



## INVESTEC LIMITED

*(Incorporated in the Republic of South Africa with limited liability under registration number 1925/002833/06)*

---

**ZAR15,000,000,000**

### **Domestic Medium Term Note and Preference Share Programme**

---

On 4 September 2013, Investec Limited (the "Issuer" or "Investec"), established a ZAR15,000,000,000 Domestic Medium Term Note and Preference Share Programme (the "2013 Programme"), pursuant to a programme memorandum dated 4 September 2013 (the "2013 Programme Memorandum"). This programme memorandum (the "Programme Memorandum") applies to all notes (the "Notes") and preference shares ("Programme Preference Shares", and together with the Notes, "Securities") issued under the Programme on or after 15 November 2017 (the "Programme Date"). Investec may from time to time issue notes ("Notes") or preference shares ("Programme Preference Shares", and together with the Notes, "Securities") denominated in South African Rand or, subject to Applicable Law (as defined herein), such other currency agreed by the Issuer and the relevant Dealer(s) (as defined herein). Any Notes issued under the Programme are issued subject to the provisions described in the section of this Programme Memorandum headed "Note Terms and Conditions" (the "Note Terms and Conditions") and any Programme Preference Shares issued under the Programme are issued subject to the provisions described in the section of this Programme Memorandum headed "Programme Preference Share Terms and Conditions" (the "Preference Share Terms and Conditions"). In addition, any Securities issued are subject to all Applicable Law (as defined herein) and, in the case of Securities listed on the JSE (as defined herein) or such other Financial Exchange(s) (as defined herein) as may be determined by the Issuer, in accordance with the debt listings requirements of the JSE or such other Financial Exchange(s), as the case may be. This Programme Memorandum supersedes and replaces the 2013 Programme Memorandum in its entirety, and Securities issued under the Programme on or after the Programme Date are subject to the provisions described herein. This Programme Memorandum does not affect any Securities issued before the Programme Date and the Previous Programme Memoranda, as applicable, will continue to apply to such Securities, as applicable.

Securities issued under the Programme pursuant to this Programme Memorandum shall be denominated in South African Rand or, subject to Applicable Law (as defined herein), in such other currency agreed by the Issuer and the relevant Dealer(s) (as defined herein). Any Notes issued under the Programme on or after the Programme Date are issued subject to the provisions described in the section of this Programme Memorandum headed "Note Terms and Conditions" (the "Note Terms and Conditions") and any Programme Preference Shares issued under the Programme are issued subject to the provisions described in the section of this Programme Memorandum headed "Programme Preference Share Terms and Conditions" (the "Preference Share Terms and Conditions"). In addition, any Securities issued are subject to all Applicable Law (as defined herein) and, in the case of Securities listed on the JSE (as defined herein) or such other Financial Exchange(s) (as defined herein) as may be determined by the Issuer, in accordance with the debt listings requirements of the JSE or such other Financial Exchange(s), as the case may be.

As at the Programme Date, the Programme Amount (as defined herein) is ZAR15,000,000,000. This Programme Memorandum will apply to Notes issued under the Programme in an aggregate outstanding Nominal Amount (as defined in the Note Terms and Conditions) (including Notes issued under the Programme pursuant to the Previous Programme Memoranda) and Programme Preference Shares issued under the Programme in an aggregate Calculation Amount (as defined in the Programme Preference Share Terms and Conditions) (including Programme Preference Shares issued under the Programme pursuant to the 2013 Programme Memorandum) which do not exceed ZAR15,000,000,000 unless such amount is increased by the Issuer pursuant to the section of this Programme Memorandum headed "General Description of the Programme".

Notes to be issued under the Programme may comprise (i) senior notes (the "Senior Notes"), and/or (ii) Notes which are subordinated to the Senior Notes (the "Subordinated Notes"), and/or (iii) Notes which are subordinated Notes and with terms capable of qualifying the proceeds of such Notes as Regulatory Capital (the "Subordinated Capital Notes") for the benefit of the Issuer. **Where Subordinated Capital Notes are convertible into equity, the necessary shareholder approvals for the issue of such equity will be obtained prior to the issue of such convertible Subordinated**

**Capital Notes.** A Tranche (as defined herein) of Notes may comprise, without limitation, Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes, Indexed Notes, Mixed Rate Notes, Instalment Notes, Partly Paid Notes, Exchangeable Notes and/or such combination of the foregoing Notes and/or such other type of Notes as may be determined by the Issuer and the relevant Dealer(s) and specified in the Applicable Pricing Supplement (Notes). Notes will be issued in individual Tranches which, together with other Tranches, may form a Series of Notes. A Tranche of Notes will be issued on, and subject to, the Note Terms and Conditions, as replaced, amended and/or supplemented by the terms and conditions of that Tranche of Notes set out in the Applicable Pricing Supplement (Notes).

A Tranche of Programme Preference Shares may comprise, without limitation, Fixed Rate Programme Preference Shares, Floating Rate Programme Preference Shares, Indexed Programme Preference Shares, Mixed Rate Programme Preference Shares and/or such other type of Programme Preference Shares as may be determined by the Issuer and the relevant Dealer(s) and specified in the Applicable Pricing Supplement (Preference Shares). Programme Preference Shares will be issued in individual Tranches which, together with other Tranches, may form a Class of Programme Preference Shares. A Tranche of Programme Preference Shares will be issued on, and subject to, the Programme Preference Share Terms and Conditions, as replaced, amended and/or supplemented by the terms and conditions of that Tranche of Programme Preference Shares set out in the Applicable Pricing Supplement (Preference Shares).

Any reference in this Programme Memorandum to “**Applicable Terms and Conditions**” shall be (i) in relation to Notes, the Note Terms and Conditions and (ii) in relation to Programme Preference Shares, the Programme Preference Share Terms and Conditions.

The Programme has been approved by and registered with the JSE. A Tranche of Securities may be listed on the JSE (as defined herein) or on such other or additional Financial Exchange(s) (as defined herein) as may be determined by the Issuer and the relevant Dealer(s) and subject to the Applicable Law. Unlisted Securities may also be issued under this Programme. Unlisted Securities are not regulated by the JSE.

Claims against the BESA Guarantee Fund Trust and/or the JSE Guarantee Fund (each as defined herein) may only be made in respect of the trading of Securities listed on the JSE and can in no way relate to a default by the Issuer of its obligations under the Securities listed on the JSE. Any claims against the BESA Guarantee Fund Trust or the JSE Guarantee Fund, as the case may be, may only be made in accordance with the rules of the BESA Guarantee Fund Trust and/or the JSE Guarantee Fund, as applicable. The holders of Securities that are not listed on the JSE will have no recourse against the JSE, the BESA Guarantee Fund Trust or the JSE Guarantee Fund. Securities which were not originally issued under this Programme may (provided they are amended to be documented in terms of the Programme) be listed under the Programme. Details of the Securities, including the aggregate Nominal Amount of Notes or the aggregate Applicable Redemption Amount of Programme Preference Shares, as the case may be, interest (if any) and/or dividend, as the case may be, payable in respect of the Securities and the issue price of the Securities will be specified in the Applicable Pricing Supplement (Notes) or the Applicable Pricing Supplement (Preference Shares), as applicable. A copy of the Applicable Pricing Supplement (Notes) and/or Applicable Pricing Supplement (Preference Shares), as applicable, relating to a Tranche of the Securities which is to be listed on the JSE will specify the relevant platform or sub-market of the JSE on which such Tranche of Securities is to be listed and be delivered to the JSE and the CSD, before the Issue Date (as defined herein) of such Tranche. Securities in a Tranche of Securities listed on the JSE may be traded by or through members of the JSE from the date specified in the Applicable Pricing Supplement (Notes) and/or the Applicable Pricing Supplement (Preference Shares), as applicable, in accordance with the Applicable Procedures (as defined herein). The settlement of trades on the JSE will take place in accordance with the electronic settlement procedures of the JSE and the CSD. The Issuer may determine that particular Securities will not be listed on the JSE or such other or additional Financial Exchange and in that case, (i) neither an Applicable Pricing Supplement (Notes) nor an Applicable Pricing Supplement (Preference Shares) will be delivered to the JSE or (ii) the Issuer may (in its sole discretion) decide to report trades in such unlisted Securities through the JSE reporting system, in which event the settlement of trades in such Securities will take place in accordance with the electronic settlement procedures of the JSE and the CSD. The settlement and redemption procedures for a Tranche of Securities listed on any Financial Exchange (other than or in addition to the JSE) will be specified in the Applicable Pricing Supplement (Notes) or Applicable Pricing Supplement (Preference Shares), as the case may be.

The Securities may be issued on a continuing basis and be placed by one or more of the Dealers specified in this Programme Memorandum and any additional Dealers appointed under the Programme from time to time by the Issuer, which appointment may be for a specific issue or on an ongoing basis. References in this Programme Memorandum to the “relevant Dealer” shall, in the case of Securities being (or intended to be) placed by more than one Dealer, be to all Dealers agreeing to place such Securities.

**The attention of investors contemplating investing in Securities is drawn to the section headed “Risk Factors” for a discussion of certain factors that should be carefully considered by prospective investors in connection with an investment in Securities.**

As at the Programme Date, the Issuer is rated. A Tranche of Securities may, on or before the Issue Date, be rated by a Rating Agency. Unrated Tranches of Securities may also be issued. The Programme may also be rated by a Rating Agency. The Applicable Pricing Supplement (Notes) and/or the Applicable Pricing Supplement (Preference Shares), as applicable, will reflect the Rating which has been assigned to the Issuer and/or the Programme and/or a Tranche of Securities, as applicable, as well as the Rating Agency(s) which assigned such Rating(s). For so long as any Security remains outstanding and listed on the JSE, any change in any assigned Rating (if applicable) will be published by the Issuer on the Stock Exchange News Service (SENS), or any other similar service, established by the JSE, as soon as possible, but in any event in accordance with the applicable debt listings requirements of the JSE. A Rating is

not a recommendation to subscribe for, buy, sell or hold Securities and may be subject to revision, suspension or withdrawal at any time by the Rating Agency.

The Issuer may determine that Securities may be issued in a form and on terms not contemplated by the Applicable Terms and Conditions, in which case a supplementary programme memorandum, if appropriate, may be prepared and made available which will describe the terms and conditions upon which such Securities will be issued. Alternatively, terms not contemplated by the Applicable Terms and Conditions that are applicable to a particular Tranche of Securities may, if appropriate, be set out in the Applicable Pricing Supplement (Notes) or Applicable Pricing Supplement (Preference Shares) in terms of which such Tranche of Securities is issued.

---

*Issuer:* **INVESTEC LIMITED**

*Arranger, Dealer and Debt Sponsor:* **INVESTEC BANK LIMITED**

---

Programme Memorandum dated 15 November 2017

---

## GENERAL

---

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

The Issuer certifies that to the best of its knowledge and belief there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made as well as that the placing document contains all information required by law and the debt listings requirements. The Issuer shall have regard to the objects of the Financial Markets Act, which includes, but is not limited to ensuring fairness, efficiency and transparency. The Issuer accepts full responsibility for the accuracy of the information contained in this Programme Memorandum, the annual financial statements, the Applicable Pricing Supplements, and/or the annual report and any amendments or supplements to the aforementioned documents, except as otherwise stated therein.

