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 ZAR80,000,000,000 STRUCTURED NOTE PROGRAMME

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*This is the Risk Factor and Other Disclosures Schedule relating to The Standard Bank of South Africa Limited ZAR80,000,000,000 Structured Note Programme (the "**Programme**") (the "**Risk Factor and Other Disclosures Schedule**"), and is applicable to all Notes issued under the Programme pursuant to the Programme Memorandum, as amended, updated and replaced from time to time (the "**Programme Memorandum**").*

This Risk Factor and Other Disclosures Schedule is dated as of 13 October 2021 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;*
- *Settlement, Clearing and Transfer of Notes; and*
- *the Banking Sector in South Africa.*

*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, relating to The Standard Bank of South Africa Limited (the "**Issuer Disclosure Schedule**",collectively the "**Disclosure Schedules**") to reach their own views prior to making any investment decision. The information given below is as at the date of this Risk 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 Credit Linked Notes or Equity Linked Notes should be aware that none of the Programme Parties has any duty to conduct or accepts any responsibility for conducting or failing to conduct any investigation into the business, financial condition, prospects, creditworthiness, status and/or affairs of any Reference Entity and its Obligations, Underlying Obligations, Underlying Obligors, Reference Obligations and Deliverable Obligations or Share Company and its Shares.

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

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

Risks relating to the Issuer

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

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

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

The Group is exposed to a variety of risks resulting from a downturn in the economies of sub-Saharan Africa caused by the impact of the COVID-19 pandemic. The precise duration and depth of the economic downturn in the region is uncertain, but risks to credit and margin performance of the Group are expected and significant disruption to both business supply and demand has already been seen. The efficacy of monetary and fiscal policy and the speed and ability with which the economies of sub-Saharan Africa can return to normal operating conditions will determine the overall economic impact for sub-Saharan Africa and the Issuer. The pandemic is likely to cause interest rates to remain at historically low levels, and will result in longer term economic effects, potentially putting pressure on the Group's financial performance.

Although the impact on the Issuer's credit portfolios is yet to fully manifest, it is clear that credit risk has heightened, with the Issuer granting capital repayment holidays, forbearance, extensions of credit, including through the South African Government Guarantee Loan Scheme and other forms of support, to its customers. There is a risk that levels of default, provisions and impairments will increase over time which could have a material adverse effect on the businesses and financial condition of the Issuer.

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

Other potential risks include credit rating migration and increase in credit losses which could negatively impact the Issuers's risk-weighted assets and capital positions, and potential liquidity stress due, among other factors, to decreased customer deposits, notwithstanding the significant initiatives that governments and central banks in the region have put in place to support funding and liquidity. Governmental and central bank actions and support measures taken in response to the pandemic may also limit management's flexibility in taking action in relation to capital distribution and capital allocation.

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

The spread of COVID-19 and measures taken to contain it may also have a direct impact on colleagues' health as well as causing longer term wellbeing risks, such as impact on mental health resulting in absence, increasing pressure on the Issuer's workforces and reducing skills available in key areas. The unavailability of staff could harm the Issuer's ability to perform critical functions and adversely impact the quality and continuity of service to customers and the reputation of the Issuer. In addition there is a risk that failure to recognise the impact of COVID-19 on vulnerable customers or those in financial difficulties could lead to claims for conduct matters or regulatory censure which could have a material adverse effect on the Issuer's businesses, financial condition, results of operations and prospects.

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

The Issuer may also be exposed to regulatory risk where it has had to introduce new or shortened processes in response to the requirements of the various government directive and/or schemes, such as the South African Government Guarantee Loan Scheme, or in its own commitment to provide urgent support to customers.

In the twelve months ended 31 December 2020, SBG's headline earnings declined by 43 per cent. compared to the twelve months ended 31 December 2019. On 23 April 2021 SBG published an announcement on the Johannesburg Stock Exchange ("**JSE**" via the Stock Exchnage News Service, "**SENS**") providing an update on the Group's operational performance for the three months ended 31 March 2021 (the "**23 April 2021 Announcement**"). In the 23 April 2021 Announcement, SBG noted that earnings attributable to ordinary shareholders were 20 per cent. higher than in the three months ended 31 March 2020 and the Group remained well capitalised and liquid. On 31 May 2021 SBG published a SENS providing a voluntary trading update on the Group's operational performance for the four months ended 30 April 2021 and a trading statement stating that SBG's earnings was expected to be up more than forty percent in the six month to 30 June 2021 relative to the prior period (the "**31 May 2021 Announcement**"). On 6 August 2021 SBG published a SENS providing an updated trading statement stating that SBG's earnings was expected to be up between forty five and fifty five percent in the six month to 30 June 2021 relative to the prior period (the "**6 August 2021 Announcement**").

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

The recovery of the Group's operations and financial performance is uncertain and any further material deterioration in global economic conditions is likely to have a further negative impact on macroeconomic conditions in South Africa and, with respect to SBG, other countries in sub-Saharan Africa in which SBG operates, which may further adversely affect the Group's operations and its financial performance

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

In addition, the Group is an Africa focused universal financial services group with operations in twenty countries in sub-Saharan Africa outside of South Africa (which it refers to as "**Africa Regions**") and satellite offices in five key financial centres and two offshore hubs. As a result, SBG's performance is also affected by its operations in sub-Saharan Africa. Africa Regions contributed 58 per cent. to SBG's banking headline earnings for the year ended 31 December 2020, and total assets for Africa Regions represented 16.5 per cent. of SBG's total assets at 31 December 2020. Economic and political conditions in the Africa Regions in which it operates therefore also have an impact on SBG's business and results.

In 2020, the COVID-19 pandemic had a material adverse impact on the global economy, as well as on the economies of South Africa and the Africa Regions, which experienced a significant economic downturn. Economic observers such as the International Monetary Fund (the "**IMF**") have predicted that there is likely to be a gradual return to global economic growth during 2021. In April 2021, the IMF upgraded their Gross Domestic Product ("**GDP**") growth forecasts for 2021 for South Africa to

7.0 per cent., Kenya to 7.6 per cent., Nigeria to 2.5 per cent. and Uganda to 6.3 per cent., but downgraded Zambia to 0.6 per cent. However, the precise duration and depth of the economic downturn in South Africa and the economies of the Africa Regions is uncertain. Any national or regional economic recovery is dependent on many factors beyond the Group's control, including government monetary and fiscal policies, an effective and efficient domestic and international COVID-19 vaccination programme, and domestic and international economic and political conditions in general. Additionally, should there be a general global economic recovery during the course of 2021, this is likely to be uneven across different economies and emerging markets, including the economies of sub-Saharan Africa, are expected to take longer to recover relative to more mature markets.

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

In the event current conditions persist, the Group's business, financial condition and results of operations are likely to be negatively affected.

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.The South African economy entered into a recession during the final two quarters of 2019, and, following the emergence of the COVID-19 pandemic, the South African economy contracted by 7 per cent. in 2020. An increase in the levels of long-term unemployment and a reduction in income levels in 2020, along with persistent depressed consumer confidence, is expected to weigh on the recovery in consumption levels, which will likely be uneven across income groups. Low-income groups have been most impacted by job losses. However, the recent reinstatement of the Special Relief of Distress grant to the end of March 2022 will provide some support to those that have been hardest hit by the pandemic. High-income groups, which have been relatively less affected by job losses, are likely to benefit from improved income levels in 2021. Nonetheless, household spending will likely be supported by the recovery in asset prices and expected investment growth. Any global economic recovery is likely to provide support to an improvement in the South African economy. The South African government (the "**Government**") has procured sufficient COVID-19 vaccines to inoculate 46.2 million people by the end of the first fiscal quarter of 2022. A successful mass vaccination programme is likely to improve both business and consumer confidence in 2021 and 2022. However, uncertainty and hesitancy around the vaccine will hold back a recovery this year. In addition, the uncertainty around the availability of electricity supply continues to threaten economic activity. The South African Reserve Bank ("**SARB**") has projected GDP growth to increase by 4.2%.

in 2021 and 2.3% in 2022. The SARB noted that the risks to the growth outlook are balanced, however, the recent unrest in parts of the country and the impact on the vaccination drive, a longer-than expected lockdown and limited energy supply pose downside risks to growth. Some sectors (specifically mining and manufacturing) have recovered to pre-pandemic levels. Growth remains muted in other sectors and those impacted by the recent unrest, which is likely to have reversed better GDP growth in Q1:21.

