africa, increased electricity outages which disrupted business productivity and the weakening of the rand, SBSA's credit loss ratio ("**CLR**") increased slightly from 0.68 per cent. in 2021 to 0.69 per cent. in 2022, driven largely by balance sheet growth of 7 per cent..

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 portfolios to assess the impact on its risk profiles 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 and fuel prices, the grey listing of South Africa by the Financial Action Task Force ("**FATF**")), 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 2023, the political outlook is expected to be dominated by the electricity crisis and the interventions announced by the Government to reduce intense levels of load shedding. In addition to this, the reform focus will rest on the Government's interventions to resolve rising levels of crime, a deterioration in Transnet's (the state-owned rail, port and pipeline company) operational capacity, and efforts to further bolster the country's anti-corruption and broader governance reform drive.

Rising costs of living, coupled with breakdowns in service delivery across many of the country's financially and operationally troubled municipalities, constitute a risk to the outlook. In 2022, there were 189 'major service delivery protests' as measured by Municipal IQ across the country, up from 121 in 2021 (though still lower than a 2018 peak of 237). Municipal IQ data also reveals that load shedding, which is expected to remain in place throughout 2023, has become a more prominent driver of protest action in the country. To this point, in January 2023 and February 2023 South Africa saw record high monthly levels of service delivery protest action, much of which was related to electricity shortages. As at the end of June 2023, Municipal IQ has recorded 122 major service delivery protests, suggesting that the 2023 total is on track to eclipse that of 2022.

In addition to this, there will be a continued focus on the political pressures facing the South African national treasury as it seeks to consolidate public finances over the medium-term. Here, the severe impact of load shedding on tax revenue will be made apparent in the October 2023 Medium-Term Budget Policy Statement. Political demands on National Treasury may also increase as the 2024 national and provincial elections approach.

From a governance perspective, the focus in 2023 will rest on the capacity of the Anti-Corruption Task Team (a collective of Government stakeholders, formed in October 2010 and tasked with fast tracking high-priority investigations and prosecutions on corruption-related matters) to sustain incremental institutional progress. President Ramaphosa has stated that he aims to make the national prosecuting authority's investigative directorate a permanent entity this year. Further, efforts to exit the FATF's 'grey list' is expected to be a focus for the Government. Here, the emphasis will rest on the implementation of new anti-money laundering and terrorist financing laws.

Geopolitical risks are likely to remain prominent throughout 2023, mostly related to the ongoing fallout from Russia's invasion of Ukraine in February 2022. These risks were emphasised in May 2023 with the US Ambassador to South Africa Reuben Brigety's claim that South Africa sold arms or ammunition to Russia in December 2022.

Beyond this, all political parties will begin to campaign in 2023 for the 2024 national and provincial elections. As South Africa's political terrain becomes more deeply contested, there is a risk that of rising populism and anti-foreigner sentiment as political parties and individual candidates seek to bolster their electoral appeal. There are also pronounced risks related to the potential emergence of unstable political coalitions at the provincial and/or national level after next year's elections. Unease in this regard is based on deep coalition instability in critical metropolitan municipalities, most prominently the City of Johannesburg, since the 2021 Local Government Elections.

If political uncertainty impacts the South African economy, including as a result of an inability to adequately address the electricity crisis, levels of crime and the rising cost of living, this may result in an increase in the level of the Issuer's non-performing loans and credit impairments, and/or a contraction in

the growth of loans and advances. This, in turn, could have an adverse effect on the Issuer's financial condition or results of operations.

The Issuer faces risk from the impact of climate change

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

Physical risks from climate change relate to specific weather-related events such as heatwaves, droughts, floods and storms, and longer-term shifts in climate resulting in changes to mean temperatures and precipitation patterns, rising sea levels and coastal erosion. Acute physical risks such as more frequent and more intense extreme weather events pose a risk to the Issuer's own operations and those of its customers, especially in vulnerable sectors. Chronic physical risks such as rising average temperatures and changing precipitation patterns over the medium to long term, that lead to heat stress, droughts, higher wildfire risks and water shortages, may impact the Issuer’s clients in sectors including mining, industrial, manufacturing and agriculture through water shortages, reduced labour productivity, reduced economic output and increased occupational health risks, which could impact performance of clients and in turn have an adverse impact on the Issuer’s 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 Issuer’s portfolios and financial losses for the Issuer. In addition, the Issuer’s own premises and resilience may suffer physical damage due to weather events leading to increased costs for the Issuer.

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

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

Risks relating to Non-Life Insurance Business

The Group's non-life insurance business which is carried out by Standard Insurance Limited ("**SIL**") is exposed to risks relating to inflation, the increased frequency and severity of extreme weather events and challenges to the availability of electricity supply.

Inflationary pressure is material to the Group's non-life insurance business due to the impact on motor vehicle and geyser (hot water storage tank) part prices which increase the cost of claims and, as a result, may have a negative impact on SIL's margins and financial performance.

In addition, the increased frequency and severity of extreme weather, catastrophic events and large losses, caused by factors such as climate change and poor infrastructure, lead to increased income statement volatility, higher incurred claims, increases in reinstatement premium, increased net incurred losses, and higher loss ratios, each of which contribute to a downward trend in SIL's headline earnings.

The increased frequency and severity of extreme weather events coupled with the lack of a sustainable plan to mitigate flood and political risks contributes to the global reinsurer sentiment of South Africa, shaping a high-risk profile for South African risks. This in turn leads to challenges with placing reinsurance and, as a result, an inability to attain full coverage of flood cover resulting in SIL accepting increased underwriting risk (requiring additional capital) and significantly higher than anticipated increases to reinsurance premiums and deductibles.

Increasing challenges with the electrical grid and energy security and the impacts on the macroeconomy, operations and customers could have secondary medium to long term impacts in the form of increasing operating expenditure, additional hardening of reinsurance rates, and premium price increases.

Management actions for the above risks have been agreed, and the risks will continue to be monitored. However, the occurrence or continuation of any of these risks may have a material adverse impact on SIL's business, results, financial condition or prospects and, therefore, the Group.

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 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 behavior 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 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 Group operations.

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 the Standard Bank of South Africa - Regulation - Anti-money laundering regulatory requirements*" of the Issuer Disclosure Schedule relating to The Standard Bank of South Africa Limited dated 12 September 2023 (the "***Issuer Disclosure Schedule***") on page 36. Additionally, regulators across Africa require financial institutions to adopt the risk-based approach to managing risks associated with money laundering and the financing of terrorism, as espoused by the Financial Action Task Force Recommendations. Regulators expect financial institutions to conduct due diligence on all their clients, and also require technologically driven transaction monitoring and reporting mechanisms in all countries in which the Group operates. While the Issuer has adopted policies and procedures aimed at detecting and preventing the use of its banking network for money laundering and terrorist financing activity, such policies and procedures may not completely eliminate instances in which the Issuer may be used by other parties to engage in money laundering, or other illegal or improper activities. To the extent that the Issuer may fail to fully comply with applicable laws and regulations, various regulatory authorities that are responsible for supervision of compliance with anti-money laundering and counter terrorist financing legislation have the authority to impose fines and other penalties. In addition, the Issuer could suffer reputational harm if clients are found to have used its products or services for money laundering or illegal purposes, and this could adversely affect its financial condition and results of operations.

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

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

The Group's main technology risks include the failure or interruption of critical systems, cybercrime, unauthorised access to systems, failure or exposure of a third-party service provider / partner used by the Issuer and the inability to serve their 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 Group 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 Group 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, they could be unable to serve some or all customers' needs on a timely basis which could result in a loss of business, adverse media coverage and reputational damage.