The JSE takes no responsibility for the contents of the Programme Memorandum, the annual financial statements, the Applicable Pricing Supplements and/or the annual report of the Issuer, and any amendments or supplements to the aforementioned documents. The JSE makes no representation as to the accuracy or completeness of the Programme Memorandum, the annual financial statements, the Applicable Pricing Supplements, the annual report of the Issuer and any amendments or supplements to the aforementioned documents, and expressly disclaims any liability for any loss arising from or in reliance upon the whole or any part of the aforementioned documents. The JSE's approval of the registration of the placing document and listing of the Notes is not to be taken in any way as an indication of the merits of the Issuer or of the Notes and that, to the extent permitted by law, the JSE will not be liable for any claim whatsoever.

The Issuer, having made all reasonable enquiries, and having taken all reasonable care, confirms that this Programme Memorandum contains or incorporates all information which is material in the context of the issue and the offering of Securities, that the information contained or incorporated in this Programme Memorandum is true and accurate in all material respects and is not intended to be misleading, that the opinions and the intentions expressed in this Programme Memorandum are honestly held and that there are no other facts, the omission of which would make this Programme Memorandum or any of such information or expression of any such opinions or intentions misleading in any material respect.

This Programme Memorandum is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see the section of this Programme Memorandum headed "*Documents Incorporated by Reference*") and, in relation to any Tranche of Securities, should be read and construed together with the Applicable Pricing Supplement (Notes) and/or the Applicable Pricing Supplement (Preference Shares), as the case may be. This Programme Memorandum shall be read and construed on the basis that such documents are incorporated into and form part of this Programme Memorandum.

The Arranger, the Dealer(s), the Debt Sponsor and/or any of their respective subsidiaries or holding companies or a subsidiary of their holding company (their “**Affiliates**”) and the other professional advisers named herein have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Arranger, the Dealer(s), the Debt Sponsor and/or any of their respective Affiliates and/or the other professional advisers as to the accuracy or completeness of the information contained in this Programme Memorandum or any other information provided by the Issuer. The Arranger, the Dealer(s), the Debt Sponsor and/or their respective Affiliates and the other professional advisers do not accept any liability in relation to the information contained in this Programme Memorandum or any other information provided by the Issuer in connection with the Programme.

No Person has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Programme Memorandum or any other information supplied in connection with the Programme or any other documents which are deemed to be incorporated herein by reference and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Arranger, the Dealer(s), the Debt Sponsor, any of their respective Affiliates, agents or employees or the other professional advisers.

Neither this Programme Memorandum nor any other information supplied in connection with the Programme is intended to provide a basis for any credit or other evaluation, or should be considered as a recommendation by the Issuer, the Arranger, the Dealer(s), the Debt Sponsor and/or any of their respective Affiliates and the other professional advisers that any recipient of this Programme Memorandum, or any other information supplied in connection with the Programme, should subscribe for, or purchase, any Securities.

Each Person contemplating the subscription for, or purchase of, any Securities should make its own independent investigation of the financial Condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and its subscription for, or purchase of, Securities should be based upon any such investigation as it deems necessary. None of the Programme Memorandum, the Applicable Pricing Supplement(s) (Notes), the Applicable Pricing Supplement(s) (Preference Shares) or any other information supplied in connection with the Programme constitutes an offer or invitation by or on behalf of the Issuer, the Arranger, the Dealer(s) or the Debt Sponsor to any Person to subscribe for, or purchase, any Securities.

Neither the delivery of this Programme Memorandum nor any offer, sale or allotment made in connection with the offering of the Securities shall, in any circumstances, create any implication or constitute a representation that there has been no change in the affairs of the Issuer since the Programme Date, or at any time imply that the information contained herein concerning the Issuer is correct at any time subsequent to the Programme Date or that any other financial statements or other information supplied in connection with the Programme is correct as at any time subsequent to the date indicated in the document containing the same. Investors should review, among others, the most recent non-consolidated and/or consolidated financial statements of the Issuer when deciding whether or not to purchase any Securities.

This Programme Memorandum may be distributed electronically. If the document is distributed in this manner, the recipient of this Programme Memorandum is responsible for protecting itself against viruses and other destructive malware. The use of this Programme Memorandum by a recipient is at the recipient's own risk, and it is the recipient's responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature. The Issuer takes no responsibility and expressly disclaims any liability for any loss arising from or in connection with any viruses, destructive items or similar threats.

**None of the Programme Memorandum, the Applicable Pricing Supplement(s) (Notes) or the Applicable Pricing Supplement(s) (Preference Shares) constitutes an offer to sell or the solicitation of an offer to buy or an invitation to subscribe for or purchase of any Securities in any jurisdiction to any Person to whom it is unlawful to make the offer or solicitation in such jurisdiction (see the section of this Programme Memorandum headed "*Subscription and Sale*").**

The distribution of this Programme Memorandum, any Applicable Pricing Supplement (Notes) and/or any Applicable Pricing Supplement (Preference Shares), as the case may be, and the issue, sale or offer of Securities may be restricted by law in certain jurisdictions. Persons into whose possession this Programme Memorandum or any Securities come must inform themselves about, and observe, any such restrictions. In particular, there are restrictions on the distribution of this Programme Memorandum and the offer or sale of Securities in the United States of America, the European Economic Area, the United Kingdom, South Africa and certain other jurisdictions (see the section headed "*Subscription and Sale*"). The Issuer, the Arranger, the Dealer(s), the Debt Sponsor, and of their respective Affiliates and the other professional advisers do not represent that this Programme Memorandum may be lawfully distributed, or that any Securities may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Arranger, the Dealer(s), the Debt Sponsor, any of their respective Affiliates and the other professional advisers which would permit a public offering of any Securities or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Securities may be offered or sold, directly or indirectly, and neither this Programme Memorandum nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with all applicable laws and regulations.

Securities have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "Securities Act") or with any securities regulatory authority of any state or other jurisdiction of the United States of America. Securities may not be offered, sold or delivered within the United States of America or to U.S. Persons except in accordance with Regulation S (as defined in the Securities Act) under the Securities Act.

All references in this document to “**Rand**”, “**ZAR**”, “**South African Rand**”, “**R**” and “**cent**” refer to the currency of South Africa and all references to “**U.S. Dollar**”, “**US\$**” or “**Dollars**” shall be a reference to the currency of the United States of America.

Where any term is defined within the context of any particular clause or section in this Programme Memorandum, the term so defined, unless it is clear from the clause or section in question that the term so defined has limited application to the relevant clause or section, shall bear the meaning ascribed to it for all purposes in this Programme Memorandum, unless qualified by the terms and conditions of any particular Tranche of Securities as set out in the Applicable Pricing Supplement (Notes) and/or the Applicable Pricing Supplement (Preference Shares), as applicable, or unless the context otherwise requires. Expressions defined in this Programme Memorandum shall bear the same meanings in supplements to this Programme Memorandum which do not themselves contain their own definitions.

**In connection with the issue and distribution of any Tranche of Securities under the Programme, the Issuer or any Dealer, if any, that is specified in the Applicable Pricing Supplement (Notes) or the Applicable Pricing Supplement (Preference Shares), as applicable, as the stabilising manager (or any Person acting for the stabilising manager) may, if specified in that Applicable Pricing Supplement (Notes) or Applicable Pricing Supplement (Preference Shares), as applicable, and only if such stabilising is permitted by Applicable Law and the applicable debt listings requirements of the JSE and approved by the JSE, over-allot or effect transactions with a view to supporting the market price of the Securities at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on the stabilising manager (or any agent of the stabilising manager) to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Such stabilising shall be carried out in accordance with all Applicable Law.**



## TABLE OF CONTENTS

Clause number and description	Page
DOCUMENTS INCORPORATED BY REFERENCE .....	11
GENERAL DESCRIPTION OF THE PROGRAMME .....	14
RISK FACTORS .....	16
FORM OF SECURITIES.....	42
NOTE TERMS AND CONDITIONS.....	47
2. INTERPRETATION .....	83
3. ISSUE.....	84
4. FORM .....	85
5. TITLE.....	87
6. STATUS OF NOTES, WRITE OFF AND CONVERSION OF SUBORDINATED CAPITAL NOTES.....	89
7. NEGATIVE PLEDGE.....	109
8. INTEREST PAYMENTS ON ADDITIONAL TIER 1 NOTES.....	111
9. INTEREST.....	113
10. REDEMPTION AND PURCHASE .....	121
11. PAYMENTS .....	132
12. TAXATION.....	137
13. PRESCRIPTION.....	139
14. EVENTS OF DEFAULT .....	139
15. EXCHANGE OF BENEFICIAL INTERESTS AND REPLACEMENT OF INDIVIDUAL CERTIFICATES 145	
16. TRANSFER OF NOTES .....	147
17. REGISTER.....	149
18. ISSUER AGENT .....	150
19. NOTICES .....	150
20. MEETINGS OF NOTEHOLDERS.....	151
21. MODIFICATION.....	158
22. FURTHER ISSUES.....	159
23. GOVERNING LAW .....	159

<i>PRO FORMA</i> APPLICABLE PRICING SUPPLEMENT (NOTES) .....	161
PROGRAMME PREFERENCE SHARE TERMS AND CONDITIONS.....	181
<i>PRO FORMA</i> APPLICABLE PRICING SUPPLEMENT (PREFERENCE SHARES) .....	263
USE OF PROCEEDS .....	275
OVERVIEW OF REGULATORY CAPITAL REQUIREMENTS .....	276
SUBSCRIPTION AND SALE .....	284
SOUTH AFRICAN EXCHANGE CONTROL .....	288
SETTLEMENT, CLEARING AND TRANSFER OF SECURITIES.....	290
GENERAL INFORMATION .....	294
SOUTH AFRICAN TAXATION .....	297
DESCRIPTION OF INVESTEC LIMITED.....	307

---

## DOCUMENTS INCORPORATED BY REFERENCE

---

*Capitalised terms used in this section headed "Documents Incorporated by Reference" shall bear the same meanings as used in the Applicable Terms and Conditions, except to the extent that they are separately defined in this section or it is clearly inappropriate from the context.*

For so long as any Security remains outstanding, the following documents shall be deemed to be incorporated in, and to form part of, this Programme Memorandum:

- (i) all amendments and supplements to the Programme Memorandum prepared by the Issuer from time to time;
- (ii) as at the Programme Date, the published consolidated audited financial statements (incorporating the Issuer's audited annual financial statement, together with the reports and notes thereto) of the Issuer for the financial years ended 31 March 2015, 2016 and 2017 and in respect of any issue of Securities under the Programme, the published audited annual financial statements (incorporating the Issuer's audited annual financial statement, together with the reports and notes thereto) of the Issuer in respect of its three financial years prior to the date of such issue financial years post the date of such issue, as and when such audited financial statements become available;
- (iii) each Applicable Pricing Supplement (Notes) relating to any Tranche of Notes issued under the Programme;
- (iv) each Applicable Pricing Supplement (Preference Shares) relating to any Tranche of Programme Preference Shares issued under the Programme;
- (v) an audit report of the auditor stating that the Issuer has been independently audited by the auditor who has been accredited by the JSE;
- (vi) each Authorising Resolution passed in respect of a Tranche of Programme Preference Shares issued under the Programme;
- (vii) all information pertaining to the Issuer which is relevant to the Programme and/or this Programme Memorandum which is electronically submitted by SENS, to SENS subscribers, if required; and
- (viii) the constitutional documents of the Issuer, as amended from time to time,

save that any statement contained in this Programme Memorandum or in any of the documents incorporated by reference in and forming part of this Programme Memorandum shall be deemed to be modified or superseded for the purpose of this Programme Memorandum to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

The Issuer will for so long as on the Programme Memorandum remains registered with the JSE, provide, free of charge, to any Person, upon request of such Person, a copy of any of the documents which are incorporated herein by reference, unless such documents have been modified or superseded, in which case the modified or superseding documentation will be provided. Requests for such documents should be directed to the Issuer at its registered office as set at the end of this Programme Memorandum.