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

The downgrade of South Africa's sovereign credit rating by each of Moody's Investor Services Ltd., Fitch Ratings Limited and S&P Global Ratings to sub-investment grade in 2020 saw South Africa excluded from the World Government Bond Index ("**WGBI**"), triggering investors who were mandated to invest in investment grade countries to sell South African assets. South Africa's 10-year sovereign bond yield reached 11.82 per cent. in March 2020 (an increase from 9 per cent. in January 2020), as a result of forced selling and heightened investor concerns about South Africa's fiscal outlook. The yield has averaged around 9.33 per cent. thus far in 2021, as at the date of this Risk Factor & Other Disclosures Schedule. The JSE All Share Index increased by 15.86 per cent. since January 2021, with non-residents having sold R67.0 billion of South African bonds and R60.3 billion of equities since the beginning of 2021.

No assurance can be given that the Group would be able to sustain its current performance levels if the current South African macroeconomic conditions were to persist or materially worsen from levels at the date of this Risk Factor and Other Disclosures Schedule.

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

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

In addition, the Group is exposed to credit concentration risk, which is the risk of loss arising from an excessive concentration of exposure to a single counterparty, an industry, a market or segment of a market, a product, a financial instrument or type of security, a country or geography, or a maturity. The Group's credit portfolio also contains concentration risk of exposure to respective governments in the regions in which it operates, through prudential requirements and direct lending. The Group manages this exposure within a clearly defined risk appetite framework and stress tests portfolios against weaknesses and sovereign downgrades.

SBG's credit impairment charges increased by 159 per cent. to R20.6 billion for the year ended 31 December 2020. The total credit loss ratio also increased to 1.51 per cent. for the year ended 31 December 2020 from 0.68 per cent. last year. Credit impairment charges in Africa Regions increased to R3.0 billion for the year ended 31 December 2020 from R2.2 billion for the year ended 31 December 2019. The elevated credit impairments across all portfolios are underpinned largely by expected credit loss adjustments from regulatory and accounting updates to forward-looking information about the weak macroeconomic outlook caused by the COVID-19 pandemic. A deterioration in customer risk profiles, additional legal and collections charges, additional management provisions to account for forecast uncertainty, COVID-19 customer relief programmes and corporate and sovereign downgrades, all contributed to the weaker profile of the Group's credit portfolio.

As at 31 December 2020, SBSA's gross loans and advances represented 88 per cent. of SBG's gross loans and advances of R1,321 billion. Stage 3 loans were 5.5 per cent. of gross loans and advances for SBG for the year ended 31 December 2020, an increase from 3.9 per cent. for the year ended 31 December 2019. Stage 3 loans are financial assets on which a lifetime expected credit loss is calculated, and which are assessed as being credit impaired due to one or more of an event of default, significant financial distress, high probability of bankruptcy or reorganisation or the loss of an active market.

SBSA operates through its divisions, Personal & Business Banking SA and Corporate & Investment Banking SA. At a divisional level, Stage 3 loans increased to 8.3 per cent. of the Personal & Business Banking SA division's gross loans and advances at 31 December 2020 (compared to 5.6 per cent. at 31 December 2019). The Corporate & Investment Banking SA division's Stage 3 loans represented 1.8 per cent. of its gross loans and advances (compared to 1.0 per cent. at 31 December 2019).

SBSA's credit impairment charges on total loans and advances increased by 181 per cent. to R16.8 billion (from R5.6 billion for the year ended 31 December 2019) and the credit loss ratio on total loans and advances increased to 1.48 per cent. from 0.57 per cent. for the prior year, driven in each case by the economic consequences of the COVID-19 pandemic.

The Personal and Business Banking SA division reported a 177 per cent. increase in impairment charges year-on-year. The increase in impairment charges was due to the increased expectation of future credit losses as a result of the weakened economic outlook, resulting in additional forward-looking provisioning and constraints in collections, combined with a time lag in legal processes resulting from the imposition of lockdowns. As a result, the Personal and Business SA division contended with decreased collections and increased coverage as cash flow recovery was reduced.

The Corporate and Investment Banking SA division reported an increase in impairment charges on loans and advances of 206 per cent. from R0.9 billion for the year ended 31 December 2019 to R2.8 billion for the year ended 31 December 2020. Higher impairment charges were raised due to significant expected credit losses on the division's Stage 3 portfolio particularly in the Oil and Gas and Power and Infrastructure sectors and an increase in clients migrating to Stage 2 following sector reviews in light of the economic impact of COVID-19, offset by transfers into Stage 3, as clients migrated through the credit deterioration lifecycle during 2020.

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

Mortgage loans amount to 32 per cent. of SBSA's gross loans and advances and represent a credit concentration in SBSA's portfolio. SBSA manages this exposure within a clearly defined risk appetite framework, which includes portfolio limits. SBSA also regularly stress tests the portfolio against various weaknesses in the economy, such as a sovereign ratings downgrade, which could negatively affect consumer creditworthiness and the repayment of home loans.

Many factors affect the ability of the Group's customers to repay their loans. Some of these factors, including adverse changes in consumer confidence levels due to local, national and global factors, consumer spending, bankruptcy rates, and increased market volatility, might be difficult to anticipate and are outside of the Issuer's control. The Issuer conducts annual credit risk type scenario and sensitivity stress testing on its 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 in South Africa continue to remain uncertain and demand for credit remains lacklustre, the level of the Issuer's non-performing loans and credit impairments may increase. This, in turn, could have an adverse effect on the Issuer's financial condition or results of operations.

In this regard, the potential financial impact on the quality of the Group's credit portfolio and its associated earnings, as a result of the current and ongoing COVID-19 pandemic, must be considered. The full economic impact of the COVID-19 pandemic and the resultant business interruption and adverse effects on global activity, are still ongoing and recovery levels are uncertain.. While the Group remains well capitalised and is supported in South Africa by targeted regulatory capital relief measures, investors should note that the challenging economic climate may impact its performance in the 2021 financial year.

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

Thus far in 2021, the political outlook has been dominated by the effectiveness of Government's response to the ongoing COVID-19 pandemic, with a focus on the capacity and willingness of the Government to enact reforms required to encourage an economic recovery, and to provide support for fiscal tightening to curtail public debt in the medium-term.

In addition to this, continued focus is likely to remain on the need for the Government to undertake structural macroeconomic reforms that are required to stabilise the fiscal outlook in South Africa and to remedy chronic operational and financial weaknesses across several core state-owned entities ("SOEs"), particularly Eskom. While maintenance reforms appear to have had some effect in stabilising electricity supply, Eskom CEO Andre de Ruyter has confirmed that – notwithstanding new energy supply via a planned emergency power programme – there will be a shortfall of approximately 4,000MW over the next five years. This implies a sustained risk of load shedding during this period, which will limit the country's economic recovery prospects.

However, despite the suggested limitation of the country's economic recovery prospects as a result of a sustained risk of load shedding, there has been action taken on the part of the Government to curtail this limitation by relaxing some of the tight regulations and application procedures surrounding the operation of power generation plants in South Africa. On 12 August 2021, Mineral Resources and Energy Minister Gwede Mantashe published amendments to Schedule 2 of the Electricity Regulation Act (the "**ERA**") to enable generation plants with up to 100 MW of power to proceed without first obtaining a generation licence. In terms of the amendments, power generation plants with up to 100 MW, with a point of connection, would not need to apply for a licence if it is operated to supply electricity to an end-use customer by wheeling and the generator has entered into a connection agreement with the holder of the transmission or distribution licence in respect of the power system over which the electricity is to be wheeled; or if it does not export or import any electricity onto or from the transmission or distribution power system. The amendments further stipulate that certain electricity generation activities for plants of up to 100 MW are exempt from requiring a licence or registration with the National Energy Regulator of South Africa. That includes facilities that are designed and used for the sole purpose of providing standby or back-up electricity in the event of, and for a duration of no longer than, any electricity supply interruption. It also includes the operation of any generation facility that does not have a point of connection.