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

There are inherent risks which arise out of the Group's execution of its digital first and platform business strategy. Such risks include fraud, cyber-crime, interruption to information technology systems and reputational and financial loss or damage.

In addition, a lack of appropriate change management and leadership skills, funding, organisational processes, technology, and operating skills as well as the volume of change resulting from the implementation of the Group's digital first and platform business strategy may hinder, delay, or prevent roll out of the platform business, while increasing operating and governance costs Legal risks also exist in relation to possible trademark infringement that may result in financial losses which may have an adverse effect on the financial condition of the Group. Compliance risks may also arise with regards to non-adherence to the fair treatment of customers, non-adherence to relevant privacy legislation and/or regulation in relation to use of customer information for use in the platform businesses personalization strategy. The Group's strategy to partner with third parties to deliver solutions on the platform, either financial or beyond financial, may raise the risk of anti-competitive behaviour as well as third party risk which may result in the Group suffering reputational or financial damage.

If the Group does not successfully execute on its platform strategy, it runs the risk losing clients and 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.

Employee misconduct may result in financial losses which may have an adverse effect on the operations of the Group

The Group is exposed to risk from potential non-compliance with Group policies and regulations (such as the Group's Code of Ethics) and related behaviour and employee misconduct such as fraud, negligence or non-financial misconduct, all of which could result in regulatory sanctions and fines and serious reputational or financial harm to the Group. In recent years, a number of multinational financial institutions have suffered material losses due to the actions of rogue employees. It is not always possible to deter employee misconduct, and the precautions the Group takes to prevent and detect this activity may not always be effective. The Group maintains a Code of Ethics and Conduct which informs the Group's policies, standards and risk management code and is supported by a comprehensive approach to risk management. Conduct risk within the Group is governed by conduct oversight committees within the Group's client segments and corporate functions.

Remote working arrangements for the Group's employees continues to place heavy reliance on the IT systems that enable remote working and may place additional pressure on the Group's ability to maintain effective internal controls and governance frameworks.

Employee misconduct or regulatory sanctions if a regulator deems the Group's actions to deter such activity to be insufficient, could have a material adverse effect on the Group's business, financial condition, results of Group operations, prospects and reputation.

The Group may suffer reputational or financial damage as a result of third party risk exposure

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 and business disruption arising from relationships with key material service providers which provide critical IT systems and services to the Group. Supply chain disruption may be further elevated due to geopolitical tensions, insufficient energy resources and adverse weather conditions, whereby essential third parties, concentrated in high risk geographic areas,

could themselves experience 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 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. Future consumer responses to the possible introduction of these products are currently unclear. If consumers respond positively to the introduction of CBDCs, this may create competition for retail deposits, which in turn may raise the Group's cost of funding and reduce its non-interest revenue. Competition may increase in some, or all, of the Issuer’s principal markets and may have an adverse effect on its financial condition and results of operations.

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 2022, Market risk consumed R1,522 million, or 0.9 per cent. of Group Economic Capital. Interest rate risk in the banking book for the year ended 31 December 2022 consumed R8.7 billion, or 4.9 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 2022 consumed R13.4 billion, or 7.5 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 their respective net assets in foreign operations, intragroup foreign-denominated debt and foreign-denominated cash exposures and accruals.

The Issuer has exposure to changes in SBG's share price arising from the equity-linked remuneration contractual commitments and post-employment obligation risk through the requirement to contribute as an employer to an underfunded defined benefit plan. Total expenses recognised in SBSA staff costs for Own equity-linked transactions for the year ended 31 December 2022 was R2,168 million and the total liability recognised in other liabilities for own equity-linked transactions as at 31 December 2022 was R2.6 billion. Total expenses recognised in SBG staff costs for Own equity-linked transactions for the year ended 31 December 2022 was R2,632 million and the total liability recognised in other liabilities for own equity-linked transactions as at 31 December 2022 was R556 million. The amount recognised as an asset in SBG's Statement of Financial Position as at 31 December 2022 for pension and other post-employment benefits was R1,400 million. The amount of pension and other post-employment benefits recognised as a liability in SBG's Statement of Financial Position as at 31 December 2022 was R1,081 million.

In addition, SBG, through its shareholding in Liberty Holdings Limited ("**Liberty**"), is exposed to insurance risk. The Group's share of Liberty's headline earnings for the year ended 31 December 2022 was R1,788 million, which equates to 5.2 per cent. of SBG's total headline earnings. The Group's Liberty business unit provides life insurance products and services through Liberty Group Limited, a subsidiary of Liberty. Market risk within the Group's life insurance business is split into three categories:

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

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

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

Insurance risk arises due to uncertainty regarding the timing and amount of future cash flows from insurance contracts. This could be due to variations in mortality, morbidity, policyholder behaviour or expense experience in the case of life products, and claims incidence, claim severity or expense

experience in the case of non-life insurance products. Insurance risk applies to the life insurance operations housed in Liberty and non-life insurance operations housed in Standard Insurance Ltd ("**SIL**").

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 consumer and high net worth, business and commercial and corporate and investment banking 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, have a higher reliance on wholesale funding than retail deposits. As at 31 December 2022, retail deposits comprised 21.7 per cent. of the total funding-related liabilities of SBSA and 26.3 per cent. of the total funding-related liabilities of SBG.

Wholesale funding sourced by members of the Group is usually of a short-to-medium term and entered into on a contractual basis. Wholesale funding is more expensive than retail deposits, and is sourced from a small number of depositors, principally, fund managers. As at 31 December 2022, 85 per cent. of the SBSA's deposits and debt funding (including subordinated debt) had a contractual maturity date of 12 months or less or were repayable on demand. As at 31 December 2022, SBSA's largest single depositor accounted for 3.1 per cent. of total deposits and the top 10 depositors accounted for 11.2 per cent. of total deposits, well within SBSA's risk appetite of 10 per cent. and 20 per cent. respectively. As at 31 December 2022, 87 per cent. of SBG's deposits and debt funding had a contractual maturity date of 12 months or less or were repayable on demand. As at 31 December 2022, the largest single depositor accounted for 2.4 per cent. of total deposits and the top 10 depositors accounted for 8.2 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 their 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 they may need will depend upon a variety of factors, such as market conditions, the availability of credit generally and to borrowers in the financial services

industry specifically, and the Issuer's financial condition, credit ratings and credit capacity. The possibility that customers or lenders could develop a negative perception of the Issuer's financial prospects if, for example, an Issuer incurs large losses, experiences significant deposit outflows or if the level of an Issuer's business activity decreases, could also affect the availability of any additional financing. Disruptions in the global banking sector since March 2023, including the announcement of the acquisition of Credit Suisse by UBS and the failure of Silicon Valley Bank and Signature Bank in the United States, have increased counterparty risk in the banking sector (notwithstanding the bank specific challenges faced by these entities) which may lead to a reduction in the Issuer's access to traditional sources of funding or an increase in its cost of funding.

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 Programme Memorandum, SBSA's short and long-term foreign currency deposit rating was assessed by Moody's Investors Service Cyprus Ltd. ("**Moody's**") as NP and Ba2, respectively, with a stable outlook and SBSA's short and long-term foreign currency issuer default rating was assessed by Fitch Ratings Limited ("**Fitch**") as B and BB-, respectively, with a stable outlook. As of the date of this Programme Memorandum, SBG's long-term Issuer rating was assessed by Moody's as Ba3 with a stable outlook and SBG's short and long-term foreign currency issuer default rating was assessed by Fitch as B and BB-, respectively, with a stable outlook.