This Programme Memorandum, any amendments and/or supplements to this Programme Memorandum, all Applicable Pricing Supplements (Notes) relating to Notes in issue under the Programme, all Applicable Pricing Supplements (Preference Shares) relating to Programme Preference Shares in issue under the Programme and the audited annual financial statements of the Issuer are also available for inspection, upon request, (or will be available for inspection, upon request) at the registered office of the Issuer as set out at the end of this Programme Memorandum and on the Issuer's website, [www.investec.co.za](http://www.investec.co.za). In addition, this Programme Memorandum, any amendments and/or supplements to this Programme Memorandum, any Applicable Pricing Supplement (Notes) and/or the Applicable Pricing Supplement (Preference Shares), as applicable, relating to any Tranche of Securities which is to be listed on the JSE will be filed with the JSE which will publish such document on its website at [www.jse.co.za](http://www.jse.co.za). This Programme Memorandum does not constitute an offer or invitation by or on behalf of the Issuer, the Arranger and the Dealer, the Debt Sponsor, any of their respective Affiliates, other professional advisors or the JSE to any Person in any jurisdiction to subscribe for or purchase any Securities.

The Issuer will, for so long as on the Programme Memorandum remains registered with the JSE, publish a new Programme Memorandum or a supplement to the Programme Memorandum, as the case may be, if:

- (a) a change in the Condition (financial or otherwise) of the Issuer has occurred which is material in the context of the Securities and the Issuer's payment obligations thereunder; or
- (b) an event has occurred which affects any matter contained in this Programme Memorandum, the disclosure of which would reasonably be required by holders of Securities and/or potential investors in the Securities; or
- (c) any of the information contained in this Programme Memorandum becomes outdated in a material respect; or
- (d) this Programme Memorandum no longer contains all the material correct information required by the Applicable Procedures,

provided that, in the circumstances set out in paragraphs (a), (c) and (d) above, no new Programme Memorandum or supplement to this Programme Memorandum, as the case may be, is required in respect of the Issuer's audited annual financial statements if such financial statements are incorporated by reference into this Programme Memorandum and such financial statements are published, as required by the Companies Act and the debt listings requirements of the JSE, and submitted to the JSE within the time

period required in terms of the debt listings requirements of the JSE. The Issuer's financial statements may include risk factors which may be updated from time to time.

Any such new Programme Memorandum or Programme Memorandum as supplemented, as the case may be, will be deemed to have substituted the previous Programme Memorandum from the date of issue of the new Programme Memorandum or Programme Memorandum as supplemented, as the case may be.

---

## GENERAL DESCRIPTION OF THE PROGRAMME

---

*Capitalised terms used in this section entitled “General Description of the Programme” shall bear the same meanings as used in the Applicable Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.*

Under the Programme, the Issuer may from time to time issue Securities denominated in the currency specified in the Applicable Pricing Supplement (Notes) and/or the Applicable Pricing Supplement (Preference Shares), as the case may be. The applicable terms of any Securities will be set out in the Applicable Terms and Conditions incorporated by reference into the Securities, as modified and supplemented by the Applicable Pricing Supplement (Notes) relating to any Tranche of Notes issued under the Programme or the Applicable Pricing Supplement (Preference Shares) relating to any Tranche of Programme Preference Shares issued under the Programme and any supplementary Programme Memorandum.

As at the Programme Date, the Programme Amount is ZAR15,000,000,000 (or its equivalent in such other currency or currencies as Securities are issued). This Programme Memorandum will only apply to Notes Outstanding issued under the Programme in an aggregate Nominal Amount (including Notes issued under the Programme pursuant to the Previous Programme Memoranda) and Programme Preference Shares issued under the Programme in an aggregate Calculation Amount (as defined in the Programme Preference Share Terms and Conditions) (including Programme Preference Shares issued under the Programme pursuant to the 2013 Programme Memorandum) which aggregate Nominal Amount and aggregate Calculation Amount together do not exceed the Programme Amount, unless such amount is increased as set out below. For the purpose of calculating the aggregate Nominal Amount of Notes Outstanding and/or the aggregate Calculation Amount (as defined in the Programme Preference Share Terms and Conditions) of Programme Preference Shares, as the case may be, issued under the Programme from time to time:

- (i) the ZAR equivalent of Securities denominated in another currency shall be determined at or about the time at which an agreement is reached for the issue of such Securities as between the Issuer and the relevant Dealer(s) on the basis of the spot rate at such time for the sale of such ZAR amount against the purchase of such currency or unit of account in the Johannesburg inter-bank foreign exchange markets, as quoted by the Issuer or by any leading bank selected by the Issuer, or as otherwise set out in the Applicable Pricing Supplement (Notes) or Applicable Pricing Supplement (Preference Shares), as the case may be;
- (ii) the amount of Indexed Notes and Partly Paid Notes shall be calculated by reference to the original nominal amount of such Notes (and, in the case of Partly Paid Notes, regardless of the subscription price paid);
- (iii) the amount of Indexed Programme Preference Shares shall be calculated in the manner specified in the Applicable Pricing Supplement (Preference Shares); and

- (iv) the amount of Zero Coupon Notes and Other Notes issued at a discount or premium shall be calculated by reference to the Nominal Amount received by the Issuer for the relevant issue.

A Tranche of Securities may be listed on the JSE or on such other or additional Financial Exchange(s) as may be determined by the Issuer and the relevant Dealer(s), subject to Applicable Law. Unlisted Securities may also be issued under the Programme but will not be regulated by the JSE. The Applicable Pricing Supplement (Notes) and/or the Applicable Pricing Supplement (Preference Shares), as the case may be, will specify whether or not a Tranche of Securities will be listed and, if so, on which Financial Exchange.

From time to time, the Issuer may wish to increase the Programme Amount. Subject to the Applicable Procedures, all Applicable Law and the programme agreement (if any) relating to the Programme, the Issuer may, without the consent of Noteholders and/or Programme Preference Shareholders, increase the Programme Amount by delivering notice thereof to (i) the Debt Sponsor, (ii) Noteholders and Programme Preference Shareholders, (iii) the relevant Financial Exchange(s), (iv) the Issuer Agent and (v) the Arranger and (vi) the Dealers in accordance with the Applicable Terms and Conditions and the Applicable Procedures. Upon such notices being given and the conditions set out in the programme agreement (if any) relating to the Programme to the exercise of this right having been met, all references in the Programme Memorandum or any other agreement, deed or document in relation to the Programme, to the Programme Amount, shall be, and shall be deemed to be, references to the increased Programme Amount.

Claims against the BESA Guarantee Fund Trust and/or the JSE Guarantee Fund, as the case may be, may only be made in respect of trading in Securities listed on the JSE and can in no way relate to a default by the Issuer of its obligations under the Securities listed on the JSE. Any claims against the BESA Guarantee Fund Trust or the JSE Guarantee Fund, as the case may be, may only be made in accordance with the rules of the BESA Guarantee Fund Trust and/or the JSE Guarantee Fund, as the case may be.

Investing in the Securities involves certain risks (see the section of this Programme Memorandum headed "*Risk Factors*").

This Programme Memorandum will only apply to Securities issued under the Programme.

---

## RISK FACTORS

---

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under Securities issued under the Programme. Most 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 Securities issued under the Programme are also described below.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in Securities issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Securities 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. Prospective investors should also read the detailed information set out elsewhere in this Programme Memorandum to reach their own views prior to making any investment decision. The information given below is as at the Programme Date.*



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

The Issuer is a bank controlling company (as defined in the Banks Act) and accordingly a substantial portion of the Issuer's income and assets are derived from its Specialist Banking Business (Investec Bank Limited). Therefore, a number of the risks facing the Specialist Banking Business directly affects the Issuer.

The Issuer is a holding company, which means that its right to participate in the assets of any of its subsidiaries upon the liquidation of such subsidiaries may be subject to prior claims of some of such subsidiary's creditors and preference shareholders.

The Issuer is a holding company that currently has no significant assets other than its investment in its principal subsidiaries. As a holder of ordinary shares in such subsidiaries, the Issuer's right to participate in the assets of any of them if such subsidiary is liquidated will be subject to the prior claims of such subsidiary's creditors and preference shareholders (if any), except in the limited circumstance where the Issuer is a creditor with claims that are recognised to be ranked ahead of or *pari passu* with such claims of other of the subsidiary's creditors and/or preference shareholders against such subsidiary. Accordingly, if any of the Issuer's subsidiaries were to be wound up, liquidated or dissolved, (i) the holders of the Securities would have no right to proceed against the assets of such subsidiary, and (ii) the liquidator of such subsidiary would first apply the assets of such subsidiary to settle the claims of its senior and subordinated creditors, including holders (which may include the Issuer) of preference shares and any other Tier 1 capital instruments, before the Issuer, to the extent it is as an ordinary shareholder such subsidiary would be entitled to receive any distributions from such subsidiary.

The Issuer is subject to risks arising from general macro-economic conditions in the countries in which it operates, including in particular Southern Africa, as well as global economic conditions

In recent years, economic conditions in the countries in which the Issuer operates have been negatively impacted by a number of global macroeconomic trends, including ongoing concerns surrounding the significant sovereign debts and fiscal deficits of several countries in Europe, a weakening of the Chinese economy, the potential exit of member states from the European Monetary Union and a decline in global commodity prices such as crude oil. The effects of these events have been felt in the global economy and by financial institutions in particular, and have placed strains on funding markets at times when many financial institutions had material funding needs. Any further adverse developments in the global economy and in particular the South African economy, could have an adverse impact on its business, results of operations, financial condition and prospects.