The above amendments to the ERA are expected to unlock significant investment in new generation capacity in the short and medium-term and will enable companies to build their own generation facilities to supply their energy needs, thereby reducing the burden on Eskom. This, in turn, will allow Eskom to proceed with its intensive maintenance programme and reduce its reliance on expensive gas and diesel turbines.

An important aspect of the South African political outlook in 2021 will be President Ramaphosa's ability to further consolidate his authority within the ruling Tripartite Alliance. Having been postponed on account of the COVID-19 pandemic, several internal African National Congress ("**ANC**") elections are scheduled to be held in 2021, the outcomes of which could either strengthen President Ramaphosa's position or offer an opportunity to his political opponents within the ANC to regroup. Further to this, local government elections are scheduled to be held on 1 November 2021, which will provide an opportunity to gauge the impact of the COVID-19 crisis on electoral support for the ANC and the country's primary opposition parties, the Democratic Alliance and the Economic Freedom Fighters.

The performance of various Anti-Corruption Task Team institutions, in particular the National Prosecuting Authority, will continue to be of importance, particularly in light of the Government's commitment to hold accountable those responsible for corruption and 'state capture' during the tenure of former President Zuma. Linked to this, at the end of August 2021, the Judicial Commission of Inquiry into State Capture concluded its hearings, with President Ramaphosa having testified during the week of 11 August 2021. Following the hearings, its chairperson, Deputy Chief Justice Raymond Zondo, is expected to compile a report to be submitted to President Ramaphosa which will include a set of recommendations on future prosecutions and reforms necessary to prevent the abuses that the Commission has thus far heard evidence of, from being repeated.

As evidenced by the protracted unrest in KwaZulu-Natal and Gauteng that followed former President Zuma's arrest and incarceration on 7 July 2021, political instability, including the inability of the Government to implement the necessary structural reforms, may have an adverse impact on the South African economy and could have an adverse effect on the Group, its business, financial condition and results of operations.

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

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

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

In addition, the Group continues to monitor for market abuse, market manipulation, rogue trading and trends of syndicate or collusive 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 regulatory sanction, reputational damage or financial loss, is heightened.

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

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

The Group's operations are largely dependent upon its own information technology infrastructure (and systems) along with those of its third-party service providers. The Group's businesses are subject to their ability to quickly adapt to disruptions while maintaining continuous business operations. Protecting the Group, its clients and partners from cyber risk is crucial as the Group continues to advance its digital transformation strategy.

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; as more fully described in the Issuer Disclosure Schedule, section entitled "*Description of The Standard Bank of South Africa - Regulation - Anti-money laundering regulatory requirements*" on page 29. 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 their products or services for money laundering or illegal purposes.

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

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

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

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

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

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

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

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

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

Competition and Market Risk

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

The Group is subject to significant competition from other major banks operating in its markets, including competitors such as international banks that may have greater financial and other resources, particularly in the corporate and investment banking market. Many of these banks compete for substantially the same customers as the Issuer and/or other members of the Group. The Group also faces competition from other non-bank entities that increasingly provide similar services to those offered by banks, including entities such as retailers, mobile telephone companies and other technology companies, including "bigtech", and entities in the shadow banking industry. The shadow banking industry is large and inconsistently regulated in some of the Group's markets, which creates additional competition and may in future cause heightened systemic risk. Increased competition from non-bank entities in the money markets and capital markets could impact the Issuer's ability to attract funding. 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 2020, Market risk consumed R1.5 billion, or 1.1 per cent. of Group Economic Capital. Interest rate risk in the banking book for the year ended 31 December 2020 consumed R4.0 billion, or 2.9 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 2020 consumed R5.6 billion, or 4 per cent. of Group Economic Capital.

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

The Issuer has exposure to changes in SBG's share price arising from the equity-linked remuneration contractual commitments and post-employment obligation risk through the requirement to contribute as an employer to an underfunded defined benefit plan. Total expenses recognised in SBSA staff costs for own equity-linked transactions for the year ended 31 December 2020 was R444 million and the total liability recognised in other liabilities for own equity-linked transactions at as 31 December 2020, was R1.1 billion. The amount recognised as an asset in SBG's Statement of Financial Position as at 31 December 2020 for pension and other post-employment benefits was R1.2 billion. The amount of pension and other post-employment benefits recognised as a liability in SBG's Statement of Financial Position as at 31 December 2020 was R1.1 billion.

In addition, SBG, through its 53.62 per cent. 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 2020 was R651 million, which equates to -4.1 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.

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 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**"). The Group's share of Liberty's headline earnings for the year ended 31 December 2020 was R651 million, which equates to 4.1 per cent. of SBG's total headline earnings, while the non-life insurance operations housed in SIL are not considered to contribute a material risk in the context of the Group.

As a result of the continuing COVID-19 pandemic, the Group may experience a number of risks including a decrease in new business generation, as potential customers face financial challenges and as hard selling efforts are curtailed, an increase in cancellations of the Group's contracts with customers as some clients face financial challenges due to the worsening economic climate, and an increase in average cost per claim due to fewer service providers willing and able to attend to claims, which may result in an increase in cash in lieu payments. In addition to this, an increase in fraud-related trends is expected, and increases in Average Cost of Claims due to price surges driven by exchange rate risk. In response to the COVID-19 pandemic, management efforts were reprioritised in the short term. Certain risk management strategies and actions were accelerated while others were deferred resulting in possible variations in future insurance risk experience. Appropriate management actions continue to be explored as new insights into the pandemic become available.

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

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

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

In respect of South Africa, the banking sector is characterised by certain structural features, such as a low discretionary savings rate in general and a high percentage of these are captured by institutions such as pension funds, provident funds and providers of asset management services. A portion of these savings translate into institutional funding for the banking system that comprises wholesale funding from financial institutions across a range of deposits, loans and financial instruments. These deposits have a different liquidity profile to retail deposits. As a result, the Issuer, along with other banking groups in South Africa, has a higher reliance on wholesale funding than retail deposits. As at 31 December 2020, retail deposits comprised 22 per cent. of the total funding-related liabilities of SBSA and 27 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 2020, 85 per cent. of SBSA's deposits and debt funding had a contractual maturity date of 12 months or less or were repayable on demand. As at 31 December 2020, SBSA's largest single depositor accounted for 4.9 per cent. of total deposits and the top 10 depositors accounted for 14.2 per cent. of total deposits, well within SBSA's risk appetite of 10 per cent. and 20 per cent. respectively. As at 31 December 2020, 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 2020, the largest single depositor accounted for 4.0 per cent. of total deposits and the top 10 depositors accounted for 11.2 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 its funding requirements and no assurance can be made that additional funding will be obtained on commercially reasonable terms as and when required, or at all. Any inability to refinance or replace such deposits with alternative funding could adversely affect the liquidity and financial condition of the Issuer.

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

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

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

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

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

In November 2020, SBSA's credit rating was downgraded to Ba2 from Ba1 with a negative outlook by Moody's, as SBSA's rating was constrained by its sizeable exposure to government securities, which effectively links its creditworthiness to that of the national government. The negative outlook also reflected potential pressures on the Issuer's asset quality, profitability and the gradual weakening of the Issuer's standalone credit profiles as the coronavirus pandemic exacerbated an already challenging operating environment in South Africa. In November 2020, SBSA and SBG's credit ratings were downgraded to BB- from BB with a negative outlook by Fitch, driven by the expected negative impact from the COVID-19 pandemic on banks' operating environment and key financial metrics. 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. Credit losses increased significantly in the first two fiscal quarters of 2020 due to conservative provisioning and capital ratios continued to display adequate buffers over regulatory requirements and are, as of the date of this Risk Factor and Other Disclosures Schedule, stable despite pressures on asset quality and earnings.

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

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

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

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

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

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

In response to pressures on banks' capital supply brought about by the COVID-19 pandemic, the PA has implemented measures under Directive D2/2020, issued in terms of section 6(6) of the Banks Act to reduce the currently specified minimum requirement of capital and reserve funds to be maintained by banks in South Africa, through a temporary relaxation of the pillar 2A capital requirement, in order to provide temporary capital relief to enable banks to counter economic risks to individual banks as well the financial system as a whole. It is the PA's intention to reinstate the minimum pillar 2A capital requirement from 1 January 2022. However, further guidance issued by the PA in February 2021 allows for the resumption of distributions to ordinary shareholders, provided that the benefits of temporary regulatory relief measures provided by the PA in 2020 are not utilised for making these distributions.