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 the rating agencies 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. Fitch, for example, has stated that it believes it is unlikely that the banks would remain solvent following a sovereign default. The Issuer continues to proactively plan for the potential implications of further South African sovereign credit rating agency downgrades for both local and foreign currency which could still have a significant impact on the Issuer's access to, and cost of foreign currency liquidity sources.

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

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

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

The amended Regulations relating to Banks (as further amended on 20 May 2016) (as defined herein) 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.

South African minimum Basel III capital requirements were 8.5 per cent. for CET 1, 10.8 per cent. for tier 1 and 14.0 per cent. for total capital adequacy in 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 and the Issuer's D-SIB buffer requirement amounts to 1.5 per cent. as at 31 December 2022 of which 1 per cent. is required to be held in CET 1.

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.

SBSA reported a LCR of 129.1 per cent. as at 31 December 2022 based on a simple average of 92 days of daily observations over the quarter ended 31 December 2022, exceeding the SARB's minimum requirement of 100 per cent. SBG reported a LCR of 146.8 per cent. as at 31 December 2022 based on a simple average of 92 days of daily observations over the quarter ended 31 December 2022 for the majority of SBG's balance sheet and a simple average of the three month-end data points for certain Africa Regions banking entities which are not yet reported daily, exceeding the SARB's minimum requirement of 100 per cent.

The Issuer maintained NSFR compliance for 2021, reporting a NSFR of 110.6 per cent. as at 31 December 2022 in excess of the 100.0 per cent. regulatory requirement, while SBG reported a NSFR of 124.1 per cent. as at 31 December 2022 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, No. 34 of 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 ("**FSLAA**") recently came into effect in January 2022 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. Following the global financial crisis, in 2011 the Financial Stability Board produced a document setting out Key Attributes of Effective Resolution Regimes for Financial Institutions. Resolution is the process by which the authorities can intervene to manage the failure of a firm in an orderly fashion. The taking of any actions by the relevant resolution authorities under any regime may adversely affect the Noteholders.

On 31 May 2023, the Prudential Authority published the Prudential Standard RA01 – Stays on Early-Termination Rights and Resolution Moratoria on Contracts of Designated Institutions in Resolution in

terms of the Financial Sector Regulation Act 2017 as amended by the FSLAA. This prudential standard came into effect on 1 June 2023. Should the Issuer fall within the scope of the aforementioned prudential standard, the SARB may exercise its suspension powers for the orderly resolution of the Issuer which might prevent the Noteholder from exercising any early termination rights under the Notes. If there has been an exercise of any powers by the SARB, the Notes may be the subject of an early redemption and any payment of redemption proceeds to Noteholders may be delayed. Each Noteholder should take such advice as it deems necessary to ensure that it understands the impact that a resolution regime may have on its investment in the Notes.

The FSLAA introduces a power for the SARB that will enable an orderly resolution of designated institution, this power includes statutory bail-in with the aim of enabling the SARB to recapitalise a designated institution when entering the resolution process. In terms of the statutory bail-in provisions, the SARB is empowered to perform one or a combination of the following actions including writing down the shares of the designated institution, issuing new shares in the designated institution, writing down the liabilities of the designated institution (subject to certain exclusions) and converting debt instruments to equity.

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 businesses 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 SSA 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:

- 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 they operate

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

Further to the above the Government continues with its commitment to modernise South Africa’s capital flows management framework announced in 2020. The main objective of the new capital flow management framework is to introduce a positive bias framework where all cross-border transactions will be allowed, except those that are subject to capital flow management measures and/or pose a high risk of illicit cross-border financial flows. There are ongoing changes to the current regulations that will give effect to the implementation of the new framework in due course.

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

RISKS RELATING TO THE NOTES

The Notes may not be a suitable investment for all investors

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Programme Memorandum or any applicable supplement; (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such an investment will have on its overall investment portfolio; (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency; (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

Limited Liquidity

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

Because the Global Notes are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfers, payments and communications with the Issuer

Notes issued under the Programme may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive Notes. Each of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in the Global Notes held through it. While

the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

While the Notes are represented by one or more Global Notes the Issuer will discharge its payment obligations under the Notes by making payments to or to the order of the common depositary for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg and its participants 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 in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Notes will not have a direct right under the Global Notes to take enforcement action against the Issuer in the event of a default under the relevant Notes but will have to rely upon their rights under the relevant Deed of Covenant.

Credit Rating

Tranches of Notes issued under the Programme may be rated or unrated. If a rating is assigned to any issue of Notes, the rating may not reflect the potential impact of all risks related to structure, market, additional factors discussed herein, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Any adverse change in an applicable credit rating could adversely affect the trading price for the Notes issued under the Programme.

Legal investment considerations may restrict certain investments

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

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

Any Notes that are listed on the Luxembourg Stock Exchange’s Euro MTF or any other listing authority, stock exchange or quotation system may be de-listed. Although no assurance is made as to the liquidity of the Notes as a result of listing on the Euro MTF or any other listing authority, stock exchange or quotation system, 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.

Equity Linked, Index Linked and FX Linked Notes

The Issuer may issue Notes, the terms of which provide for interest or principal payable in respect of such Note to be determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a "**Relevant Factor**") or with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- the market price of such Notes may be volatile;
- no interest may be payable on such Notes;
- payments of principal or interest on such Notes may occur at a different time or in a different currency than expected;
- the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero;
- a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

Please also see the risk factors headed “Credit Linked Notes” on pages 31 – 33, “Equity Linked Notes” on pages 33 – 36 and “FX Linked Notes” on pages 36 – 38.

Partly Paid Notes

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

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional

interest bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Change in law

This Programme Memorandum, the Notes and the applicable Terms and Conditions are governed by, and will be construed in accordance with, the laws of England and Wales. No assurance can be given as to the impact of any possible judicial decision or change to the laws of England and Wales or administrative practice in either such jurisdiction after the Programme Date.

Exchange rate risks

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

U.S Foreign Account Tax Compliance Act

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

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

On 9 June 2014, the United States and South Africa formally concluded "The Agreement between the Government of South Africa and the Government of the United States of America to Improve International Tax Compliance and to Implement FATCA" (the "**SA/US IGA**"), which has been given force and effect in South African Tax Law, in terms of which FFIs in South Africa will report information about their U.S. account holders to the South African Revenue Service who will in turn

relay that information by means of automatic exchange of information to the IRS under the Double Taxation Convention in force between the United States and South Africa.

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

Whilst the Notes are in global form and held within Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme* (together, the "**ICSD**s"), in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the ICSDs. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA), provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. The Issuer's obligations under the Notes are discharged once it has paid the common depositary for the ICSDs (as bearer/registered holder of the Notes) and the Issuer has therefore no responsibility for any amount thereafter transmitted through hands of the ICSDs and custodians or intermediaries and will not gross up for any withholding for or on account of FATCA.

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

Emerging market currencies

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

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

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

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

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

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

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

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

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

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

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

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

The Conditions provide for certain fallback arrangements in the event that a published benchmark, including an inter-bank offered rate such as EURIBOR or other relevant reference rates, ceases to be published or a Benchmark Event as defined in Condition 6.2.7 otherwise occurs, including the possibility that the rate of interest or other amounts payable under the Notes could be set by reference to a Successor Rate or an Alternative Rate, which may perform differently to the benchmark such rate is replacing, and that such Successor Rate or Alternative Rate may be adjusted (if required) in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to Noteholders or Couponholders arising out of the replacement of the relevant benchmark, and may include amendments to the Conditions of the Notes and the Agency Agreement (without the consent of the Noteholders) to follow market practice or to ensure the proper operation of the Successor Rate or Alternative Rate and, in either case, an adjustment spread.