Revenues from the Specialist Banking business are also sensitive to market volatility. Deterioration in the financial markets and general economic activity has in the past affected, and will continue to affect levels of private client activity. The Issuer's investment banking and corporate banking income is directly related to the number and size of the transactions in which the Issuer participates and general corporate and institutional

activity. Accordingly, any reduction in the number and/or size of such transactions and a slowdown in corporate activity, whether occasioned by market volatility or otherwise, will adversely affect its results of operations. Moreover, some of the Specialist Banking income is derived from direct or principal investments or from the management of private equity portfolios. This income is dependent upon the performance of the underlying investments and the ability to realise value upon exit from the investments and, as such, revenues, returns and profitability may fluctuate, impacting the Issuer's results of operations. As a result of the foregoing factors, market volatility may have a material adverse effect on the Issuer's business, results of operations, financial condition and prospects.

The Issuer also maintains trading and investment positions in various financial and other assets, including equity, fixed income, currency and related derivative instruments and real estate. At any point in time these positions could be either long positions, such that the Issuer will benefit from upward movements in the market prices of these assets, or short positions, such that it will benefit from downward movements in the market prices of these assets. Fluctuations in the value of equities, fixed income, currency and related derivative instruments and real estate, either absolutely or relative to other asset classes, could also adversely affect investor sentiment. These financial markets are sometimes subject to significant stress conditions where steep falls in perceived or actual asset values are accompanied by severe reductions in market liquidity. In dislocated markets, hedging and other risk management strategies may not be as effective as they are in normal market conditions. Market instability of this nature could result in the Issuer incurring losses.

Within the Issuer's Wealth & Investment and Asset Management businesses, adverse market conditions would likely lead to a decline in the volume and value of stockbroking transactions that it executes for its clients and therefore would have a negative impact on its operating income. In addition, because the portfolio management fees that the Issuer charges are in many cases based on the value of those portfolios, adverse market conditions, the market downturn or any other factor, including underperformance against benchmarks and reputational damage, that reduces the value of clients' portfolios or increases the amount of withdrawals would reduce the amount of revenue received from the Issuer's asset and investment management businesses and adversely affect its results of operations.

#### The Issuer faces risks associated with interest rate levels and volatility

Interest rates, which are impacted by factors outside of the Issuer's control, including the fiscal and monetary policies of the South African government and central bank, as well as South African and international political and economic conditions, affect the Issuer's results of operations, profitability and return on capital in three principal areas: margins and income, cost and availability of funding and impairment levels.

Increases in interest rates could also adversely affect the Issuer. In an increasing interest rate environment, the Issuer may be more exposed to re-pricing of its liabilities than competitors with higher levels of term deposits. In the event of sudden large or frequent increases in interest rates, the Issuer also may not be able

to re-price its floating rate assets and liabilities at the same time, giving rise to re-pricing gaps in the short term, which, in turn, could negatively affect its net interest margin and income.

Changes in interest rates could also impact the Issuer's impairment loss levels and customer affordability. A rise in interest rates, without sufficient improvement in customer earnings or employment levels, could, for example, lead to an increase in default rates among customers with variable rate loans who can no longer afford their repayments, in turn leading to increased impairment charges and lower profitability for the Issuer. A high interest rate environment also reduces demand for loan products generally, as individuals are less likely or less able to borrow when interest rates are high. In addition, there is a risk that a sudden rise in interest rates, or an expectation thereof, could encourage significant demand for fixed rate products. High levels of movement between products in a concentrated time period could put considerable strain on the Issuer's business and operational capability, and it may not be willing or able to price its fixed rate products as competitively as others in the market. This could lead to high levels of customer attrition and, consequently, a negative impact on the Issuer's profitability.

If the Issuer is unable to manage its exposure to interest rate volatility, whether through hedging, product pricing or by other means, its business, results of operations, financial condition and prospects could be materially adversely affected.

#### Operational risks may disrupt the Issuer's business or result in regulatory action

Operational losses can result, for example, from fraud, errors by employees, failure to document transactions properly or to obtain proper authorisation, failure to comply with regulatory requirements and conduct of business rules, equipment failures, natural disasters or the failure of systems and controls, including those of the Issuer's suppliers or counterparties. Although the Issuer has implemented risk controls and loss mitigation actions, and substantial resources are devoted to developing efficient procedures, reporting systems and to staff training, it is not possible to be certain that such actions have been or will be effective in controlling each of the operational risks faced by the Issuer. Notwithstanding anything contained in this risk factor, it should not be taken as implying that the Issuer will be unable to comply with its regulatory obligations.

Any operational failure may cause serious reputational or financial harm and could have a material adverse effect on the Issuer's results of operations, reputation and financial condition.

#### The Issuer is subject to risks concerning customer and counterparty credit quality

Credit and counterparty risk is defined as the risk arising from an obligor's (typically a client's or counterparty's) failure to meet the terms of any agreement. Credit and counterparty risk arises when funds are extended, committed, invested, or otherwise exposed through contractual agreements, whether reflected on- or off-balance sheet.

Credit and counterparty risk arises primarily from three types of transactions:

- lending transactions through loans and advances to clients and counterparties creates the risk that an obligor will be unable to unwilling to repay capital and/or interest on loans and advances granted to them. This category includes bank placements, where the Issuer has placed funds with other financial institutions;
- Issuer risk on financial instruments (for example, corporate bonds) where payments due from the issuer of a financial instrument may not be received; and
- trading transactions, giving risk to settlement and replacement risk, which is collectively referred to as counterparty risk. Settlement risk is the risk that the settlement of a transaction does not take place as expected. Replacement risk is the financial cost of having to enter into a replacement contract with an alternative market counterparty following default by the original counterparty.

The Issuer's credit risk arises primarily in relation to its Specialist Banking business, through which it offers products such as private client mortgages and specialised lending to high income professionals and high net worth individuals and a range of lending products to corporate clients, including corporate loans, asset based lending, fund finance, asset finance, acquisition finance, power and infrastructure finance, resource finance and corporate debt securities.

Credit and counterparty risks can be impacted by country risk where cross-border transactions are undertaken. This can include geopolitical risks, transfer and convertibility risks and the impact on the borrower's credit profile due to local and economic political conditions.

In accordance with policies overseen by its Central Credit Management department, the Issuer makes provision for specific impairments and calculates the appropriate level of portfolio impairments in relation to the credit and counterparty risk to which it is subject. This process requires complex judgements, including forecasts of how changing macro-economic conditions might impair the ability of customers to repay their loans. The Issuer may fail to adequately identify the relevant factors or accurately estimate the impact and/or magnitude of identified factors. Further, despite the Issuer having conducted an accurate assessment of customer credit quality, customers may be unable to meet their commitments as they fall due as a result of customer-specific circumstances, macro-economic disruptions or other external factors. The failure of customers to meet their commitments as they fall due may result in higher impairment losses. Increased credit and counterparty risk could have a material adverse impact on the Issuer's business, results of operations, financial condition and prospects.

Concentration of credit risk could increase the Issuer's potential for significant losses

The Issuer is subject to concentration risk, which arises when large exposures exist to a single client or counterparty, group of connected counterparties or to a particular geography, asset class or industry. Concentration risk can also exist where a portfolio of loan maturities is clustered within a single period of time. While the Issuer regularly monitors its loan book to assess potential concentration risk, efforts to divest, diversify or manage its loan book against concentration risks may not be successful and could result in an adverse effect on its business, results of operations, financial condition and prospects.

The Issuer is subject to liquidity risk, which may impair its ability to fund its operations

Liquidity risk is the risk that the Issuer has insufficient capacity to fund increases in its assets, or that it is unable to meet its payment obligations as they fall due, without incurring unacceptable losses. This includes repaying depositors and repayments of wholesale debt. This risk is inherent in all banking operations and can be impacted by a range of institution-specific and market-wide events. Liquidity risk can be further broken down into:

Funding liquidity, which relates to the risk that the Issuer will be unable to meet current and/or future cash flow or collateral requirements in the normal course of its business, without adversely affecting its financial position or reputation; and

Market liquidity, which relates to the risk that the Issuer may be unable to trade in specific markets or that it may only be able to do so with difficulty due to market disruptions or a lack of market liquidity.

Sources of liquidity risk include:

- unforeseen withdrawals of deposits;
- restricted access to new funding with appropriate maturity and interest rate characteristics;
- inability to liquidate a marketable asset in a timely manner with minimal risk of capital loss;
- unpredicted customer non-payment of loan obligations; and
- a sudden increased demand for loans in the absence of corresponding funding inflows of appropriate maturity.

The Issuer utilises deposits from its private client base to provide a stable source of funding. the Issuer's primary source of funding is customer deposits. Growth in the Issuer's lending activities will therefore depend in part on the availability of customer deposit funding on acceptable terms, for which there may be increased competition, which is dependent on a variety of factors outside the Issuer's control. These factors include general macroeconomic conditions and market volatility and confidence of retail depositors in the economy.

Increases in the cost of customer deposit funding will adversely affect the Issuer's net interest margin and a lack of availability of customer deposit funding could have a material adverse effect on the Issuer's growth.

While the Issuer does not currently rely heavily on borrowing from other banks, it may need to access interbank markets where there is a residual funding requirement over and above funds held from customer deposits. If the interbank funding markets were to be fully or partially closed, it is likely that interbank funding would prove more difficult to obtain on commercial terms. Significant curtailments of central bank liquidity to the financial markets in connection with other market stresses might also have a material adverse effect on the Issuer's financial position depending on the Issuer's liquidity position at that time.

The Issuer is exposed to depositor concentration risk

Due to exchange controls in South Africa, individuals and corporates are limited from making deposits outside South Africa. This has led to large deposits in banks in South Africa being made by corporates and in particular by the local South African fund managers. The principal South African fund managers are the largest depositors in the South African banking market, making deposits on behalf of their customers to benefit from high interest rates available to wholesale depositors. The Issuer, in line with other South African banks, obtains a large percentage of its deposits from such fund managers and thus has a high reliance on interbank funding. Legislation in South Africa restricts the exposure that the fund managers can have to an individual bank and the fund managers are required to spread their deposits amongst banks. However, given the impact of exchange controls, Rand liquidity is contained within the Rand system thus significantly reducing the potential liquidity risks in South Africa compared to other more open financial systems. Notwithstanding, the Issuer believes that its level of access to domestic and international inter-bank and capital markets and its liquidity risk management policy allow and will continue to allow the Issuer to meet its short-term and long-term liquidity needs.

Poor investment performance relative to competitors and applicable benchmarks or a deterioration in the Issuer's Wealth & Investment and Asset Management services could lead to a loss of assets under management and a decline in operating profit

The success of relevant investment strategies ("Investment Performance") is an important factor for the maintenance and growth of assets under management across the Issuer's Wealth & Investment and Asset Management businesses. If the Issuer's Wealth & Investment and Asset Management businesses were to experience poor Investment Performance over a prolonged period, affected clients (or clients generally) might decide to reduce their investments or withdraw funds altogether in favour of better performing services or competing investment managers, which would lead to a direct reduction in the level of the Issuer's assets under management and, as a result, lower fee and commission income.

Furthermore, during a period of significant poor Investment Performance, the Issuer's reputation and brand, which have in part been built around its strong Investment Performance, may deteriorate. As a result, its

ability to attract funds from existing and new clients might diminish, particularly given the competitive nature of the wealth and asset management markets.