Considering the temporary removal of the pillar 2A capital requirement, the South African minimum Basel III capital requirements are 8.0% for CET I, 10.0% for tier I and 13.0% for total capital adequacy (8.5%, 10.8% and 14.0% respectively prior to the reduction of pillar 2A requirements). 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 D-SIB requirement of 2.5%. South African banks were required to disclose their D-SIB capital requirements from 1 September 2020. The Group's and SBSA's D-SIB buffer requirements amount to 1.5% and 2.0% respectively of which 1% is required to be held in CET I.

The Basel III capital buffers continue to make it more challenging for banks and bank holding companies to comply with minimum capital ratios. Failure by the Issuer to meet certain of these buffers, for example the capital conservation and countercyclical buffers, could result in restrictions being placed on distributions, including dividends and discretionary payments, and any failure by the Issuer to maintain its capital ratios may result in action taken in respect of the Issuer.

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

In light of the effects of the COVID-19 pandemic on the South African market, the PA has amended the minimum requirements relating to the LCR under Directive D1/2020, issued in terms of section 6(6) of the Banks Act from 100 per cent. to 80 per cent. with effect from 1 April 2020. This Directive will remain in place until such time as the PA directs in writing that it is of the view that the financial markets have normalised. The Directive is aimed at providing temporary liquidity relief during this time to banks, branches of foreign institutions and controlling companies, in line with the intention of the Basel III LCR framework.

SBSA reported a LCR of 112.6 per cent. as at 31 December 2020 based on a simple average of 92 days of daily observations over the quarter ended 31 December 2020, exceeding the SARB's minimum requirement of 80 per cent. SBG reported a LCR of 134.8 per cent. as at 31 December 2020 based on a simple average of 92 days of daily observations over the quarter ended 31 December 2020 for the majority of SBG's balance sheet and a simple average of the three month-end data points for certain Africa Regions banking entities which are not yet reported daily, exceeding the SARB's minimum requirement of 80 per cent.

The SARB has approved the 2020/2021 committed liquidity facility ("**CLF**") at a reduced value compared to the CLF for 2019/2020. The further decrease in the CLF was driven by the PA Guidance Note 5/2019 containing revised guidelines and conditions relating to the continued provision of the CLF thereby signaling the SARB's intention to gradually phase out the CLF by 1 December 2021.

The Group successfully managed its balance sheet structures and maintained NSFR compliance for 2020, with SBSA reporting a NSFR of 111.9 per cent. as at 31 December 2020 in excess of the 100.0 per cent regulatory requirement, and SBG reporting a NSFR of 124.8 per cent. as at 31 December 2020 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 the bank's 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 monitor 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: A parliamentary committee has been set up to investigate Section 25 of the Constitution on expropriating property. Public hearings to discuss the proposals were held in 2019 and amendments to the Constitution have been released for comment. In addition, amendments to the Expropriation Act are being debated in Parliament. This investigation, together with slow progress on the legislation necessary for land reform programmes, is likely to create an uncertain policy environment for land reform in the short term for the financial sector.

Consumer credit regulation has been tightened to provide stronger consumer protection under the National Credit Act, 2005 (the "**National Credit Act**"). Additional amendments to the NCA 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 for comment. 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.

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 reforms adopted subsequent to the 2008 global financial crisis. As a result, governments, central banks and regulators were able to respond swiftly to the challenges of the COVID-19 pandemic during 2020 by introducing monetary, fiscal and prudential policy relief measures to stabilise economies and assist those most affected by the COVID-19 pandemic. Numerous fiscal interventions were adopted in support of both businesses and individuals. The most common fiscal measures in the Africa Regions included the implementation of credit funds and guarantees for businesses, payment holidays for individuals, SMEs and corporates, incentives for digital payments, social grants and various forms of tax relief. Monetary and prudential actions in the Africa Regions focused on ensuring the sustainability of financial systems and the provision of additional liquidity and capacity to the banks for lending and anticipated future credit losses. The countries of the Africa Regions have adopted different levels of the Basel accords and have provided relief in line with their current approaches. Delaying the increase of capital adequacy requirements and granting permission to utilise capital buffers have widely been noted. Reducing cash reserving requirements and lowering of the LCR requirement were measures adopted by many central banks.

Risks relating to Emerging Markets

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

South Africa and the economies of the Africa Regions are generally considered by international investors to be emerging markets. SBSA and its subsidiaries are fully integrated with the rest of the Group and therefore also play a key role in positioning the Group to capitalise on the growth in emerging markets in the rest of Africa. Investors in emerging markets such as South Africa and sub-Saharan Africa should be aware that these markets may be subject to greater risk than more developed markets. These risks include economic instability as well as, in some cases, significant legal and political risks.

Economic and financial market volatility in South Africa has been caused by many different factors. Due to its liquidity and use as a proxy for emerging market trades, the Rand is particularly exposed to changes in investor sentiment and resulting periods of volatility. In addition to this, economic instability in South Africa and in other emerging market countries is caused by many different factors, including the following:

- the COVID-19 pandemic;
- electricity supply instability;
- a deteriorating fiscal outlook;
- policy uncertainty and rising populism;
- currency volatility;
- constrained commodity prices;
- capital outflows; and
- a decline in domestic demand.

Any of these factors, amongst others, as well as volatility in the markets for securities similar to the Notes, may adversely affect the value or liquidity of the Notes.

Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved, and prospective investors are urged to consult with their own legal and financial advisors before making an investment in the Notes.

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

Exchange Control regulations may impact the Group's operations in the relevant countries in which 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 further relaxations in 2021. Further relaxation or the abolition of exchange controls may precipitate a change in the capital flows to and from South Africa. If the net result of this were to cause large capital outflows, this could adversely affect the Group's business and financial condition as a whole.

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

Risks relating to the Notes

The Notes may not be a suitable investment for all investors

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

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

There is no active trading market for the Notes

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

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

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

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

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

Credit Rating

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

Exchange rate risks

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

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

Any Notes that are listed on the JSE or any other Financial Exchange may be de-listed. If any Notes are de-listed, the Issuer is obliged to endeavour promptly to obtain an alternative listing. Although no assurance is made as to the liquidity of the Notes as a result of listing on the JSE or any other Financial Exchange, de-listing the Notes may have a material adverse effect on a Noteholder's ability to resell the Notes in the secondary market.

Risks related to the structure of the particular issue of Notes

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

Notes subject to optional redemption by the Issuer

An optional redemption feature is likely to limit the market value of the Notes. During any period when the Issuer may elect to redeem the Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to re-invest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Index-Linked and Dual Currency 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.

Partly-paid Notes

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

Notes issued at a substantial discount or premium

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

Modification and waivers

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

Change in law

The Programme Memorandum (as read together with the Disclosure Schedule), the Notes and the applicable Terms and Conditions, are governed by, and will be construed in accordance with, the laws of South Africa. No assurance can be given as to the impact of any possible judicial decision or change to the laws of South Africa or administrative practice in South Africa after the Programme Date.

U.S. Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the U.S. Internal Revenue Code ("**FATCA**") impose a new reporting regime and potentially a 30 per cent. withholding tax with respect to certain payments to any non-U.S. financial institution (a "**foreign financial institution**", or "**FFI**" (as defined by FATCA)). The new withholding regime will be phased in beginning 1 July 2014 for payments from sources within the United States and will apply to "foreign passthru payments" (a term not yet defined) no earlier than 1 January 2019.

An FFI will be exempt from applying the 30 per cent. withholding tax if it is (i) a "registered deemed-compliant FFI" in terms of the intergovernmental agreement to facilitate the implementation of FATCA (an "**IGA**") between the United States and that FFI's jurisdiction or (ii) a "Participating FFI", to the extent that recipients of payments of U.S. source income have provided the Participating FFI with the necessary documentation, by entering into a direct agreement with the U.S. Internal Revenue Service (the "**IRS**") to provide the IRS with certain information in respect of its account holders and investors.