The Conditions do not permit the Issuer to determine a Successor Rate or Alternative Rate to be used in place of EURIBOR or any other benchmark, in circumstances where the Issuer is unable to appoint an experienced Independent Adviser of international repute. In the event of a permanent discontinuation of EURIBOR or any other benchmark, the Issuer may be unable to appoint an Independent Adviser in a timely manner, or at all, in which case it will be unable to determine a Successor Rate or Alternative Rate. In these circumstances, where EURIBOR or any other benchmark has been discontinued, the Interest Rate will revert to the Interest Rate applicable as at the last preceding Interest Determination Date before EURIBOR or the relevant benchmark was discontinued, and such Interest Rate will continue to apply until maturity.

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

The market continues to develop in relation to SONIA and SOFR as reference rates for Floating Rate Notes

Investors should be aware that the market continues to develop in relation to SONIA and SOFR as reference rates in the capital markets and their adoption as alternatives to interbank offered rates. In addition, market participants and relevant working groups are exploring alternative reference rates based on SONIA and SOFR, including term SONIA and SOFR reference rates (which seek to measure the market's forward expectation of an average SONIA or SOFR rate over a designated term). The development of SONIA and SOFR rates as interest reference rates for the Eurobond markets, as well as continued development of SONIA and SOFR based rates for such market and the market infrastructure for adopting such rates, could result in reduced liquidity or increased volatility or could otherwise affect the market price of the Notes.

The use of SONIA and SOFR as reference rates for Eurobonds continues to develop both in terms of the substance of the calculation and in the development and adoption of market infrastructure for the issuance and trading of bonds referencing SONIA and SOFR. In particular, investors should be aware that several different SOFR methodologies have been used in SOFR linked notes issued to date and no assurance can

be given that any particular methodology, including the compounding formula in the Conditions, will gain widespread market acceptance.

The market or a significant part thereof may adopt an application of SONIA or SOFR that differs significantly from that set out in the Conditions as applicable to the Notes. Furthermore, the Issuer may in future issue Notes referencing SONIA or SOFR that differ materially in terms of interest determination when compared with the Notes. In addition, the manner of adoption or application of SONIA or SOFR reference rates in the Eurobond markets may differ materially compared with the application and adoption of SONIA or SOFR in other markets, such as the derivatives and loan markets. Noteholders should carefully consider how any mismatch between the adoption of SONIA or SOFR reference rates across these markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Notes referencing SONIA or SOFR.

SONIA and SOFR differ from interbank offered rates in a number of material respects and have a limited history

SONIA and SOFR differ from interbank offered rates in a number of material respects, including that SONIA and SOFR are backwards-looking, risk-free overnight rates, whereas interbank offered rates are expressed on the basis of a forward-looking term and includes a risk-element based on inter-bank lending. As such, investors should be aware that SONIA or SOFR may behave materially differently as interest reference rates for the Notes, compared to interbank offered rates. Furthermore, SOFR is a secured rate that represents overnight secured funding transactions, and therefore will perform differently over time to unsecured rates.

The future performance of SONIA and SOFR may be difficult to predict based on the limited historical performance. The level of SONIA and SOFR during the term of the Notes may bear little or no relation to the historical level of SONIA or SOFR. Prior observed patterns, if any, in the behaviour of market variables and their relation to SONIA and SOFR such as correlations, may change in the future.

Furthermore, the Interest Rate is only capable of being determined immediately prior to the relevant Interest Payment Date. It may be difficult for Noteholders to estimate reliably the amount of interest which will be payable on the Notes, and some investors may be unable or unwilling to trade such Notes without changes to their IT systems, both of which factors could adversely impact the liquidity of the Notes. Further, if the Notes become due and payable under Condition 7 or are otherwise redeemed early on a date which is not an Interest Payment Date, the final Interest Rate payable in respect of the Notes shall be determined by reference to a shortened period ending immediately prior to the date on which the Notes become due and payable.

The administrator of SONIA or SOFR may make changes that could change the value of SONIA or SOFR or discontinue SONIA or SOFR

The Bank of England or The New York Federal Reserve (or their respective successors), as administrator of SONIA or SOFR, may make methodological or other changes that could change the value of SONIA or SOFR, including changes related to the method by which SONIA or SOFR is calculated, eligibility criteria applicable to the transactions used to calculate SONIA or SOFR, or timing related to the publication of SONIA or SOFR. In addition, the administrator may alter, discontinue or suspend calculation or dissemination of SONIA or SOFR (in which case a fallback method of determining the interest rate on the Notes will apply). The administrator has no obligation to consider the interests of Noteholders when calculating, adjusting, converting, revising or discontinuing SONIA or SOFR.

CREDIT LINKED NOTES

Credit Exposure to Reference Entities

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

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

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

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

Non-Transferability of Deliverable Obligations

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

A Credit Event may occur prior to the Trade Date

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

Role of the Credit Derivatives Determinations Committee

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

Auction Settlement- Auction Final Price

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

Auction Settlement – Local Market Variation

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

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

Physical Settlement – Obligations of the Noteholder

If Physical Settlement is the applicable Settlement Method, the occurrence of a Credit Event may result in the redemption of a Credit Linked Note in whole or in part by the Delivery of Deliverable Obligations. The Issuer's obligation to Deliver the Deliverable Obligations comprising the Entitlement to the Noteholder is subject to various conditions, including the delivery by the Noteholder to the Principal Paying Agent of a Credit Asset Transfer Notice and, in certain circumstances, the payment to the Issuer of the Delivery Expenses within the prescribed time limit. If the Noteholder fails to so deliver a Credit

Asset Transfer Notice, the Issuer may be discharged from its obligations under the Note. Where applicable, if a Noteholder fails to so pay Delivery Expenses, the Deliverable Obligations comprising the Entitlement deliverable to such Noteholder will be reduced to reflect such Delivery Expenses.

Physical Settlement – Undeliverable Obligations

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

EQUITY LINKED NOTES

Amounts payable in respect of Share Linked Notes and Share Basket Linked Notes

The Issuer may issue Equity Linked Notes where the amounts payable under such Notes, including any interim amounts, are dependent upon the price of or changes in the price of a Share or some or all of the Shares comprising a Basket of Shares or where, depending on the price of or change in the price of a Share or some or all of the Shares comprising a Basket of Shares, the Issuer has an obligation to deliver specified assets. Accordingly, an investment in Share Linked Notes and Share Basket Linked Notes may bear similar market and credit risks to a direct investment in Shares or the Shares comprising a Basket of Shares and investors must seek professional investment advice accordingly. An investment in Equity Linked Notes entails significant risks in addition to those associated with an investment in a conventional debt security.

Amounts payable in respect of Equity Index Linked Notes and Equity Index Basket Linked Notes

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

Share Companies

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

No dividends

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

Features of Share Linked Notes and Share Basket Linked Notes

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

"Knock-in", being the occurrence of a specified event when the price of the relevant Share or Basket of Shares reaches or breaches a pre-defined barrier on a specified Observation Date(s) during an Observation Period, which results in certain specified pay-out(s) occurring;

"Knock-out", being the occurrence of a specified event when the price of the relevant Share or Basket of Shares reaches or breaches a pre-defined barrier on a specified Observation Date(s) during an Observation Period, which results in certain specified pay-out(s) payment not occurring; and

"Best/Worst Performance", being, in relation to Equity Linked Notes referencing more than one Share, that one or more pay-out(s) can be determined by reference to the Share or Basket of Shares giving the highest performance or lowest performance on specified Observation Date(s).