In addition to Investment Performance, the directors believe that the quality of the services it delivers and the relationships it develops with clients are among the key factors for the maintenance and growth of its assets under management. The Issuer's investment managers are central to its relationships with its clients and play a key role in enabling the Issuer's Wealth & Investment business to earn the long-term trust of its client base. However, client complaints regarding dissatisfaction with the services they receive from their investment managers or the Issuer generally, including in relation to general administration of their investments, could ultimately lead to the withdrawal of client investments and a reduction in the Issuer's assets under management.

The occurrence of any of the foregoing could have a material adverse effect on the Issuer's business, results of operations, financial condition and prospects.

The Issuer's Wealth & Investment and Asset Management businesses may lose clients or may experience withdrawals of assets under management at short or no notice, which would result in the loss of assets under management and lower fee and commission income

The Issuer's arrangements with its Wealth & Investment and Asset Management clients are generally terminable without cause and at any time without notice. Clients may decide to withdraw a portion or all of the assets managed by the Issuer, or transfer their investments to another provider of wealth and asset management services, for various reasons. A reduction in the value of assets under management would lead to an immediate impact on the Issuer's fee and commission income and therefore on operating profit. Significant withdrawals of assets under management or transfers of client assets could have a material adverse effect on the Issuer's business, results of operations, financial condition and prospects.

Changes in distribution trends, in particular in relation to financial advisers, may have a material adverse effect on the Issuer's Wealth & Investment business

Financial intermediaries are one of the distribution channels for the Wealth & Investment business. In particular, it relies on independent financial advisers, who may retain responsibility for specific aspects of the overall service provided to the client, such as the recording of "know your customer" information and the suitability of the investment mandate. Although the Issuer has undertaken various steps to expand and deepen its financial adviser relationships and networks, there can be no assurance that its efforts will be successful. In particular, many of the Issuer's competitors are working to expand and deepen their own financial adviser relationships and networks. As competition expands among wealth management firms for business from financial adviser introductions, the Issuer may be unable to maintain its key financial adviser relationships or grow the amount of new business it generates from financial adviser introductions.

Changes in distribution trends may also lead to the emergence of new competitors. For example, the increasing popularity of internet investing systems and platforms in recent years has led to the growth of

investment managers offering simplified investment management services to the mass affluent investor market, often targeting self-directed investors. In recent years, this trend towards self-directed investments in certain segments of the market has intensified. In many cases, investment managers have focused their services on the development of low-cost, simplified investment models in order to target this segment of the investor market. Although the Issuer is investing in a digital distribution channel, as internet platforms and similar distribution channels become more prevalent, there can be no assurance that its clients will not transfer their investments to these types of investment management firms, or that it will be able to successfully compete with them for new clients.

A loss of the Issuer's relationships with particular intermediaries, or the emergence of competitors through new or developing distribution channels, could result in a reduction its assets under management.

The Issuer's risk management policies and procedures may leave it exposed to risks which have not been identified by such policies or procedures

The Issuer has devoted significant resources to developing its risk management policies and procedures, particularly in connection with credit, market and other banking risks and expects to continue to do so in the future. Nonetheless, its risk management techniques may not be fully effective in mitigating its risk exposure in all market environments or against all types of risk. Some of the Issuer's methods of managing risk are based upon its use of observed historical market behaviour. As a result, these methods may not predict future risk exposures, which could be significantly greater than historical measures indicate. Other risk management methods depend upon evaluation of information regarding the markets in which the Issuer operates, its clients or other matters that are publicly available or otherwise accessible by the Issuer. This information may not be accurate in all cases, complete, up-to-date or properly evaluated. Any failure by the Issuer's risk management techniques may have a material adverse effect on its results of operations and financial condition.

The financial services industry in which the Issuer operates is intensely competitive

The financial services industry in which the Issuer's businesses operate is highly competitive. The Issuer competes on the basis of a number of factors, including customer services and quality, transaction execution, its products and services, innovation, reputation and price. New competitors, including companies other than banks, may disintermediate the market and as a result they may acquire significant market share. Some of the Issuer's competitors also offer a wider range of services and products than the Issuer offers and have greater name recognition, greater financial resources and more extensive customer bases. These competitors may be able to respond more quickly to new or evolving opportunities, technologies and customer requirements than the Issuer and may be able to undertake more extensive promotional activities. If the Issuer is unable to compete successfully, its future revenue and profit growth could be materially adversely affected.



Failing infrastructure systems may negatively impact the economy generally and the business and results of operations of the Issuer

Events such as electricity supply failures, the shut-down of transport systems due to inclement weather (such as snow or extreme heat) or postal, transport or other strikes have a negative impact on the ability of most firms, including the Issuer, to do business. The regular occurrence of such events or timing of the occurrence of such events could have an adverse effect on the Issuer's operations.

The Issuer may be unable to recruit, retain and motivate key personnel

The Issuer's performance is largely dependent on the talents and efforts of key personnel, many of whom have been employed by the Issuer for a substantial period of time and have developed with the business. In addition, while the Issuer is covered by a general director's and officer's insurance policy, it does not maintain any "key man" insurance in respect of any management employees. Competition in the financial services industry for qualified employees is intense. Further, the Issuer's ability to implement its strategy depends on the ability and experience of its senior management and other key employees. The loss of the services of certain key employees, particularly to competitors, could have a negative impact on the Issuer's business. The Issuer's continued ability to compete effectively and further develop its businesses depends on its ability to retain, remunerate and motivate its existing employees and to attract new employees and qualified personnel competitively with its peers. In relation to the development and training of new staff, the Issuer is reliant on the continued development of the educational sector within South Africa, including access to facilities and educational programmes by its future employees. In addition, the South African operations of the Issuer have been and may continue to be affected by the general skill shortages occurring in the labour pool in the industry in which the Issuer operates.

The Issuer may be vulnerable to the failure of its information and operating systems and breaches of its security systems

The Issuer relies on the proper functioning of its information and operating systems which may fail as a result of hardware or software failure or power or telecommunications failure. The occurrence of such a failure may not be adequately covered by its business continuity planning. Any significant degradation, failure or lack of capacity of the Issuer's information systems or any other systems in the trading process could therefore cause it to fail to complete transactions on a timely basis, could have an adverse effect on its business, results of operations and financial condition and prospects or could give rise to adverse regulatory and reputational consequences for the Issuer's business.

The secure transmission of confidential information is a critical element of the Issuer's operations. The Issuer's networks and systems may be vulnerable to unauthorised access and other security problems. In particular, as a financial institution, the Issuer is subject to a heightened risk that it will be the target of criminal activity, including fraud, theft or cybercrime. For example, the Issuer is exposed to potential losses due to breaches of its terms of business by its customers (e.g., through the use of a false identity to open an

account) or by customers engaging in fraudulent activities, including the improper use of legitimate customer accounts. There also can be no assurance that the Issuer's systems will not be subject to attack by cybercriminals, including through denial of service attacks, which could significantly disrupt the Issuer's operations. The Issuer cannot be certain that its existing security measures will prevent security breaches including break-ins, viruses or disruptions. Persons that circumvent the security measures could use the Issuer's or its client's confidential information wrongfully which could expose it to a risk of loss, adverse regulatory consequences or litigation.

The Issuer's future success will depend in part on its ability to respond to changing technologies and demands of the market place. The Issuer's failure to upgrade its information and communications system on a timely or cost-effective basis could damage its relationships with its clients and counterparties and could have a materially adverse effect on its business, results of operations, financial condition and prospects.

The Issuer is subject to conduct risk, including the risk that it treats its customers unfairly and delivers inappropriate outcomes and the risk of conducting itself negatively in the market

The Issuer is exposed to conduct risk, including retail conduct risk and wholesale conduct risk. Retail conduct risk is the risk that the Issuer treats its customers unfairly and delivers inappropriate outcomes. Wholesale conduct risk is the risk of conducting itself negatively in the market. Certain aspects of the Issuer's business may be determined by regulators in various jurisdictions or by courts not to have been conducted in accordance with applicable local or, potentially, overseas laws and regulations, or in a fair and reasonable manner. If the Issuer fails to comply with any relevant laws or regulations, it may suffer reputational damage and may become subject to challenges by customers or competitors, or sanctions, fines or other actions imposed by regulatory authorities. Changes in laws or regulations may also vastly change the requirements applicable to the Issuer in a short period of time and/or without transitional arrangements.

The Issuer may be adversely affected if its reputation is harmed

The Issuer is subject to the risk of loss due to customer or staff misconduct. The Issuer's ability to attract and retain customers and employees and raise appropriate financing or capital may be adversely affected to the extent its reputation is damaged. If it fails to deal with various issues that may give rise to reputational risk, its reputation and in turn its business prospects may be harmed. These issues include, but are not limited to, appropriately dealing with potential conflicts of interest, legal and regulatory requirements, customer management and communication, discrimination issues, money-laundering, privacy, record-keeping, sales and trading practices, and the proper identification of the legal, reputational, credit, liquidity and market risks inherent in its business. Failure to address these issues appropriately could give rise to litigation and regulatory risk to the Issuer.

There have been a number of highly publicised cases involving fraud or other misconduct by employees of financial services firms in recent years. The Issuer's reputation could be damaged by an allegation or finding, even where the associated fine or penalty is not material. Misconduct could include hiding unauthorised

activities from the Issuer, improper or unauthorised activities on behalf of customers, improper use of confidential information or use of improper marketing materials. The Issuer has systems and controls in place to prevent and detect misconduct; however, the risks posed by misconduct may not be entirely eliminated through controls.

Terrorist acts and other acts of war could have a negative impact on the business and results of operations of the Issuer

Terrorist acts, and other acts of war or hostility and responses to those acts, may create economic and political uncertainties, which could have a negative impact on South Africa, and international economic conditions generally and may directly affect the countries in which the Issuer operates, and more specifically on the business and results of operations of the Issuer in ways that cannot be predicted.

The Issuer's business performance could be affected if its capital resources and liquidity are not managed effectively

The Issuer's capital and liquidity is critical to its ability to operate its businesses, to grow organically and to take advantage of strategic opportunities. The Issuer mitigates capital and liquidity risk by careful management of its balance sheet, through, for example, capital and other fund-raising activities, disciplined capital allocation, maintaining surplus liquidity buffers and diversifying its funding sources. The Issuer is required by regulators in the jurisdictions in which it undertakes regulated activities, to maintain adequate capital and liquidity. The maintenance of adequate capital and liquidity is also necessary for the Issuer's financial flexibility in the face of any turbulence and uncertainty in the global economy.

Extreme and unanticipated market circumstances may cause exceptional changes in the Issuer's markets, products and other businesses. Any exceptional changes, including, for example, substantial reductions in profits and retained earnings as a result of write-downs or otherwise, delays in the disposal of certain assets or the ability to access sources of liability, including customer deposits and wholesale funding, as a result of these circumstances, or otherwise, that limit the Issuer's ability effectively to manage its capital resources could have a material adverse impact on the Issuer's profitability and results. If such exceptional changes persist, the Issuer may not have sufficient financing available to it on a timely basis or on terms that are favourable to it to develop or enhance its businesses or services take advantage of business opportunities or respond to competitive pressures.