On 9 June 2014, the United States and South Africa formally concluded "*The Agreement between the Government of the Republic of South Africa and the Government of the United States of America to Improve International Tax Compliance and to Implement FATCA*" (the "**SA/US IGA**") which was ratified on 28 October 2014, in terms of which FFIs in South Africa will report information about their U.S. account holders to the South African Revenue Service who will in turn relay that information by means of automatic exchange of information to the IRS under the Double Taxation Convention in force between the United States and South Africa.

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

Whilst the Notes are in global form and held within Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme (together, the "**ICSDs**"), in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the ICSDs (see "*Taxation– U.S. Foreign Account Tax Compliance Act*"). 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.

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

Reform in relation to LIBOR

Interbank Offered Rates (including The London Interbank Offered Rate ("**LIBOR**") and the Euro Interbank Offered Rate ("**EURIBOR**")) and other interest rate, equity, commodity, foreign exchange rate and other types of rates and indices which are deemed to be "benchmarks" are the subject of ongoing national and international regulatory reform. Following any such reforms, benchmarks may perform differently than in the past or disappear entirely, or there could be other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to such a benchmark.

Key regulatory proposals and initiatives in this area include (amongst others) IOSCO's Principles for Financial Market Benchmarks (the "**IOSCO Benchmark Principles**"), Regulation (EU) 2016/2011 (the "**Benchmark Regulation**"), and the proposed transition away from IBORs to one or more alternative benchmarks (each, as discussed below).

The IOSCO Benchmark Principles aim to create an overarching framework of principles for benchmarks to be used in financial markets, specifically covering governance and accountability as well as the quality and transparency of benchmark design and methodologies. Subsequent implementation reviews have found that widespread efforts are being made to implement the IOSCO Benchmark Principles by the majority of administrators surveyed. However, the reviews also note that, as the "benchmarks industry" is in a state of flux, IOSCO may need to take further steps in the future - although it is not yet clear what these steps might be. On 16 December 2016, IOSCO published a report setting out guidance to improve the consistency and quality of reporting on compliance with IOSCO Benchmark Principles.

The Benchmark Regulation was published in the Official Journal in June 2016 and the majority of the provisions pf the Benchmark Regulation became fully applicable in the EU on 1 January 2018 (save that certain provisions, including those related to "critical benchmarks", took effect on 30 June 2016). The Benchmark Regulation applies to the contribution of input data to a "benchmark", the provision or administration of a "benchmark" and the use of a "benchmark" in the EU. Among other things, it (a) requires EU benchmark administrators to be authorised or registered as such and to comply with extensive requirements relating to the administration of "benchmarks" and (b) prohibits certain uses by EU supervised entities of "benchmarks" provided by EU administrators which are not authorised or registered in accordance with the Benchmark Regulation (or, if located outside of the EU, deemed equivalent or recognised or endorsed). The scope of the Benchmark Regulation is wide and, in addition to so-called "critical benchmark" indices such as EURIBOR, applies to many other interest rate indices, as well as equity, commodity and foreign exchange rate indices and other indices. This will include "proprietary" indices or strategies where these are used to (i) determine the amount payable under, or the value of, certain financial instruments (including securities or OTC derivatives listed on an EU regulated market, EU multilateral trading facility (MTF), EU organised trading facility (OTF) or "traded via a systematic internaliser"), (ii) determine the amount payable under certain financial contracts, or (iii) measure the performance of an investment fund (in each case, within the meaning given to such terms in the Benchmark Regulation).

The Benchmark Regulation could have a material impact on Notes linked to a "benchmark", in particular, if the methodology or other terms of the benchmark are changed in order to comply with the terms of the Benchmark Regulation. Such changes could reduce or increase the rate or level or affect the volatility of the published rate or level of the Benchmark and (depending on the terms of the particular Notes) could lead to adjustments to the terms of the Notes, including potentially determination by the Calculation Agent of the rate or level.

More broadly, any of the international or national reform initiatives or the increased regulatory scrutiny of benchmarks generally could increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any applicable regulations or requirements. Such factors may have the following effects on certain benchmarks: (i) discourage market participants from continuing to administer or contribute to benchmarks; (ii) trigger changes in the rules or methodologies used in the benchmarks; or (iii) lead to the disappearance of the benchmarks. This could result in, amongst other things, (i) the substitution of replacement rates for such benchmark(s), (ii) adjustments to the terms of the relevant Notes, (iii) early redemption of the relevant Notes, and/or (iv) other consequences for Notes linked to any such benchmarks. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations could have a material adverse effect on the value of and return on any Notes linked to or referencing a "benchmark".

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

Reform in relation to JIBAR

In South Africa, the SARB published a "Consultation paper on selected interest rate benchmarks in South Africa" on 30 August 2018 (the "**Consultation Paper**") containing proposals on the reform of key interest rate benchmarks used in South Africa as well as proposals on a suite of new benchmarks that could potentially be used as alternative reference interest rates. The SARB also set up an independent body referred to as the Market Practitioners Group ("**MPG**") comprising members of the SARB, FSCA, and senior professionals from a variety of institutions, reflecting different market interest groups active in the domestic money market, to provide input into the design and operationalisation of the benchmark proposals.

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

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

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

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

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

This suite comprises four new benchmarks and a reformed version of the existing overnight benchmark rate – the South African Benchmark Overnight Rate (SABOR). The benchmark proposed as a replacement for SABOR is ZARONIA, which is an unsecured overnight rate. While the number of proposed interest rate benchmarks is not definitive, the ultimate outcome of reform will likely feature the coexistence of several interest rate benchmarks to fulfil different market and policy purposes.

The SARB will continue to be the official administrator of the Johannesburg Interbank Average Rate (JIBAR). However, the policies specified in the draft TSP do not apply to JIBAR, given an existing JIBAR Code of Conduct, Governance Process and Operating Rules dated 24 March 2014. In addition, the SARB has noted that efforts are underway to strengthen the JIBAR and add to its credibility as an interim solution until an alternative reference rate is fully operational. Details of the work being undertaken in this regard will be published by SARB later this year.

Comments from the public in respect of the methodologies and policies contained in the TSP were due by 19 September 2020. The SARB has indicated that it will embark on a data collection process which will enable the testing of the proposed benchmarks as well as the observation and refinement thereof. The TSP will be revised as necessary, based on the feedback received and observations made.

The reform of interest rate benchmarks 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".

It is not possible to predict with certainty whether, and to what extent, ZAR-JIBAR-SAFEX or any other benchmark will continue to be supported going forward. This may cause ZAR-JIBAR-SAFEX or any other such benchmark to perform differently than they have done in the past, and may have other consequences which cannot be predicted. The potential elimination of ZAR-JIBAR-SAFEX or any other benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the Terms and Conditions of the Notes, or result in other consequences, in respect of any Notes referencing such benchmark.

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

Risks relating to Credit Linked Notes

Credit Exposure to Reference Entities

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

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

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

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

Non-Transferability of Deliverable Obligations

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

A Credit Event may occur prior to the Trade Date

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

Role of the Credit Derivatives Determinations Committee

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

Auction Settlement- Auction Final Price

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

Auction Settlement – Local Market Variation

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

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

Physical Settlement – Obligations of the Noteholder

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

Physical Settlement – Undeliverable Obligations

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

Risks relating to Equity Linked Notes

Amounts payable in respect of Equity Linked Notes

The Issuer may issue Equity Linked Notes where the amounts payable under such Notes, including any interim amounts, are dependent upon the price of or changes in the price of a Share 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 Equity 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 advice accordingly. An investment in Equity Linked Notes entails significant risks not associated with an investment in a conventional debt security.

Share Companies

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

No dividends

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

Features of Equity Linked Notes

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

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

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

Adjustments to Equity Linked Notes

If the Calculation Agent determines that an event giving rise to a Disrupted Day has occurred at any relevant time in respect of any Equity Linked Notes, any such determination may have an effect on the timing of valuation and consequently the value of such Equity Linked Notes and/or may delay settlement in respect of such Equity Linked Notes. Prospective purchasers of Equity Linked Notes must review the Terms and Conditions and the Applicable Pricing Supplement to ascertain whether and how such provisions apply to such Equity Linked Notes.