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

Adjustments to Share Linked Notes and Share Basket Linked Notes

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

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

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

(i) require the Calculation Agent to determine the appropriate adjustment, if any, to be made to any of the terms of the Equity Linked Notes to account for the Merger Event, Tender Offer, Delisting, Nationalisation or Insolvency and determine the effective date of that adjustment.

Such adjustment may have an adverse effect on the value and liquidity of the affected Equity Linked Notes;

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

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

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

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

Miscellaneous risks associated with Share Linked Notes and Share Basket Linked Notes

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

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

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

Issuer's ability to vary settlement

If indicated in the Applicable Pricing Supplement, the Issuer has an option to vary settlement in respect of the Equity Linked Notes and elect not to pay the relevant Noteholders the Final Redemption Amount but, in lieu thereof, to deliver or procure delivery of the Shares or Basket of Shares on the Maturity Date. Notification of any such election will be given to Noteholders in accordance with General Condition 13 and the particulars of the physical settlement process will be specified in the applicable Pricing Supplement. Exercise of such option may affect the value of the relevant Equity Linked Notes.

FX LINKED NOTES

General

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

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

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

Effect of Leverage

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

Disruption Events

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

Following a relevant Disruption Event:

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

Potential investors in any FX Linked Notes should ensure that they have read and understood the terms and conditions of such Notes to understand which Disruption Events apply (and the consequences thereof) and should ensure that they are willing to accept the related risks prior to investing in the Notes, which risks include an adverse effect on (i) the value of, and/or amounts or assets due in respect of, the Notes due to the occurrence of any Disruption Event and application of the related disruption fallback(s);

or (ii) an investor's investment schedule, timetable or plans if any due date for payment under the Notes is postponed as a consequence of a Disruption Event.

FX Deliverable Obligations

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

Physical Delivery

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

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

THE BANKING SECTOR IN SOUTH AFRICA AND PRUDENTIAL REGULATION

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 South African Government (the "**Government**") is a subscriber to the International Monetary Fund (the "**IMF**") and World Bank regulations and policies. South African banks are regulated by the Prudential Authority (the "**PA**"), and the Financial Sector Conduct Authority (the "**FSCA**"). South Africa has implemented the Basel III framework through amendments to the Regulations Relating to Banks (as defined in herein) which became effective on 1 January 2013. South Africa is a member of the International Liaison Group of the Basel Committee on Banking Supervision ("**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 Basel III framework ("**Basel III**").

The National Payment System Act, No. 78 of 1998 was introduced to bring the South African financial settlement system in line with international practice and systematic risk management procedures. The Payment Association of South Africa, under the supervision of the South African Reserve Bank ("**SARB**"), has facilitated the introduction of payment clearing house agreements. It has also introduced agreements pertaining to settlement, clearing and netting agreements, and rules to create certainty and reduce systemic and other risks in inter-bank settlement. These developments have brought South Africa in line with international inter-bank settlement practice. Electronic banking facilities are extensive, with a nationwide network of automatic teller machines and internet banking being available.

Regulation

Financial sector legislation in South Africa aligns with international best practice through the accords of international bodies such as the Bank of International Settlements ("**BIS**"); the International Organization of Securities Commissions; and the International Association of Insurance Supervisors. Banks in South Africa are governed by various Acts and legislation, most significantly the South African Banks Act, No. 94 of 1990, as amended or replaced from time to time (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, No. 24 of 2012).

The Financial Sector Regulation Act, No. 9 of 2017 (the "**FSR Act**"), which was signed into law on 21 August 2017 and commenced (with the exception of a couple of transitional periods) on 1 April 2018, gave effect to the Government's decision to implement the "twin-peaks" model of financial regulation

with a view to ensuring that the sector is safer and more effective. The FSR Act covers four policy priorities to reform the financial sector, namely: financial stability; consumer protection and market conduct; expanding access of financial services through inclusion; and combating financial crime.

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

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

The amendments to the FSR Act, made pursuant to the provisions of the FLSAA, will with effect from 1 June 2023 establish a framework for the resolution of "designated institutions" in order to ensure that the impact (or potential impact) of a failure of a designated institution on financial stability is managed appropriately (the "**resolution framework**"). In terms of the resolution framework the SARB will be the sole resolution authority for designated institutions (which includes registered banks and bank holding companies) in South Africa.

The amended FSR Act provides that if it is the opinion of the SARB that:

(a) a designated institution is, or will likely be, unable to meet its obligations, irrespective of whether or not the designated institution is insolvent; and

(b) it is necessary to ensure the orderly resolution of the designated institution to:

  (i) maintain financial stability; or,

  (ii) in the case of a bank or a member of a group of companies of which a bank is a member, to protect depositors of the bank,

the SARB may recommend to the Minister of Finance that the designated institution is placed into resolution. Thus, the trigger for resolution is currently a qualitative and not quantitative measure determined by the Minister of Finance, acting on the recommendation of SARB.

The current legislative framework that underpins market conduct and consumer protection includes the following legislation: Financial Advisory and Intermediary Services Act, No. 37 of 2002, the Consumer Protection Act, No. 68 of 2008; the National Credit Act, No 34. of 2005; the National Credit Amendment Act, No. 19 of 2014 and No. 7 of 2019; the Protection of Personal Information Act, No. 4 of 2013 as well as a comprehensive set of principles relating to Treating Customers Fairly (an outcomes based regulatory and supervisory approach designed to ensure that regulated financial institutions deliver specific, clearly set out fairness outcomes for financial customers).

The Government seeks to ensure financial stability through macro prudential regulation in line with international standards and measures including: improving the quality of capital; reducing pro-

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

Anti-money laundering regulations

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

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

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

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

(a) some money laundering risks are being mitigated but some significant risks remain to be addressed, and terrorist financing risks are not adequately addressed;

(b) South Africa has suffered from a sustained period of "state capture", which undermined key agencies with roles to combat such activity;

(c) South Africa has had some good results pursuing corruption cases and recovering proceeds of corruption, but has been less successful addressing such issues resulting from "state capture"; and

(d) larger banks are more developed at understanding their money laundering risks and implementing mitigation measures commensurate with those risks, notwithstanding, overall, the risk-based approach is inadequately implemented. Aligned with the findings of the Report, over the medium term, the Government is expected to take remedial steps within 18 months to address deficiencies identified in the Report.

Following engagements with FATF over progress made by South Africa since the publication of the Report, the FATF assessed that the country needed to make further and sustained progress in addressing eight areas of strategic deficiencies related to the effective implementation of South Africa's AML/CFT laws as set out. Consequently, on 24 February 2023, FATF made a decision to list South Africa as a "jurisdiction under increased monitoring" (commonly referred to as FATF's "grey list"). The government has since announced that it expects to address these deficiencies by no later than the end of January 2025.

The key areas of strategic deficiencies identified by the FATF that are relevant to the business of the Issuer require South Africa to:

(a) ensure that competent authorities have timely access to accurate and up-to-date beneficial ownership information on legal persons and arrangements and applying sanctions for breaches of violation by legal persons to beneficial ownership obligations;

(b) demonstrate a sustained increase in law enforcement agencies' requests for financial intelligence from the Financial Intelligence Centre for its money laundering/terrorist financing investigations;

(c) update its terrorist financing risk assessment to inform the implementation of a comprehensive national counter financing of terrorism strategy; and

(e) ensure the effective implementation of targeted financial sanctions and demonstrating an effective mechanism to identify individuals and entities that meet the criteria for domestic designation.