The Issuer is subject to government regulation in South Africa. Regulatory agencies have broad jurisdiction over many aspects of the Issuer's business, which may range from capital adequacy, funding and liquidity risk management and credit risk management to practices relating to marketing and selling, advertising, licensing agents, policy forms, terms of business and permitted investments.

The Issuer is subject to capital adequacy guidelines adopted by the Financial Surveillance Department of the South African Reserve Bank (the "SARB"), which provide for a minimum target ratio of capital to risk-

adjusted assets. Any failure by the Issuer to maintain its ratios may result in sanctions against the Issuer which may in turn impact on its ability to fulfil its obligations under the Securities.

The Basel III proposals agreed by the Governors and Heads of the Basel committee on Banking Supervision (the “**Basel Committee**”), and endorsed by the G20 leaders at their November 2010 Seoul summit have been adopted in the domestic regulatory framework in 2013 with various phase-ins and transitional arrangements through to 2019. From a capital perspective the most heavily impacted banks are those with relatively large capital market businesses, particularly trading activities, complex securitisations, over-the-counter derivatives (counterparty credit risk) and securities lending. The Issuer has a relatively small capital markets business and therefore the overall impact is manageable. From a liquidity perspective most banks, domestically and abroad, generally fall short of the two new liquidity ratios (the liquidity coverage ratio (“**LCR**”), effective 1 January 2015 and the net stable funding ratio (“**NSFR**”), effective 1 January 2018, with shortfalls in high-quality liquid assets and stable funding presenting significant business model implications. Both ratios will be subject to an initial observation period and banks will have several years before full compliance becomes mandatory. In particular, the NSFR, in its current form, seems likely to significantly curtail longer-term lending. This is contrary to the primary role of banks to act as regulated financial intermediaries to convert short-term deposits into long-term lending, which enables economies to grow. For the Issuer and generally the entire South African banking industry, the impact of these two liquidity ratios would be pervasive if implemented in their current form, particularly the NSFR. The SARB is engaging the banking industry with regards to the national discretion items that are allowed for national regulators to adopt the Basel III framework as appropriate within their respective jurisdictions. The Basel III aligned South African Banking Regulations became effective on 1 January 2013 (the “**Regulations**”). The consultation process will continue for a number of years during the monitoring period, and until implementing regulations are approved, the effect on the Issuer will remain uncertain. The Issuer expects the SARB to take a pragmatic approach to the implementation of the Regulations, but there can be no assurance as to what approach the SARB will ultimately adopt. If the LCR and NSFR are implemented in their current form, this could have a material adverse effect on the Issuer’s revenues and profitability.

#### South African Regulatory developments

Other important regulatory developments in South Africa include the Financial Markets Act and the Protection of Personal Information Bill.

The Financial Markets Act, which was promulgated on 3 June 2013, introduces an enabling framework for the regulation of over-the-counter (“**OTC**”) derivatives trading and gives effect to South Africa’s G20 commitments. A phased approach to OTC derivative regulation will be followed, starting with mandatory reporting of OTC trades to a trade repository. Phase two will include central clearing of standardised OTC products. The Regulations under the Financial Markets Act have yet to be finalised and consequently, the full extent of the impact on the Issuer remains unclear.

The Protection of Personal Information Bill introduces certain minimum conditions such as acquiring customer consent before processing personal information and provides for the establishment of an Information Protection Regulator. The Protection of Personal Information Bill is expected to become law in 2013. This legislation provides for conditions of privacy and protection of personal information. The Protection of Personal Information Bill will affect the Issuer and its operations, particularly in relation to the manner in which it uses, records and transfers information.

In addition, in February 2011, the South African Government published policy proposals in its document "A safer financial sector to serve South Africa better". These significant proposals include the development of a "twin peaks" model of regulation and supervision of banks and other financial service firms, with the SARB being responsible for all prudential supervision and the Financial Services Board ("FSB") being responsible for market conduct regulation. A new market conduct regulator for banks will be established under the ambit of the FSB. In February 2013, the National Treasury published an additional paper on Twin Peaks setting out proposals for how the Twin Peaks model will be implemented in South Africa. On 21 August 2017, the President assented to the Financial Sector Regulation Act 9 of 2017 (the "FSR Act"), however a commencement date has not yet been published in the Government Gazette and as such the FSR Act is not yet in force.

Social, political and economic risk outside of the Issuer's control may adversely affect its business and results of operations

Unfavourable economic, political, military and diplomatic developments producing social instability or legal uncertainty may affect both the performance and demand for the Issuer's products and services. The Issuer's businesses, results of operations and financial condition could be materially adversely affected by changes in government or the economic, regulatory or other policies of the governments of the jurisdictions in which the Issuer operates. Among others, the actions of such governments in relation to employee relations, salaries, the setting of interest rates, or in relation to exerting controls on prices, exchange rates or local and foreign investment, may adversely affect the Issuer's business and results of operations.

The Issuer's operations are concentrated in South Africa and Mauritius, with the majority of its revenues deriving from operations in South Africa. Operations in these markets are subject to various risks which need to be assessed in comparison to jurisdictions elsewhere. These include political, social and economic risks particularly relating to South Africa, such as general economic volatility, recession, inflationary pressure, exchange rate risks, exchange controls, crime and diseases (including e.g. HIV/AIDS), which could affect an investment in the Securities. The existence of such factors may have a negative impact on South African and international economic conditions generally, and more specifically on the business and results of the Issuer in ways that cannot be predicted.

### Regulatory risks

The Issuer is subject to extensive regulation by governmental and other regulatory organisations in the jurisdictions in which it operates, including, in particular, the SARB.

In addition, the Issuer is subject to extensive and increasing legislation, regulation, accounting standards and changing interpretations thereof in the various countries in which it operates. The requirements imposed by the Issuer's regulators, including capital adequacy, are designed to ensure the integrity of financial markets and to protect customers and other third parties who deal with the Issuer.

In addition, new laws are introduced, and existing laws are amended from time to time, including Tax, consumer protection, privacy and other legislation, which affect the environment in which the Issuer operates. Governmental policies and regulatory changes in the other areas which could affect the Issuer, include:

- the monetary, interest rate and other policies of central banks and regulatory authorities;
- general changes in government or regulatory policy or changes in regulatory regimes that may significantly influence investor decisions in particular markets in which the Issuer operates or may increase the costs of doing business in those markets;
- other general changes in the regulatory requirements, such as prudential rules relating to the capital adequacy and liquidity framework;
- changes in competition and pricing environments;
- further developments in the financial reporting environment;
- further developments in the corporate governance, conduct of business and employee compensation environments;
- expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership; and
- other unfavourable political or diplomatic developments or legal uncertainty which, in turn, may affect demand for the Issuer's products and services.

Consequently, changes in these governmental policies and regulation may limit the Issuer's activities, which could have an adverse effect on the Issuer's results.

Future changes in the legal and regulatory environment may mean that the DLC structure will no longer be viable

The Investec Group's DLC structure (as more fully described under "**Description of Issuer**") has been developed on the basis of existing law and policies of regulatory authorities in the UK and South Africa. Changes to the laws or policies (including changes in tax law or policy) related to the DLC structure may result in the DLC structure no longer being viable, which may affect the ability of the Issuer's operations to continue in their current form and may affect the Issuer's results in the future.

The response of governments and regulators to instability in the global financial markets may not be effective

In times of economic instability, governments and regulators are faced with pressure from a variety of sources, including market participants, the media, investor organisations and others, to reform the existing financial and regulatory system. There can be no guarantee that the response of governments and regulators in the jurisdictions in which the Issuer operates, and the reforms proposed thereby, will be effective or that the timing of responses (which might otherwise have been effective) will be appropriate. In addition, any such measures taken may negatively impact the Issuer's business even when they achieve their policy goals.

In the past, governments and regulators in some jurisdictions have responded to pressure of the kind referred to above by greatly increasing regulation. Reforms which increase the compliance and reporting burdens of companies can have unintended effects on the environment within which companies operate. There can be no guarantee that the governments and regulators in the jurisdictions in which the Issuer operates will not make policy decisions to implement reforms which increase the burdens faced by the Issuer in relation to compliance and reporting. This could increase the costs the Issuer has to devote to compliance and reporting and, in turn, could have a negative effect on the Issuer's financial condition and results of operations.

The Issuer's borrowing costs and access to the debt capital markets depend significantly on its credit rating

Rating agencies, which determine the Issuer's own credit ratings and thereby influence the Issuer's cost of funds, take into consideration management effectiveness and the success of the Issuer's risk management processes. Rating agencies have, in the past, altered their ratings of all or a majority of the participants in a given industry as a result of the risks affecting that industry or have altered the credit ratings of the Issuer or instruments issued by the Issuer specifically.

A reduction in the Issuer's long- or short-term credit ratings could increase its borrowing costs, limit its access to the capital markets and trigger additional collateral requirements in derivative contracts and other secured funding arrangements. Any further changes in the credit ratings of the Issuer could negatively impact the volume and pricing of the Issuer's funding, which could in turn have a materially adverse effect on its business, results of operations, financial condition and prospects.

Certain financial instruments are recorded at fair value under relevant accounting rules. To determine fair value, the Issuer uses financial models which require it to make certain assumptions and judgements and estimates which may change over time

Under IFRS, the Issuer is required to carry certain financial instruments on its balance sheet at fair value, including, among others, trading assets (which include certain retained interests in loans that have been securitised), available-for-sale securities and derivatives. Generally, in order to establish the fair value of these instruments, the Issuer relies on quoted market prices or internal valuation models that utilise observable market data. In certain circumstances and over the last year in particular, however, the ability of the Issuer and other financial institutions to establish fair values has been influenced by the lack of readily available observable market prices and data and the fact that the availability or reliability of such information has diminished due to market conditions. Furthermore, in common with other financial institutions, the Issuer's processes and procedures governing internal valuation models are complex, and require the Issuer to make assumptions, judgements and estimates in relation to matters that are inherently uncertain, such as expected cash flows from a particular asset class, the ability of borrowers to service debt, house price appreciation and depreciation, and relative levels of defaults and deficiencies. Such assumptions, judgements and estimates may need to be updated to reflect changing trends in relation to such matters. To the extent the Issuer's assumptions, judgements or estimates change over time in response to market conditions or otherwise, the resulting change in the fair value of the financial instruments reported on the Issuer's balance sheet could have a material adverse effect on the Issuer's earnings.

Financial instruments are valued differently under relevant applicable accounting rules depending upon how they are classified. For example, assets classified as held-to-maturity are carried at cost (less provisions for permanent impairment) while trading assets are carried at fair value. Similar financial instruments can be classified differently by a financial institution depending upon the purpose for which they are held and different financial institutions may classify the same instrument differently. In addition, financial institutions may use different valuation methodologies which may result in different fair values for the same instruments. Accordingly, the Issuer's carrying value for an instrument may be materially different from another financial institution's valuation of that instrument or class of similar instruments.