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

If a Merger Event, Tender Offer, Delisting, Nationalisation or Insolvency occurs in relation to any Share, 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 and Conditions and/or the Applicable Pricing Supplement to account for the Merger Event, Tender Offer, Delisting, Nationalisation or Insolvency and determine the effective date of that adjustment. Such adjustment may have an adverse effect on the value and liquidity of the affected Equity Linked Notes;

(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 and Conditions and/or the Applicable Pricing Supplement as the Calculation Agent determines appropriate.

Miscellaneous risks associated with Equity Linked Notes

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

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

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

Physical Delivery Requirements and Settlement Risk

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

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

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

Settlement Disruption Event and Failure to Deliver due to Illiquidity

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

Expenses

Holders of Physical Delivery Notes must pay all Delivery Expenses relating to such Physical Delivery Notes. As used in the Terms and Conditions, **Delivery Expenses** includes any costs, taxes, duties and/or expenses (including stamp duty, securities transfer tax and/or other costs, taxes or expenses) of effecting any delivery of the Entitlement.

Risks relating to FX Linked Notes

General

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

Potential investors in any such FX Linked Notes should be aware that, depending on the terms of the FX Linked Notes (i) they may receive no or a limited amount of interest and/or principal, (ii) payment of principal or interest may occur at a different time or in a different currency than expected (iii) the FX Linked Notes may be redeemed by delivery of and/or payment of a cash amount calculated by reference to the fair market value of certain selected FX Deliverable Obligations, rather than at the redemption amount expected and (iv) they may lose a substantial portion or all of their investment. In addition, movements in currency exchange rates may be subject to significant fluctuations that may not correlate with changes in interest rates or other indices and the timing of changes in the exchange rates may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in currency exchange rates, the greater the effect on yield. The foreign exchange rate(s) to which the FX Linked Notes are linked will affect the nature and value of the investment return on the FX Linked Notes. The performance of foreign exchange rates are dependent upon the supply and demand for currencies in the international foreign exchange markets, which are subject to economic factors, including inflation rates in the countries concerned, interest rate differences between the respective countries, economic forecasts, international political factors, currency convertibility and safety of making financial investments in the currency concerned, speculation and measures taken by governments and central banks. Such measures include, without limitation, imposition of regulatory controls or taxes, issuance of a new currency to replace an existing currency, alteration of the exchange rate or exchange characteristics by devaluation or revaluation of a currency or imposition of exchange controls with respect to the exchange or transfer of a specified currency that would affect exchange rates and the availability of a specified currency. Where the FX Linked Notes are linked to the currency of an emerging market jurisdiction, such risks may be magnified – see also risk factor "*Risks relating to the Notes – Emerging market currencies*" above.

Effect of Leverage

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

Disruption Events

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

Following a relevant disruption event:

- the applicable valuation date for the applicable exchange rate may be postponed so long as the relevant disruption event continues;
- the Calculation Agent may determine the applicable exchange rate;

- the Notes may be redeemed early (or on the originally designated date) by payment of an alternative redemption amount (calculated by reference to their fair market value or, if FX Deliverable Obligations are specified in the Applicable Pricing Supplement, the fair market value of selected FX Deliverable Obligations (see also "*FX Deliverable Obligations*" below)), rather than any amount that would have otherwise been calculated in respect of and due on the relevant date;

- if FX Deliverable Obligations are specified in the Applicable Pricing Supplement, the Notes may be redeemed early by delivery of selected FX Deliverable Obligations (see also "*FX Deliverable Obligations*" and "*Physical Delivery*" below), rather than by payment of any amount that would have otherwise been calculated in respect of and due on the relevant date;

- the related date for payment may be deferred so long as the relevant disruption event continues; or

- a fallback reference price source or sources may be used to calculate the applicable exchange rate instead of the originally designated price source.

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

FX Deliverable Obligations

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

Physical Delivery

If FX Linked Notes are to be redeemed by delivery of FX Deliverable Obligations following a disruption event, the Issuer's obligation to deliver the FX Deliverable Obligations comprising the FX Entitlement to the Noteholder is subject to various conditions, including the delivery by the Noteholder to the Issuer of an FX Asset Transfer Notice and, in certain circumstances, the payment to the Issuer of the FX Delivery Expenses within the prescribed time limit. If the Noteholder fails to so deliver an FX Asset Transfer Notice, the Issuer may be discharged from its obligations under the FX Linked Note. If applicable and 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 5 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 5th Business Day, the Calculation Agent will determine the action to be taken under the Notes, including whether or not the Issuer will continue to attempt to deliver the FX Undeliverable Obligations, and the future terms applicable to the Notes. In each case, the value of the FX Linked Notes may be affected.

THE BANKING SECTOR IN SOUTH AFRICA

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

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

Regulation

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

Twin peaks model of financial regulation

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

The FSR Act, was signed into law on 21 August 2017 and commenced (with the exception of a couple of transitional periods) on 1 April 2018, was the first in a series of bills that 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 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 and financial conglomerates. The FSCA is mandated to protect customers of financial services, improve the way in which financial service providers conduct their business, ensure that the integrity and efficiency of the financial markets is maintained, and promote effective financial consumer education.

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

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

The Government seeks to ensure financial stability through macro prudential regulation in line with international standards and measures including: improving the quality of capital; reducing pro-cyclicality; setting leverage and liquidity ratios; and issuing compensation guidelines. It further requires swift regulatory action to prevent contagion and proposes a more intense, intrusive and effective form of regulation. Government has commenced with the process of implementing regulations that will eventually be expanded to cover all sources of systemic risk including the regulation of all private pools of capital. In this regard, the Minister of Finance signed into law the Financial Markets Act Regulations (the "**FMA Regulations**") on 9 February 2018. The FMA Regulations provide the framework for regulation of over-the-counter derivative transactions in South Africa and the FSCA conduct standards, published in 2020 in connection with the FMA Regulations, set out the reporting requirements and code of conduct for over-the-counter derivative providers. On 2 June 2020 the FSCA and PA published Joint Standard 2 of 2020, dealing with margin requirements for non-centrally cleared OTC derivative transactions, which will come into effect on a date to be determined by the FSCA and PA. The objectives of the standard include achieving consistent pricing across the OTC derivatives market and international compliance. On 9 June 2021, the FSCA and the PA announced the determination of the effective date of the standard as being 16 August 2021. The standard is therefore in effect as at the date of this Risk Factor & Other Disclosures Schedule.

Anti-money laundering regulations

The Government has identified the combating of financial crime as a policy priority. As a result thereof, South Africa has a well-established anti-money laundering ("**AML**")/Combating the Financing of Terrorism ("**CFT**") legislative framework which includes but is not limited to the FICA and the Protection of Constitutional Democracy Against Terrorist and Related Activities Act, 2004. The Mutual Evaluation Report issued by the Financial Action Task Force, (an inter-governmental AML policy-making and standards setting body) in 2009 confirmed that South Africa has demonstrated a strong commitment to implementing AML/CFT systems facilitated by close cooperation and coordination amongst a variety of government departments and agencies. The Mutual Evaluation Report also stated that the South African authorities have sought to construct a system which uses, as its reference, the relevant United Nations Security Council Conventions and the international standards as set out by the Financial Action Task Force, and that the South African government also recognises the importance of being able to effectively respond to international instruments such as sanctions resolutions.

The PA strives to maintain an effective compliance framework and operational capacity to supervise compliance by banks with AML/CFT standards. The PA (previously the Banking Supervision Department) regularly conducts FICA compliance inspections of the accountable institutions that it supervises, and the scope of these visits would include the assessment of compliance with FICA guidance notes, directives and circulars. The SARB is empowered to conduct these inspections and perform other supervisory duties by virtue of section 45 of FICA.

Flowing from these responsibilities, the PA conducts AML/CFT inspections to assess whether all of the major banks in the South African market have adequate and effective AML/CFT controls in place to comply with the requirements of FICA. As part of its mandate the SARB through the PA may (and has in the past) imposed administrative sanctions and directives to implement remedial action on banks whose AML/CFT frameworks are found to have deficiencies. In this regard, in September 2019, SBSA was furnished with an administrative sanction in the amount of ZAR 30 million (ZAR 7.5 million of which is 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 FICA. This sanction was accompanied with a confirmation that there had been no indication that SBSA has facilitated any transactions involving money laundering or the financing of terrorism. SBSA remediated all inspection findings by the 31 December 2019 deadline.. SBSA received communication from the PA on 22 April 2021, acknowledging that SBSA had completed the remediation of the inspection findings, but reserving the right to test the effectiveness of enhancements as part of the next inspection of the AML/CTF framework. SBSA remains committed to complying with all its regulatory requirements.