SBG and SBSA are committed to complying with all their regulatory requirements, and support global efforts to combat money laundering and terrorist financing. Consequently, SBG and SBSA have established and adopted policies and procedures for compliance with money laundering and terrorist financing control requirements in each jurisdiction in which they operate, to ensure the detection, analysis and reporting of suspicious activity to the relevant authorities. SBG and SBSA also continue to take measures to effect enhancements to their processes, in response to evolving global ML/TF risks.

SARB

SARB is responsible for bank regulation and supervision in South Africa with the purpose of achieving a sound, efficient banking system in the interest of the depositors of banks and the economy as a whole. The SARB holds various international memberships including the G-20, the IMF, the BIS and the Committee of Central Bank Governors in the Southern African Development Community. The SARB serves on various BIS committees including the BCBS and the Committee on Payments and Settlement Systems. The SARB performs its function of bank regulation and supervision through the PA, which issues banking licences to institutions and monitors their activities under the applicable legislation. The PA has extensive regulatory and supervisory powers. Every bank is obliged to furnish certain prescribed returns to the PA in order to enable the banking regulator to monitor compliance with the formal, prudential and other requirements imposed on banks in terms of, inter alia, the Banks Act and the

Regulations Relating to Banks. Such regulations may be, and are, amended from time to time in order to provide for amendments and additions to the prescribed returns, and the frequency of submission thereof. The PA acts with relative autonomy in executing its duties, but has to report annually to the Minister of Finance, who in turn has to table this report in the South African 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 published under Government Notice R1029 in Government Gazette 35950 of 12 December 2012, issued under section 90 of the Banks Act, as such regulations may be amended, supplemented or replaced from time to time ("**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.

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

BASEL III

Banks in South Africa adopted Basel III with effect from 1 January 2013. Basel III aims to enhance financial stability globally by increasing the quality and level of capital to be held by banks, extending the risk framework coverage, by introducing new liquidity ratios and a non-risk based leverage ratio. The Bank Supervision Department of the SARB (now referred to as the PA) commenced with its implementation from 1 January 2013 by way of the amended Regulations Relating to Banks as of 20 May 2016, and banks in South Africa have thus adopted the Basel III accord. SBG has approval from the PA to use the advanced internal ratings-based ("**AIRB**") approach for its credit portfolios in SBSA. For internal management purposes, SBG utilises AIRB measures and principles wherever possible. Further, SBG has approval from the PA to adopt the market-based approach for certain equity portfolios in SBSA and has approval for using the advanced measurement approach ("**AMA**") operational risk framework.

SBG also has approval from the PA to use the "internal models approach" for most trading product groups and across most market risk types for SBSA.

In Basel III, the BCBS introduced significant changes to the Basel II framework, including, amongst others:

Capital

The quality, consistency and transparency of the capital base levels have increased. In the framework, the regulatory deductions should mainly be applied to the common equity component of the capital base.

Further, to be eligible as Tier 1 and Tier 2 capital, instruments need to meet more stringent requirements than were applied under Basel II.

The Basel III framework introduces a capital conservation buffer of 2.5 per cent. on top of these minimum thresholds. If a bank does not meet this buffer, constraints will be imposed on the bank's capital distribution, such as dividends. Also, in periods of excess growth, banks will be required to hold an additional countercyclical buffer of up to 2.5 per cent. in order to avoid facing restrictions.

Leverage Ratio

The BCBS required that, effective from 1 January 2018, the risk-sensitive capital framework be supplemented with a non-risk-based measure, the leverage ratio (the "**Leverage Ratio**"). The Leverage Ratio is calculated as the Tier 1 capital divided by the exposure (being on and off-balance sheet exposures, with certain adjustments for selected items such as derivatives). It is proposed that the final calibration of the Leverage Ratio, and any further definition amendments, will be implemented by 1 January 2024 in South Africa.

Liquidity

Another key component of the Basel III framework is the introduction of increased regulations for liquidity risks. The objective of the liquidity reform is to improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source, thereby reducing the risk of spillover from the financial sector to the real economy.

The BCBS developed two quantitative liquidity standards as part of the Basel III framework; namely the LCR (gradually phased-in from 1 January 2015) and the net stable funding ratio ("**NSFR**"), (which came into effect on 1 January 2018). The LCR's objective is to measure SBG's ability to manage short-term liquidity stress and ensure the appropriate holding of surplus qualifying liquid assets. The NSFR's objective is to measure long-term structural funding stability in order to address the structural liquidity mismatch inherent in banking operations. Both the LCR and NSFR calculations are subject to an observation period prior to implementation such that any unintended consequences can be identified.

The BCBS has also put a more stringent regulatory framework into place for the monitoring of intraday liquidity risk. Management of intraday liquidity risk forms a key element of a bank's overall liquidity risk management framework. The mandatory tools introduced by the BCBS are for monitoring purposes, and only international active banks will be required to apply them. National regulators will determine the extent to which the tools apply to banks that only operate domestically within their jurisdictions. Monthly reporting on the monitoring tools commenced on 1 January 2015.

Risk-Weighting (Finalised Basel III reforms)

On 7 December 2017, the BCBS published the Basel III finalised reforms for the calculation of total risk weighted assets (" **RWA**") and a capital floor. The BCBS date of implementation for these reforms is 1 January 2023. The PA has proposed an implementation date of 1 January 2024 in South Africa. The accompanying transitional arrangements for the output floor will extend until 1 January 2028 for South Africa in line with the BCBS timelines. These reforms are the completion of work that the BCBS has been undertaking since 2012 to address inefficiencies that emerged from the financial crisis in 2008 and impacts both standardised and advanced internal models.

Reducing variation in the internal rating-based ("IRB") approach for credit risk

The revised internal rating-based ("**IRB**") framework constrains the use of the IRB approach which

allows banks to estimate the probability of default ("**PD**"), loss given default ("**LGD**"), exposure at default ("**EAD**") and maturity of an exposure for low default asset classes. These include exposures to large and medium-sized corporates, banks and other financial institutions, securities firms and public-sector entities. The Group's relevant legal entities will now have to use the foundation internal ratings-based ("**FIRB**") approach for these exposures. The FIRB approach is more conservative as it applies fixed values to the LGD and EAD parameters. In addition, all IRB approaches are being removed for exposures to equities.

For the remaining asset classes, the revised IRB framework also introduces minimum "floor" values for bank-estimated IRB parameters which are used as inputs to the calculation of RWA. These include PD floors for both the FIRB and AIRB approaches, and LGD and EAD floors for the AIRB approach. The BCBS agreed on various additional enhancements to the IRB approaches to further reduce unwarranted RWA variability, including providing greater specification of the practices that banks may use to estimate their model parameters.

Given the enhancements to the IRB framework and the introduction of an aggregate output floor, the BCBS has removed the 1.06 scaling factor that is currently applied to RWAs determined by the IRB approach to credit risk.

Standardised approach for credit risk

The revisions to the standardised approach for credit risk, enhances the regulatory framework by improving its granularity and risk sensitivity. It provides: a more granular approach for unrated exposures to banks and corporates; a recalibration of risk weighting for rated exposures; a more risk-sensitive approach for real estate exposures based on their loan to value; separate treatment for covered bonds; specialised lending; exposures to SME's; a more granular risk weight treatment for subordinated debt and equity exposures; and a recalibration of credit conversion factors for off balance sheet exposures.

CVA risk capital charge

The initial phase of Basel III reforms introduced a capital charge for potential mark-to-market losses of derivative instruments as a result of the deterioration in the creditworthiness of a counterparty.