Furthermore, a fair value determination does not necessarily reflect the value that can be realised for a financial instrument on a given date. As a result, assets and liabilities carried at fair value may not actually be able to be sold or settled for that value. If such assets are ultimately sold or settled for a lower or greater value, the difference would be reflected in a write-down or gain. The difference between the fair value determined at a particular point in time and the ultimate sale or settlement value can be more pronounced in volatile market conditions or during periods when there is only limited trading of a particular asset class from which to establish fair value. This can result in a significant negative impact on the Issuer's financial Condition and results of operations due to an obligation arising to revalue assets at a fair value significantly below the value at which the Issuer believes it could ultimately be realised.



### The Issuer faces significant legal risks

The Issuer faces significant legal risks, and the volume and amount of damages claimed in litigation against financial intermediaries generally is increasing. These risks include potential liability under securities or other laws for materially false or misleading statements made in connection with the sale of securities and other transactions, potential liability for advice the Issuer provides to participants in corporate transactions and disputes over the terms and conditions of complex trading arrangements. The Issuer also faces the possibility that counterparties in complex or risky trading transactions will claim that the Issuer improperly failed to inform them of the risks or that they were not authorised or permitted to enter into these transactions with the Issuer and that their obligations to the Issuer are not enforceable.

The Issuer may also be subject to claims arising from disputes with employees for, among other things, alleged discrimination or harassment. These risks may often be difficult to assess or quantify and their existence and magnitude often remain unknown for substantial periods of time. Liability resulting from any of the foregoing or other claims could have a material adverse effect on the Issuer's results of operations and financial condition.

These issues require the Issuer to deal appropriately with, *inter alia*, potential conflicts of interest; legal and regulatory requirements; ethical issues; anti-money laundering laws or regulations; privacy laws; information security policies; sales and trading practices; and conduct by companies with which it is associated. Failure to address these issues appropriately may give rise to additional legal and compliance risk to the Issuer, with an increase in the number of litigation claims and the amount of damages asserted against the Issuer, or subject the Issuer to regulatory enforcement actions, fines, penalties or reputational damage.

The Issuer is subject to the substance and interpretation of tax laws in all countries in which it operates. A number of double taxation agreements entered into between countries also affect the taxation of the Issuer.

Tax risk is the risk associated with changes in tax law or in the interpretation of tax law. It also includes the risk of changes in tax rates and the risk of consequences arising from failure to comply with procedures required by tax authorities. Failure to manage tax risks could lead to increased tax charges, including financial or operating penalties, for not complying as required with tax laws. Action by governments to increase tax rates or to impose additional taxes would reduce the profitability of the Issuer. Revisions to tax legislation or to its interpretation might also affect the Issuer's results in the future.

**Factors which are material for the purpose of assessing the market risks associated with Securities issued under the Programme**

The Securities may not be a suitable investment for all investors

Each potential investor in the Securities must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Securities it wishes to subscribe for, the merits and risks of investing in such Securities and the information contained or incorporated by reference in this Programme Memorandum and/or any Applicable Pricing Supplement (Notes) and/or Applicable Pricing Supplement (Preference Shares);
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Securities and the impact the Securities in question will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Securities, including Securities with principal or interest or dividends (as applicable) payable in one or more currencies, or where the currency for principal or interest or dividends (as applicable) payments is different from the potential Investor's currency;
- understand thoroughly the terms of the Securities and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Securities 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, 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 Securities will perform under changing conditions, the resulting effects on the value of the Securities and the impact this investment will have on the potential Investor's overall investment portfolio.

## Risks related to the structure of a particular issue of Securities

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

### Securities subject to optional redemption by the Issuer

If specified as applicable in the Applicable Pricing Supplement (Notes) or Applicable Pricing Supplement (Preference Shares), as the case may be, in respect of a Tranche of Securities, the Issuer may, at its option, redeem that Tranche of Securities (in whole or in part) on the Optional Redemption Date as set out in Condition 10.3 (*Early Redemption at the option of the Issuer*) of the Note Terms and Conditions or Condition 10.3 (*Early Redemption at the option of the Issuer*) of the Programme Preference Share Terms and Conditions, as applicable. In addition, the Issuer may, at its option, redeem Tranche(s) of Notes in a Series (in whole but not in part) in the circumstances set out in Condition 10.2 (*Redemption following the occurrence of a Tax Event (Gross Up) or Tax Event (Deductibility) or Change in Law*) of the Note Terms and Conditions and Tranche(s) of Programme Preference Shares in a Class (in whole but not in part) in the circumstances set out in Condition 10.2 (*Early Redemption following a Regulatory Event*), as the case may be.

An optional redemption feature of Securities is likely to limit their market value. During any period when the Issuer may elect to redeem Securities, the market value of those Securities 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 reinvest 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 Securities and Dual Currency Notes

The Issuer may issue Securities with principal or interest or redemption amount or dividend, as the case may 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**").

In addition, the Issuer may issue Notes 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 Securities may be volatile;

- they may receive no interest;
- payment of principal or interest may occur at a different time or in a different currency than expected;
- they may lose all or a substantial portion of their principal;
- 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 Securities 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 or redemption amount or divided, as applicable, 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.

The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any Index Linked Securities. Accordingly, you should consult your own financial and legal advisers about the risk entailed by an investment in any Index Linked Securities and the suitability of such Securities in light of their particular circumstances.

#### Variable rate Securities with a multiplier or other leverage factor

Securities with variable interest rates or dividend rates, as applicable, can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

#### Fixed/Floating Rate Securities

Fixed/Floating Rate Securities may bear interest and/or dividends, as the case may be, at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Securities since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Securities may be less favourable than then prevailing spreads on comparable Floating Rate Securities tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Securities. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Securities.

### Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as JIBAR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

### 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 his investment.

### Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium from their nominal 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.

### The Issuer's obligations under Subordinated Notes are subordinated

The payment obligations of the Issuer under Subordinated Notes will rank behind Senior Notes. Subordinated Notes constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* without any preference among themselves and (save for certain debts accorded preferential rights by law) and at least *pari passu* with all other Subordinated Indebtedness of the Issuer.

See Condition 6.2 (*Status of Subordinated Notes that are not Subordinated Capital Notes*) of the Note Terms and Conditions of the Notes for a full description of subordination and the payment obligations of the Issuer under Subordinated Notes that are not Subordinated Capital Notes.

With regard to any Subordinated Notes, in the event of the dissolution of the Issuer or if the Issuer is placed into liquidation, administration or wound-up, the Issuer will be required to pay or discharge the claims of the holders of Senior Notes and other unsubordinated creditors in full before it can make any payments in respect of such Subordinated Notes. If this occurs, the Issuer may not have enough assets remaining after these payments to pay amounts due under such Subordinated Notes.

### The ranking of the Programme Preference Shares

Each Programme Preference Share will rank as regards to the payment of dividends and a return of capital on the winding-up of the Issuer in accordance with the Issuer's Memorandum of Incorporation.

## Capital Regulations

In order for the proceeds of the issuance of any Class of Programme Preference Shares to qualify as Regulatory Capital, the Class of Programme Preference Shares must comply with the applicable Regulatory Capital Requirements, where “**Regulatory Capital Requirements**” means, at any time, any legislation, regulations, requirements, guidelines and policies relating to capital adequacy then in effect in South Africa in relation to banks registered under the Banks Act and licensed to conduct the business of a bank in South Africa or the controlling companies of such banks.

### Risks related to Securities generally

Set out below is a brief description of certain risks relating to the Securities generally:

*Because the Uncertificated Securities are held by or on behalf of the CSD, investors will have to rely on their procedures for transfers, payments and communications with the Issuer*

Securities issued under the Programme may be issued in uncertificated form and will in such cases be deposited with the CSD. Except in the circumstances described in Condition 15 (*Exchange of Beneficial Interests and Replacement of Individual Certificates*) of the Note Terms and Conditions and Condition 15 (*Exchange of Beneficial Interests and Replacement of Individual Certificates*) of the Programme Preference Share Terms and Conditions, investors will not be entitled to receive Individual Certificates. The CSD will maintain records of the Beneficial Interests in the Uncertificated Notes. Investors will be able to trade their Beneficial Interests in such uncertificated Securities only through CSD.

While any Securities are issued in uncertificated form, the Issuer will discharge its payment obligations under such Securities by making payments to the CSD for distribution to their account holders. A holder of a Beneficial Interest must rely on the procedures of the CSD to receive payments under the relevant Securities. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, Beneficial Interests in the uncertificated Securities.

Holders of Beneficial Interests in uncertificated Securities will not have a direct right to vote in respect of the relevant Securities. Instead, such holders **will** be permitted to act only to the extent that they are enabled by the CSD to appoint appropriate proxies.

### *Compliance with section 46 of the Companies Act*

The payment of any Preference Dividend and/or Applicable Redemption Amount under the Programme Preference Shares is subject to the provisions of section 46 of the Companies Act. Failure by the Issuer to satisfy the requirements of section 46 of the Companies Act at any time when any Preference Dividend and/or Applicable Redemption Amount, as the case may be, is due to be paid under the Preference Share Terms shall not relieve the Issuer of its obligation to pay such Preference Dividend and/or Applicable Redemption Amount, as applicable, at any time when it is lawfully able to do so.

### *Modification and waivers and substitution*

The Applicable Terms and Conditions contain provisions for calling meetings of holders of Securities respectively, to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders or Programme Preference Shareholders, as the case may be, including holders who did not attend and vote at the relevant meeting and holders of Securities who voted in a manner contrary to the majority.

### *Change of law*

This Programme Memorandum, the Securities 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, including but not limited to the Regulations, any circulars, directives and/or guidance notes published by the SARB, and/or any guidelines or policy documents which may from time to time be published by the Basel Committee.

### *Withholding Tax*

Withholding tax on interest was introduced into the Income Tax Act by the Taxation Laws Amendment Act, 2010 with effect from 1 January 2013. This may affect the interest payable on the Notes. A general guide of the relevant South African tax laws as at the Programme Date is set out in that section of this Programme Memorandum headed “*South African Taxation*”.

### **Risks related to the market generally**

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

#### The secondary market generally

Securities may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Securities easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Securities that are especially sensitive to interest or dividend rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Securities generally would have a more limited secondary market and more price volatility than conventional debt or equity securities. Illiquidity may have a severely adverse effect on the market value of Securities. To the extent required by a Financial Exchange and/or the debt listings requirements of such Financial Exchange, as the case may be, on which a Tranche of Securities is listed, the Issuer may procure that a third party provide liquidity by appointing a third party as a market maker. However, to the extent not required by

the Financial Exchange or the debt listings requirements of that Financial Exchange on which the Tranche of Securities is listed, the decision to appoint a market maker is voluntary and there can be no guarantee or assurance that a market maker will be appointed.

#### Exchange rate risks and exchange controls

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

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Dealings in the Securities and the performance by the Issuer of its obligations under any of the Securities may be subject to the Exchange Control Regulations. In particular, no Security may be (i) subscribed for, or purchased, by a Resident (as defined in "*South African Exchange Control Regulations*"); or (ii) sold to a Resident; or (iii) beneficially held, or owned, by a Resident, other than in strict compliance with the Exchange Control Regulations in effect from time to time. A summary of the Exchange Control Regulations is set out in that section of this Programme Memorandum headed "*South African Exchange Control Regulations*".