SBG and SBSA are committed to and support global efforts to combat money laundering and terrorist financing. Consequently, SBG and SBSA have established and adopted policies and procedures to assist them to comply with money laundering and terrorist financing control requirements in each jurisdiction in which they operate and to ensure the recognition, investigation and reporting of suspicious activity to the relevant authorities. SBG and SBSA also continue to take measures to effect enhancements to their processes in order to address global ML/FT risks.

SARB

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

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

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

The Issuer, as 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:

(a) the Banks Act (effecting changes to the Banks Act requires Parliamentary approval);

(b) the Regulations Relating to Banks (changes to the Regulations Relating to Banks require the approval of the South African Minister of Finance); and

(c) Banks Act circulars, directives and guidance notes.

    (i) Circulars may be issued by the PA to furnish banks with guidelines regarding the application and interpretation of the provisions of the Banks Act;

    (ii) Guidance notes may be issued by the PA in respect of market practices or market and industry developments; and

    (iii) Directives may be issued by the PA, after consultation with the affected parties, to prescribe certain processes or procedures to be followed by banks with regard to certain processes or procedures necessary in the administration of the Banks Act. It is obligatory for banks to comply with its prescriptions.

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

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

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

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

COVID-19 coronavirus pandemic

In response to the Covid-19 pandemic, the South African Government declared a national state of disaster under the Disaster Management Act, 2002 on 15 March 2020. It has implemented a number of measures to contain the spread, and mitigate the impact, of COVID-19 in South Africa. The South African Government has implemented a risk-adjusted phased lockdown approach comprising five alert levels which are determined with reference to the risk and infection rate nationally, and in each province, district and metropolitan area. Each alert level denotes the level of requisite action and restrictions needed to contain the spread of COVID-19. At the date of this Risk Factor & Other Disclosures Schedule, Level 1 (Adjusted) of lockdown is in place which opens up the majority of economic activity under regulated safety protocols. Movement and transport have been opened up, with minor limitations remaining. The Government has taken a risk-based approach and changes the lockdown levels based on infection incidents levels.

The South African Government, as well as business, have called on the banking industry to continue to extend credit to sectors in need, particularly households and small businesses, and to provide relief measures to reduce the strain on these sectors in an effort to sustain the local economy and maintain financial stability in South Africa. The PA has issued a number of directives to provide temporary relief to banks, branches of foreign institutions and controlling companies (hereinafter collectively referred to as "banks") during this time of financial stress, in a manner that ensures South Africa's continued compliance with the relevant internationally agreed capital framework. The measures implemented through these directives are aimed at:

(i) reducing the minimum liquidity cover ratio of banks from 100 per cent. to 80 per cent. with effect from 1 April 2020 to such time as the PA directs in writing when it is of the view that financial markets have normalised and subject to any appropriate phase-in arrangements specified by the PA in writing to restore the minimum liquidity cover ratio to 100 per cent. (*Directive D1/2020 issued in terms of section 6(6) of the Banks Act*);

(ii) reducing the specified minimum requirement of capital and reserve funds (through the temporary removal of Pillar 2A) to be maintained by banks, in order to provide temporary capital relief to enable banks to counter economic risks to the financial system as a whole and to individual banks. The PA announced the re-instatement of Pillar 2A requirements effective from 1 January 2022 in Directive D5/2021 issued in terms of section 6(6) of the Banks Act on 20 May 2021);

(iii) supporting COVID-19 relief initiatives, such as payment holidays offered by banks in order to provide relief to certain borrowers in the retail and corporate sector, by providing temporary relief on the minimum capital requirements for banks relating to credit risk during this stress period. These measures are effected through an amendment to existing Directive 7 of 2015 and are intended to provide relief to banks by enabling banks to continue to extend credit to the real economy without the need for higher capital requirements. It is the PA's intention to reinstate the requirements of Directive 7 of 2015 in full, but subject to any transitional arrangements that may apply, after the impact of COVID-19 has subsided and economic conditions have normalised (*Directive D3/2020 issued in terms of section 6(6) of the Banks Act*).

In April 2020, President Cyril Ramaphosa announced a ZAR 500 billion fiscal support package. The fiscal support package includes a ZAR 200 billion loan guarantee scheme which works on the principle that profits and losses are ultimately shared between the South African Government and participating banks. The scheme will receive all "profits" on the loans - i.e. the difference at which banks lend the money and their funding costs, plus a guarantee fee. These profits will be used to offset any losses that the scheme makes. If the scheme suffers further losses, these will be absorbed by the banks themselves, capped at 6 per cent of the size of the loan. Banks are not, however, obliged to extend COVID-19 loans, and those that do will use their normal risk-evaluation and credit-application processes. The loan guarantee scheme closed on 11 July 2021, with the programme not as effective as envisaged with approximately R18 billion in loans approved.

Current Environment

As at 31 December 2020, there were 19 registered banks, 3 mutual banks, 4 co-operative banks, 13 local branches of foreign banks and 29 representative offices of foreign banks in South Africa (Source: SARB website). In addition, as at December 2020, the South African banking sector had total assets of ZAR6 trillion according to statistics published by the SARB (Source: SARB monthly trends publication, December 2020). The five largest banks by assets (Source: BA900, 31 December 2020) were Absa Bank Limited, FirstRand Bank Limited, Investec Bank Limited, Nedbank Limited and The Standard Bank of South Africa Limited

SOUTH AFRICAN EXCHANGE CONTROL

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

The information below is intended as a general guide to the position under the Exchange Control Regulations 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) does not require the prior approval of the Financial Surveillance Department of the South African Reserve Bank (the "**Exchange Control Authorities**") in terms of the Exchange Control Regulations.

Issue of Notes

The issue of a particular Tranche of Notes may, depending on the type of Notes in that Tranche, require the prior written approval of the Exchange Control Authorities in terms of the Exchange Control Regulations.

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

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

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

Emigrant Blocked Rand

The concept of emigration as recognised by the Exchange Control Authorities now been phased out with effect from 2021-03-01, however, the distinction between South African resident assets and non-resident assets remains extant. Authorised Dealers may now allow the transfer of up to a total amount of R10 million per calendar year per private individual who ceases to be a resident for tax purposes in South Africa and is 18 years and older, provided that the individual is tax compliant and submits the applicable TCS Application for verification.**Emigrants from the Common Monetary Area**

Any Individual Certificates issued to Noteholders who are private individual who ceases to be a resident for tax purposes in South Africa from South Africa and emigrants fromthe Republic of Namibia, the Kingdom of Lesotho and the Kingdom of Swaziland (the "**Common Monetary Area**") will be endorsed "*non-resident*". Such restrictively endorsed Individual Certificates shall be deposited with an authorised foreign exchange dealer controlling such emigrant's blocked assets.

In the event that a Beneficial Interest in Notes is held by an emigrant from the Common Monetary Area through the Central Depository, the securities account maintained for such emigrant by the relevant Participant will be designated as an "*emigrant*" account. All payments in respect of subscriptions for Notes by an emigrant from the Common Monetary Area, using funds externalised offshore in terms of the relevant tax compliance certificate, must be made through the Authorised Dealer in foreign exchange controlling their bank accounts in South Africa.

Any payments of interest and/or principal due to a Noteholder who is an emigrant from the Common Monetary Area will be deposited into such individuals' bank account locally in South Africaas maintained by an authorised foreign exchange dealer. The amounts are not freely transferable from the Common Monetary Area and may only be dealt with in terms of the Exchange Control Regulations.

Non-residents of the Common Monetary Area

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

It will be incumbent on any such non-resident Noteholder to instruct the non-resident's nominated or authorised dealer in foreign exchange as to how any funds due to such non-resident in respect of Notes are to be dealt with. Such funds may, in terms of the Exchange Control Regulations, be remitted abroad only if the relevant Notes are acquired with foreign currency introduced into South Africa 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 cease to be tax residents of South Africa from the Common Monetary Area will be subject to the applicable provisions of the Exchange Control Regulations.