The final reforms introduce two new approaches for the calculation of the credit valuation adjustments ("**CVA**") risk capital charge which are a basic approach (a full version including CVA hedges, or reduced version) and a standardised approach based on the fundamental review of the trading book market risk standardised approach with minimum requirements regarding sensitivity calculations. The changes also include a €100 billion threshold for a simplified treatment (double counterparty credit risk capital requirement) and new eligibility requirements for CVA hedges.

The proposed implementation date for South Africa is 1 January 2024. The PA has advised that the effective date for the capitalisation requirements will be determined in line with other major jurisdictions and trading partners of South Africa and will not be effective earlier than 1 January 2025.

Operational risk

The BCBS has streamlined the operational risk framework. The AMAs for calculating operational risk capital requirements (which are based on banks' internal models) and the existing standardised approaches are replaced with a single risk-sensitive standardised approach to be used by all banks.

The new standardised approach for operational risk, determines a bank's operational risk capital requirements based on two components comprising a measure of a bank's income and a measure of

historical losses experienced by the bank. Conceptually, it assumes that operational risk increases at an increasing rate with a bank's income and banks which have experienced greater operational risk losses historically are assumed to be more likely to experience operational risk losses in the future.

Output floor

The Basel III reforms replace the existing Basel II floor with a floor based on the revised Basel III standardised approaches. Consistent with the original floor, the revised floor places a limit on the regulatory capital benefits that a bank using internal models can derive relative to the standardised approaches. In effect, the output floor provides a risk-based backstop that limits the extent to which banks can lower their capital requirements relative to the standardised approaches.

This helps to maintain a level playing field between banks using internal models and those on the standardised approaches. It also supports the credibility of banks' risk-weighted calculations and improves comparability via the related disclosures.

(a) Under the revised output floor, banks' risk-weighted assets must be calculated as the higher of total RWA calculated using the approaches that the bank has supervisory approval to use in accordance with the Basel capital framework (including both standardised and internal model- based approaches); and

(b) 72.5 per cent. of the total RWA calculated using only the standardised approaches.

Risk-Weighting (Other Basel III reforms)

Securitisation Framework

The BCBS has finalised changes to the Basel securitisation framework. The new framework was implemented in South Africa on 1 October 2022. The new framework provides a revised set of approaches for determining the regulatory capital requirements in relation to securitisation exposures with the following aims: reducing mechanistic reliance on external ratings; increasing risk weights for highly rated securitisation exposures; reducing risk weights for low-rated securitisation exposures; reducing cliff effects (where small changes in the quality of an underlying pool of securitised exposures quickly leads to significant increases in capital requirements); and making the framework more risk-sensitive.

Fundamental Review of the Trading Book

Some initial measures to improve market risk were introduced by the BCBS in 2009 (known as **"Basel 2.5"**). The BCBS recognised that these incremental changes to the market risk framework were only temporary, and that further measures were required to improve trading book capital requirements. The new market risk framework (**"Fundamental Review of the Trading Book"**) was published on 14 January 2016. The framework was thereafter revised on 14 January 2019 to address issues that the BCBS identified in the course of monitoring the implementation and impact of the framework. The proposed implementation date for South Africa has been revised to 1 January 2024. The PA has advised that the effective date for the capitalisation requirements will be determined in line with other major jurisdictions and trading partners of South Africa and will not be effective earlier than 1 January 2025.

Large Exposure Framework

The BCBS published the final standard that sets out a supervisory framework for measuring and controlling large exposures on 15 April 2014. The large exposure framework was implemented in South Africa on 1 April 2022. The large exposure framework protects banks from significant losses caused by the sudden

default of an individual counterparty or a group of connected counterparties. The framework was designed so that the maximum possible loss a bank could incur if such a default were to occur would not endanger the bank's survival as a going concern. In cases where the bank's counterparty is another bank, large exposure limits will directly contribute towards the reduction of system-wide contagion risk. Large Exposure is defined as an exposure that is equal to or above 10 per cent. of a bank's eligible capital base. Eligible capital base is defined as Tier 1 capital as defined under the Basel III framework. The sum of all the exposure values of a bank to a single counterparty or to a group of connected counterparties should not be higher than 25 per cent. of the bank's available eligible Tier 1 capital base. A tighter limit of 15 per cent. of Tier 1 capital will apply to inter-globally systemically important banks (**"GSIBs"**) exposures and the local regulator may apply this limit to inter-domestic systemically important banks (**"DSIBs"**) exposures. A limit of 15 per cent. of Tier 1 capital may also be applied by the local regulator for exposures between a smaller bank and a GSIB.

In South Africa, the PA has stipulated that inter-DSIB exposure and DSIB to GSIB exposure is limited to a monthly average of 15 per cent. of the sum of the bank or controlling company's qualifying tier 1 capital with a maximum of 18 per cent. of the sum of the bank or controlling company's qualifying tier 1 capital during the month. Exposure between a smaller bank and a GSIB is limited to a maximum of 25 per cent.. The PA has allowed for a phase in period for large exposure limits until 1 January 2025. The PA has also introduced limits for intra-group exposures.

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

Arising from the Fundamental Review of the Trading Book, the Bank of International Settlement appointed a team to evaluate and refine the existing Pillar 2 treatment for spread risk in the banking book. In April 2016 the BCBS issued standards for the Interest Rate Risk in the Banking Book ("**IRRBB**") (the "**Revised Standards**"). The Revised Standards revise the BCBS' 2004 "Principles for the management and supervision of interest rate risk", which set out supervisory expectations for banks' identification, measurement, monitoring and control of IRRBB, as well as its supervision. The Revised Standards also introduced a strengthened Pillar 2 approach. The Revised Standards for IRRBB cover the enhanced requirements over 12 principles. Nine principles are directed to banks including identification of IRRBB, sound methodologies, risk appetite and limits, internal reporting, external disclosures, data, controls and model risk management. Three principles are directed to supervisors and focus on review of the soundness of banks' IRRBB management, collaboration among supervisors and identification of outlier banks.

The implementation date for South Africa is 1 January 2023.

Systemically important financial institutions ("SIFIs")

The guidance developed by the BCBS and the Financial Stability Board form the basis for the requirements of domestic systemically important banks in South Africa. South African banks have developed their recovery plans in line with global standards. The specific D-SIB capital requirements have been applied to the relevant banks from 1 January 2016.

Recovery plans focus on plausible management or recovery actions that can be taken to reduce risk and conserve capital during times of severe stress. Resolution plans are typically developed by the supervisor with the objective of ensuring that systemically important financial institutions ("**SIFIs**") are resolvable and will not become a burden to tax-payers.

Although the Basel III phase-in approach affords SBG a period of time before full compliance is required, SBG maintains a strong focus on achieving these liquidity and capital requirements within the specified timelines. Specific areas of focus include optimising capital and liquidity allocation between product

lines, trading desks, industry sectors and legal entities, such that financial resources can be allocated in a manner that enhances the overall Group's economic profit and return on equity, embedding risk-adjusted performance measures into the performance measurement and reporting processes of the Group; and ensuring that the Group is adequately positioned to respond to changing regulatory rules under Basel III.

Pillar 3 disclosures

Pillar 3 of the Basel framework seeks to promote market discipline through regulatory disclosure requirements. The BCBS released the updated Pillar 3 disclosure requirements on 11 December 2018. These requirements, together with the updates published in January 2015 and March 2017, complete the Pillar 3 framework. The updated Pillar 3 disclosure requirements released on 11 December 2018 reflects the BCBS's December 2017 Basel III post-crisis regulatory reforms and pertains to the following areas:

(i) credit risk, operational risk, the leverage ratio and CVA risk;

(ii) RWAs as calculated by the bank's internal models and according to the standardised approaches; and

(iii) an overview of risk management, RWAs and key prudential metrics.