Since 1995, certain exchange controls in South Africa have been relaxed. The extent to which the South African Government (the "**Government**") may further relax such exchange controls cannot be predicted with certainty, although the Government has committed itself to a gradual approach of relaxation. Further relaxation, or 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 Issuer's business and it could have an adverse effect on the financial Condition of the Issuer as a whole. In the event of the immediate abolition of exchange control there may be a sudden withdrawal of Rand from the South African market by investors. Because South Africa has a fully floating exchange rate and a flexible interest rate policy, this may result in a rapid depreciation of the Rand exchange rate which may serve to stem the flight and may also result in an increase in interest rates due to the depreciation of the Rand.



Interest rate and/or dividend rate risks

Investment in Fixed Rate Notes and/or Fixed Rate Preference Shares, as the case may be, involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes and/or Fixed Rate Preference Shares, as the case may be.

Credit ratings may not reflect all risks

One or more independent credit Rating Agencies may assign credit Ratings to the Securities. The Ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Securities. A credit Rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the Rating Agency at any time.

Legal investment considerations may restrict certain investments

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

---

## FORM OF SECURITIES

---

*Capitalised terms used in this section entitled "Form of Securities" shall bear the same meanings as used in the Applicable Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.*

## FORM OF THE NOTES

Notes are issued in accordance with South African laws and in accordance with the Issuer's constitutional documents.

Notes may be issued in listed or unlisted registered form, as specified in the Applicable Pricing Supplement (Notes). Each Tranche of Notes which is listed on the JSE must be fully paid-up and freely transferable.

### Registered Notes

A Tranche of Registered Notes may be issued in certificated form or uncertificated form as specified in the Applicable Pricing Supplement (Notes).

#### Notes issued in certificated form

All certificated Registered Notes will be represented by a single Individual Certificate in registered form. Notes represented by Individual Certificates will be registered in the Register in the name of the individual Noteholders of such Notes.

Title to Notes represented by Individual Certificates will pass upon registration of transfer in accordance with Condition 16.2 (*Transfer of Registered Notes represented by Individual Certificates*) of the Note Terms and Conditions.

Payments of all amounts due and payable in respect of Notes represented by Individual Certificates will be made in accordance with Condition 11 (*Payments*) of the Note Terms and Conditions to the Person reflected as the registered Noteholder of such Notes in the Register at 17h00 (South African time) on the Last Day to Register, and the Issuer will be discharged by proper payment to or to the order of such registered holder in respect of each amount so paid.

#### Notes issued in uncertificated form

A Tranche of Registered Notes which is listed on the JSE must, subject to Applicable Law and Applicable Procedures, be issued in uncertificated form in terms of section 33 of the Financial Markets Act. Unlisted Notes may also be issued in uncertificated form.

Registered Notes issued in uncertificated form will not be represented by any certificate or written instrument. A Tranche of Registered Notes issued in uncertificated form will be held in its entirety in the CSD, and the Register will initially indicate that the entire Tranche of such Registered Notes is held in uncertificated form in the CSD.

#### Uncertificated Notes held in the CSD

A Tranche of Notes which is listed on the JSE will be issued in uncertificated form and held in the CSD. A Tranche of unlisted, Uncertificated Notes may also be held in the CSD. While a Tranche of Notes is in the CSD, each Person recorded in the Uncertificated Securities Register will be named as the registered Noteholder of the portion of that Tranche of Uncertificated Notes so registered in the Person's name in accordance with the Applicable Procedures

Each Tranche of Notes held in the CSD will be subject to the Financial Markets Act and the Applicable Procedures. All amounts to be paid in respect of Notes held in the CSD will be paid to the CSD and all rights to be exercised in respect of Notes held in the CSD may be exercised only, in each case, in accordance with the Applicable Procedures.

The CSD holds Central Securities Accounts for Participants (which accounts may be in the name of such Participants or such Participants' clients). As at the Programme Date, the Participants include (but are not limited to) Citibank N.A., South Africa branch, FirstRand Bank Limited, Nedbank Limited, Standard Chartered Bank, Johannesburg branch, Société Générale, Johannesburg branch, The Standard Bank of South Africa Limited and the SARB.

Where a Central Securities Account or Securities Account is in the name of a Participant (or its nominee), but is for the benefit of such Participant's clients, such Participant is in turn required to maintain Securities Accounts for their clients. Beneficial Interests which are held by clients of Participants will be held indirectly through such Participants (or their nominees), and such Participants will hold such Beneficial Interests, on behalf of such clients, through the Securities Accounts maintained by such Participants for such clients. The clients of Participants may include the holders of Beneficial Interests in the Notes or their custodians. The clients of Participants, as the holders of Beneficial Interests or as custodians for such holders, may exercise their rights in respect of the Notes held by them in the CSD only through their Participants. Euroclear and Clearstream may hold Notes through their Participant.

In relation to each Person shown in the records of the CSD or the relevant Participant, as the case may be, as the registered Noteholder or holder of a Beneficial Interest in a particular outstanding Nominal Amount of Uncertificated Notes, a certificate, statement or other document issued by the CSD or the relevant Participant, as the case may be, as to the outstanding Nominal Amount of such Notes standing to the account of any Person shall be *prima facie* proof of such Beneficial Interest.

Title to Uncertificated Notes or Beneficial Interests in Uncertificated Notes held by Participants, as the case may be, will pass on transfer thereof by electronic book entry in the Central Securities Accounts and/or

Securities Accounts in accordance with the Financial Markets Act and the Applicable Procedures. Noteholders of Uncertificated Notes and holders of Beneficial Interests in Uncertificated Notes vote in accordance with the Applicable Procedures.

The holder of an Uncertificated Note or Beneficial Interest therein will only be entitled to exchange such holding for Notes represented by an Individual Certificate in accordance with Condition 15 (*Exchange of Beneficial Interests and Replacement of Individual Certificates*) of the Note Terms and Conditions.

### **Endorsements on Individual Certificates representing Subordinated Capital Notes**

If so required by the Regulatory Capital Requirements, each Individual Certificate (if any) representing Subordinated Capital Notes will bear the legend prescribed by the applicable Regulatory Capital Requirements.

### **FORM OF THE PROGRAMME PREFERENCE SHARES**

Programme Preference Shares are issued in accordance with South African laws and in accordance with the Issuer's constitutional documents.

Each Tranche of Programme Preference Shares shall be issued in listed or unlisted registered form, as specified in the Applicable Pricing Supplement (Preference Shares).

### **Registered Programme Preference Shares**

#### Programme Preference Shares issued in uncertificated form

Each Tranche of Programme Preference Shares which is listed on the JSE must, subject to Applicable Law and Applicable Procedures, be issued in uncertificated form in terms of section 33 of the Financial Markets Act. Unlisted Programme Preference Shares may also be issued in uncertificated form.

Programme Preference Shares issued in uncertificated form will not be represented by any certificate or written instrument. A Tranche Programme Preference Shares issued in uncertificated form will be held in its entirety in the CSD, and the Register will initially indicate that the entire Tranche of such Programme Preference Shares is held in uncertificated form in the CSD.

#### Programme Preference Shares held in the CSD

A Tranche of Programme Preference Shares which is listed on the JSE will be issued in uncertificated form and held in the CSD. A Tranche of unlisted, uncertificated Programme Preference Shares may also be held in the CSD. While a Tranche of Programme Preference Shares is in the CSD, each Person recorded in the Uncertificated Securities Register will be named as the registered Programme Preference Shareholder of the portion of that Tranche of uncertificated Programme Preference Shares so registered in the Person's name in accordance with the Applicable Procedures.

Each Tranche of Programme Preference Shares held in the CSD will be subject to the Financial Markets Act and the Applicable Procedures. All amounts to be paid in respect of Programme Preference Shares held in the CSD will be paid to the CSD and all rights to be exercised in respect of Programme Preference Shares held in the CSD may be exercised only, in each case, in accordance with the Applicable Procedures.

The CSD holds Central Securities Accounts for Participants (which accounts may be in the name of such Participants or such Participants' clients). As at the Programme Date, the Participants include (but are not limited to) Citibank N.A., South Africa branch, FirstRand Bank Limited, Nedbank Limited, Standard Chartered Bank, Johannesburg branch, Société Générale, Johannesburg branch, The Standard Bank of South Africa Limited and the SARB.

Where a Central Securities Account or Securities Account is in the name of a Participant (or its nominee), but is for the benefit of such Participant's clients, such Participant is in turn required to maintain Securities Accounts for their clients. Beneficial Interests which are held by clients of Participants will be held indirectly through such Participants (or their nominees), and such Participants will hold such Beneficial Interests, on behalf of such clients, through the Securities Accounts maintained by such Participants for such clients. The clients of Participants may include the holders of Beneficial Interests in the Programme Preference Shares or their custodians. The clients of Participants, as the holders of Beneficial Interests or as custodians for such holders, may exercise their rights in respect of the Programme Preference Shares held by them in the CSD only through their Participants. Euroclear and Clearstream may hold Programme Preference Shares through their Participant.

In relation to each person shown in the records of the CSD or the relevant Participant, as the case may be, as the registered Programme Preference Shareholder or holder of a Beneficial Interest in Programme Preference Shares, a certificate, statement or other document issued by the CSD or the relevant Participant, as the case may be, as to the aggregate Calculation Amount of such Programme Preference Shares standing to the account of any Person shall be *prima facie* proof of such Beneficial Interest.

Title to uncertificated Programme Preference Shares or Beneficial Interests in uncertificated Programme Preference Shares held by Participants, as the case may be, will pass on transfer thereof by electronic book entry in the Central Securities Accounts and/or Securities Accounts in accordance with the Financial Markets Act and the Applicable Procedures. Programme Preference Shareholders of uncertificated Programme Preference Shares and holders of Beneficial Interests in uncertificated Programme Preference Shares vote in accordance with the Applicable Procedures.

The holder of an uncertificated Programme Preference Share or a Beneficial Interest therein shall only be entitled to exchange such holding for Programme Preference Shares represented by an Individual Certificate in accordance with Condition 15 (*Exchange of Beneficial Interests and Replacement of Individual Certificates*) of the Programme Preference Share Terms and Conditions.

Programme Preference Shares represented by Individual Certificates

Title to Programme Preference Shares represented by Individual Certificates will pass upon registration of transfer in accordance with Condition 16.2 (*Transfer of Programme Preference Shares represented by Individual Certificates*) of the Programme Preference Share Terms and Conditions.

Payments of all amounts due and payable in respect of Programme Preference Shares represented by Individual Certificates will be made in accordance with Condition 12 (*Payments*) of the Programme Preference Share Terms and Conditions to the Person reflected as the registered Programme Preference Shareholder of such Programme Preference Shares in the Register at 17h00 (South African time) on the Last Day to Register, and the Issuer will be discharged by proper payment to or to the order of such registered holder in respect of each amount so paid.