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

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

SOUTH AFRICAN TAXATION

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

The comments below are intended as a general guide to the relevant tax laws of South Africa as at the date of this Risk 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% of the amount of interest in terms of section 50A-50H of the Income Tax Act, 1962 (the "**Income Tax Act**"). The withholding tax could be reduced by the application of relevant double taxation treaties.

The legislation exempts, inter alia, from the withholding tax on interest any amount of interest paid by a bank as defined in the Banks Act, 1990 (the "**Banks Act**")to a foreign person. It is envisaged that this exemption would apply to the interest payments made to foreign Noteholders. The withholding tax legislation also provides an exemption for interest paid to a foreign person in respect of any debt listed on a "*recognised exchange*" as defined in paragraph 1 of the eighth schedule of the Income Tax Act. The JSE Limited (the "**JSE**") would qualify as such an exchange, and therefore, subject to any legislative changes, the interest paid on the Notes listed on the JSE will also be exempt from the withholding tax on interest. A foreign person will also be exempt from the withholding tax on interest if:

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

(b) the debt claim in respect of which that interest is paid is effectively connected with a permanent establishment of that foreign person in South Africa, if that foreign person is registered as a taxpayer in South Africa.

Foreign persons are subject to normal South African income tax on interest sourced in South Africa unless exempted under Section 10(1)(h) of the Income Tax Act (see the section headed "*Income Tax*" below).

Securities Transfer Tax (STT)

No STT is payable on the issue or transfer of Notes (bonds) under the Securities Transfer Tax Act, 2007, because they do not constitute securities (as defined) for the purposes of that Act.

Value-Added Tax (VAT)

No VAT is payable on the issue or transfer of Notes. Notes (bonds) constitute "*debt securities*" as defined in section 2(2)(iii) of the South African Value-Added Tax Act, 1991 (the "**VAT Act**"). The issue, allotment, drawing, acceptance, endorsement or transfer of ownership of a debt security is a financial service, which is exempt from VAT in terms of section 12(a) of the VAT Act.

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

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

Income Tax

Under current taxation law effective in South Africa, a "*resident*" (as defined in section 1 of the Income Tax Act) is subject to income tax on his/her worldwide income. Accordingly, all Noteholders who are "*residents*" of South Africa will generally be liable to pay income tax, subject to available deductions, allowances and exemptions, on any interest earned pursuant to the Notes. Non-residents of South Africa are subject to income tax on all income derived from a source, or deemed to be from a source, within South Africa (subject to domestic exemptions or relief in terms of an applicable double taxation treaty).

Interest income is from a South African source if that amount:

(a) is incurred by a South African tax resident, unless the interest is attributable to a permanent establishment which is situated outside of South Africa; or

(b) is derived from the utilisation or application in South Africa by any person of any funds or credit obtained in terms of any form of "*interest-bearing arrangement*".

The Issuer is a South African tax-resident and the Notes will constitute an "*interest-bearing arrangement*". Accordingly, the interest paid to the Noteholders will be from a South African source and subject to South African income tax unless such interest is exempt from income tax under section 10(1)(h) of the Income Tax Act (see below).

Under section 10(1)(h) of the Income Tax Act, interest received by or accruing to a Noteholder who, or which, is not a resident of South Africa during any year of assessment is exempt from income tax, unless:

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

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

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

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

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

Section 24JB of the Income Tax Act contains specific provisions relating to the fair value taxation of financial instruments for "*covered persons*" (as defined in section 24JB of the Income Tax Act). Noteholders should seek advice as to whether this provision may apply to them.

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

Purchasers of Notes are advised to consult their own professional advisors to ascertain whether the abovementioned provisions may apply to them.

Capital Gains Tax

Capital gains and losses of residents of South Africa on the disposal of Notes are subject to capital gains tax, unless the Notes are purchased for re-sale in the short term as part of a scheme of profit making, in which case any gain or loss would be subject to income tax. Any discount or premium on acquisition which has already been treated as interest for income tax purposes, under section 24J of the Income Tax Act will not be taken into account when determining any capital gain or loss. If the Notes are disposed of or redeemed prior to or on maturity, an "adjusted gain on transfer or redemption of an instrument", or an "adjusted loss on transfer or redemption of an instrument", as contemplated in section 24J of the Act, must be calculated. Any such adjusted gain or adjusted loss is deemed to have been incurred or to have accrued in the year of assessment in which the transfer or redemption occurred. The calculation of the adjusted gain or adjusted loss will take into account, *inter alia*, all interest which has already been deemed to accrue to the Noteholder over the term that the Note has been held by the Noteholder. Under section 24J(4A) of the Income Tax Act, where an adjusted loss on transfer or redemption of an instrument realised by a holder of a Note includes any amount representing interest that has previously been included in the income of the holder, the amount will qualify as a deduction from the income of the holder during the year of assessment in which the transfer or redemption takes place and will not give rise to a capital loss.

Capital gains tax under the Eighth Schedule to the Income Tax Act will not be levied in relation to Notes disposed of by a person who is not a resident of South Africa unless the Notes disposed of are attributable to a permanent establishment of that person in South Africa.

To the extent that a Noteholder constitutes a "*covered person*" (as defined in section 24JB of the Income Tax Act) and section 24JB applies to the Notes, the Noteholder will be taxed in accordance with the provisions of section 24JB of the Act and the capital gains tax provisions would not apply.

Purchasers are advised to consult their own professional advisers as to whether a disposal of Notes will result in capital gains tax consequences.

FATCA

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

Definition of Interest

The references to "*interest*" above mean "*interest*" as understood in South African tax law. The statements above do not take any account of any different definitions of "*interest*" or "*principal*" which may prevail under any other law or which may be created by the relevant Terms and Conditions of the Notes or any related documentation.

SUBSCRIPTION AND SALE

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

Selling restrictions

South Africa

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

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

Offers not deemed to be offers to the public

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

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

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

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

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

United States of America

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

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

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

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

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

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by a prospectus as read together with the relevant Applicable Pricing Supplement in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) *Approved prospectus*: if the relevant Applicable Pricing Supplement in relation to the Notes specifies that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus which has subsequently been completed by the relevant Applicable Pricing Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such Programme Memorandum or relevant Applicable Pricing Supplement, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(b) *Qualified investors*: at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(c) *Fewer than 100 offerees*: at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) *Other exempt offers*: at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "*offer of Notes to the public*" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

United Kingdom

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

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

(i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and

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

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

(B) 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**");

(b) *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

(c) *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.

General

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

(a) it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in each jurisdiction in which it purchases, subscribes or procures the subscription for, offers or sells Notes in that Tranche or has in its possession or distributes the Programme Memorandum (as read together with the Disclosure Schedules) and will obtain any consent, approval or permission required by it for the purchase, subscription, offer or sale by it of any Notes in that Tranche under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, subscription, offers or sales; and

(b) it will comply with such other or additional restrictions as the Issuer and such Dealer agree and as are set out in the relevant Applicable Pricing Supplement relating to the relevant Tranche of Notes.

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

SETTLEMENT, CLEARING AND TRANSFER OF NOTES

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

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

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

Clearing systems

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

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

Participants

The Central Depository maintains central securities accounts only for Participants. As at the date of this Risk Factor and Other Dislosures Schedule, the Participants which are approved by the Central Depository, in terms of the rules of the Central Depository, are Citibank NA, Johannesburg branch, FirstRand Bank Limited (RMB Custody and Trustee Services), Nedbank Limited, The Standard Bank of South Africa Limited, Standard Chartered Bank, Johannesburg branch, Société Générale, Johannesburg branch and the SARB. Euroclear, as operator of the Euroclear System, and Clearstream Banking will settle off-shore transfers in the Notes through their Participants.

Settlement and clearing

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

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

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

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

Transfers and exchanges

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

Beneficial Interests may be exchanged for Notes represented by Individual Certificates in accordance with Condition 13.1.2 (*Transfer of Registered Notes represented by Individual Certificates*) of the Terms and Conditions..

Records of payments, trust and voting

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

JSE Debt Guarantee Fund Trust and/or the JSE Guarantee Fund

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

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

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

ISSUER, ARRANGER, DEALER AND DEBT SPONSOR
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(Registration Number 1962/000738/06)

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