The implementation date for the disclosure requirements related to the December 2017 Basel III post-crisis regulatory reforms was revised by the BCBS on 27 March 2020, to 1 January 2023, a year later than what was initially proposed.

The BCBS also released a consultative paper on 14 November 2019 on revisions to market risk disclosure requirements, that set out adjustments to the Pillar 3 templates to reflect the changes introduced in the minimum capital requirements for market risk published in January 2019. The BCBS thereafter released final revisions to market risk disclosure requirements on 11 November 2021.

The implementation date for the updated Pillar 3 disclosure requirements is expected to be 1 January 2024 in South Africa, in line with South Africa's implementation date of the finalised Basel III reforms.

The Group has a formal program in place for the implementation of these requirements.

Current Environment

As at the date of this Programme Memorandum, there were 18 registered banks, 3 mutual banks, 4 foreign controlled banks, 12 local branches of foreign banks, 29 representative offices of foreign banks in South Africa and 3 banks in liquidation (*source: SARB website*). In addition, as at December 2022, the South African banking sector had total assets of approximately ZAR7 trillion according to statistics published by the SARB (*source: SARB monthly trends publication, December 2022*). The five largest banks by assets (*source: BA900, 31 December 2022*) were The Standard Bank of South Africa Limited, FirstRand Bank Limited, Absa Bank Limited, Nedbank Limited and Investec Bank Limited.

EXCHANGE CONTROL

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

The information below is intended as a general guide to the position under the Exchange Control Regulations as at the date of this Risk Factor and 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) requires 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, such approval is obtained by the Issuer on an annual basis.

Issue of Notes

The issue of Notes may require the prior written approval of the Exchange Control Authorities in terms of the Exchange Control Regulations.

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.

As at the date of the Programme Memorandum, the prior written approval of the Exchange Control Authorities is required for the issuance of the Notes issued under the Programme. The Issuer will, if applicable at that time, obtain the prior written approval of the Exchange Control Authorities for the issuance of Notes under the Programme. An Applicable Pricing Supplement will, if applicable at that time, be required to contain a statement that the requisite the Exchange Control Authorities approval has been obtained for that issuance.

In addition, no South African residents and/or their offshore subsidiaries may subscribe for or purchase any Note or beneficially hold or own any Note other than in strict compliance with the South African exchange control regulations in effect from time to time. As at the date of the Programme Memorandum, the only exceptions in this regard is if the resident as a registered institutional investor intends to acquire the Notes in the offshore market utilising their prudential limit or resident individuals who have externalised funds either in terms of the Single Discretionary Allowance for investment purposes or in terms of their Foreign Capital Allowance accordingly. Furthermore, the Notes will not be actively marketed to residents within the Common Monetary Area.

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 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.

SOUTH AFRICAN TAXATION

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

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

Withholding Tax

Under current taxation law in South Africa, all payments made under the Notes to South African tax- resident Noteholders will be made free of withholding or deduction for or on account of any taxes, duties, assessments or governmental charges in South Africa. A withholding tax on South African sourced interest (see the section headed "*Income Tax*" below) paid to or for the benefit of a "*foreign person*" (being any person that is not a South African tax- resident) applies at a rate of 15 per cent. of the amount of interest in terms of section 50A-50H of the Income Tax Act, No 58 of 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 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. 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, No 25 of 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, No 89 of 1991 (the "**VAT Act**"). The issue, allotment, drawing, acceptance, endorsement or transfer of ownership of a debt security is a financial service, which is exempt from VAT in terms of section 12(a) of the VAT Act 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 standard rate, except where the recipient is a non-resident as contemplated below.

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

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.

U.S. FOREIGN ACCOUNT TAX COMPLIANCE ACT (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 passthrough 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 U.S. to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining passthrough payments are published in the U.S. Federal Register 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 passthrough payments" are published generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. However, if additional notes that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, the Issuer will not be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

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

Selling restrictions

South Africa

The 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, the 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. This Programme Memorandum 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:

(i) to certain investors contemplated in section 96(1)(a) of the Companies Act; or

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

Information made available in this Programme Memorandum should not be considered as "*advice*" as defined in the Financial Advisory and Intermediary Services Act, No. 37 of 2002.

The issue of Notes may require the prior written approval of the Exchange Control Authorities in terms of the Exchange Control Regulations (see the section of this Programme Memorandum headed "*South African Exchange Control*").

The Dealer is entitled in certain circumstances to be released and discharged from their obligations prior to the closing of the issue of the relevant Notes, including in the event that certain conditions precedent are not delivered or met to their satisfaction on the relevant Issue Date. In this situation, the issuance of the relevant Notes may not be completed. Investors will have no rights against the relevant Issuer or Dealer in respect of any expense incurred or loss suffered in these circumstances.

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.

The 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 the 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 the 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.

United Kingdom

The Dealer has represented and agreed, and each new dealer appointed under the Programme will be required to represent and agree, that:

(i) ***No deposit taking***: in relation to any Notes having a maturity of less than one year:

(a) 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

(b) it has not offered or sold and will not offer or sell any Notes other than to persons:

(1) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or

(2) 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 the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 ("**FSMA**") by the Issuer;

(ii) ***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 of the FSMA) received by it in connection

with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

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

UK and EU Prospectus Regulation

The Programme Memorandum has been prepared on the basis that:

(a) any offer of Securities in any Member State of the EEA will be made pursuant to an exemption under the EU Prospectus Regulation from the requirement to publish a prospectus for offers of the Notes. The expression "**EU Prospectus Regulation**" means Regulation (EU) 2017/1129, as amended. Accordingly any person making or intending to make an offer in that Member State of the Notes may only do so in circumstances in which no obligation arises for the Issuer or the Dealer to publish a prospectus pursuant to Article 3 of the EU Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the EU Prospectus Regulation, in each case, in relation to such offer; and

(b) any offer of Notes in the United Kingdom will be made pursuant to an exemption under the UK Prospectus Regulation from the requirement to publish a prospectus for offers of the Notes. The expression "**UK Prospectus Regulation**" means Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended, the "**EUWA**"). Accordingly any person making or intending to make an offer in the United Kingdom of the Notes may only do so in circumstances in which no obligation arises for the Issuer or the Dealer to publish a prospectus pursuant to section 85 of the Financial Services and Markets Act 2000 (as amended the "**FSMA**") or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation, in each case, in relation to such offer.

Prohibition of Sales to EEA Investors

The Dealer has represented and agreed, and each further dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Programme Memorandum as completed by the Applicable Pricing Supplement in relation thereto to any retail investor in the EEA. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of EU MiFID II;

(ii) a customer within the meaning of Directive (EU) 2016/97 (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II, as amended or superseded; or

(iii) not a qualified investor as defined in the EU Prospectus Regulation; and

(b) the expression "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

Prohibition of sales to UK Retail Investors

The Dealer has represented and agreed, and each further dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Programme Memorandum as completed by the Applicable Pricing Supplement in relation thereto to any retail investor in the UK. For the purposes of this provision:

(a) the expression **retail investor** means a person who is one (or more) of the following:

  (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law of the UK by virtue of the EUWA;

  (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or

  (iii) not a qualified investor as defined in Article 2 of the UK Prospectus Regulation; and

(b) the expression an offer includes 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.

General

Prior to the issue of any Tranche of Notes under the Programme, the 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 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 the Dealer agree and as are set out in the Applicable Pricing Supplement relating to the relevant Tranche of Notes.

Neither the Issuer nor the Dealer 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.

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