

**LOMBARD INSURANCE COMPANY LIMITED**  
*(Incorporated in the Republic of South Africa with limited liability  
under Registration Number 1990/001253/06)*

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**ZAR1 000 000 000 Unsecured Subordinated Note Programme**

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Under this unsecured subordinated note programme (the "**Programme**"), Lombard Insurance Company Limited (the "**Issuer**") may from time to time issue unsecured subordinated notes (the "**Notes**") denominated in South African Rand subject to the Terms and Conditions described in this Programme Memorandum, all relevant laws and the debt listing requirements of the JSE Limited. Any other terms and conditions not contained in the Terms and Conditions which are applicable to any Notes will be set forth in a pricing supplement (the "**Applicable Pricing Supplement**") issued in relation to such Notes. Details of Notes to be issued, including the aggregate nominal amount of such Notes, interest (if any) payable in respect of such Notes and the issue price of such Notes will also be set forth in the Applicable Pricing Supplement.

Save as set out herein, the Notes will not be subject to any minimum or maximum maturity and the maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed ZAR1 000 000 000 or such other limit as may apply to the Programme from time to time and notified to the JSE (as defined below).

The Programme has been approved by the JSE Limited, a licensed financial exchange in terms of the Financial Markets Act (the "**JSE**"). Notes may be listed on the Interest Rate Market of the JSE, or any successor exchange or on such other or further exchange(s) as may be determined by the Issuer and subject to any Applicable Law. Unlisted Notes may also be issued under this Programme. With respect to Notes to be listed on the Interest Rate Market of the JSE, the Applicable Pricing Supplement will be delivered to the JSE and the Central Securities Depository (as defined in the section entitled "*Terms and Conditions of the Notes*") before the date of issue of such Notes and the Notes may be traded by or through members of the JSE from the date specified in the Applicable Pricing Supplement.

The Issuer may determine that a particular tranche of Notes will not be listed on the Interest Rate Market of the JSE or any other exchange. With respect to the Notes that are not listed on the Interest Rate Market of the JSE, the placement of such unlisted Notes may be reported through the JSE's reporting system in order for the settlement of trades to take place in accordance with the electronic settlement procedures of the Interest Rate Market of the JSE and the Central Securities Depository. In such event, the Applicable Pricing Supplement will be delivered to the Interest Rate Market of the JSE and the Central Securities Depository. With respect to Notes that are not listed on the Interest Rate Market of the JSE and not to be settled through the electronic settlement procedures of the Interest Rate Market of the JSE and the Central Securities Depository, no Applicable Pricing Supplement will be delivered to the Interest Rate Market of the JSE.

The Notes may be issued on a continuing basis and be placed by one or more of the dealers specified under the section entitled "*Summary of the Programme*" and any additional dealer appointed under the Programme from time to time, which appointment may be for a specific issue or on an on-going basis (each a "**Dealer**" and together the "**Dealers**").

The Applicable Pricing Supplement will reflect the rating, if any, which has been assigned to the Issuer, the Programme and/or a Tranche of Notes, as the case may be, as well as the Rating Agency which assigned such rating.

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions, in which case the Applicable Pricing Supplement issued in relation to such Notes will describe the form of such Notes.

The holders of Notes that are listed on the Interest Rate Market of the JSE may claim against the BESA Guarantee Fund Trust (in accordance with the rules of the BESA Guarantee Fund Trust) only if such Notes are traded by or through members of the JSE in accordance with the rules and operating procedures for the time being of the JSE and the Central Securities Depository. The holders of Notes that are not listed on the Interest Rate Market of the JSE will have no recourse against the JSE or BESA Guarantee Fund Trust even if such Notes are settled through the electronic settlement procedures of the JSE and the Central Securities Depository. Claims against the BESA Guarantee Fund Trust may only be made in respect of the trading of Notes listed on the Interest Rate Market of the JSE and in accordance with the rules of the BESA Guarantee Fund Trust. Unlisted Notes are not regulated by the JSE.

The Issuer will obtain the prior approval of the Registrar of Short-Term Insurance in terms of section 23(1)(a) of, and paragraph 7(2) of Schedule 2 to, the Short-Term Insurance Act, 1998, prior to the issuance of any Notes.

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*Co-Arranger, Dealer and  
Debt Sponsor*

*Absa Corporate and  
Investment Bank, a division  
of Absa Bank Limited*

*Co-Arranger*

*Novitas Capital Advisors  
Proprietary Limited*

*Legal Advisors to the Arrangers,  
Dealers and Debtor Sponsor*

*Edward Nathan Sonnenbergs Inc*



To the best of the knowledge and belief of the Issuer (who has taken all reasonable care to ensure that such is the case) the information contained in this Programme Memorandum is true and accurate in all material respects, does not contain any untrue statement of material fact, is not misleading in any material respect and does not omit to state any material fact necessary to make the statements, opinions and intentions expressed in this Programme Memorandum, in the context in which they are made, not misleading in any material respect. The Issuer accepts full responsibility for the accuracy of the information contained in this Programme Memorandum, each Applicable Pricing Supplement and their annual financial statements incorporated herein by reference any amendments to such annual financial statements or any supplements thereto from time to time, except as otherwise stated herein.

This document is to be read and construed with any amendment or supplement thereto (this document, as amended or supplemented, the "**Programme Memorandum**") and in conjunction with any other documents which are deemed to be incorporated herein by reference (see the section entitled "Documents Incorporated by Reference") and, in relation to any Tranche (as defined herein) of Notes, should be read and construed together with the Applicable Pricing Supplement. This Programme Memorandum is to be read and construed on the basis that such documents are incorporated into and form part of this Programme Memorandum.

**The Arrangers, the Dealers and any of their respective affiliates and 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 Arrangers, Dealers and any of their affiliates and other professional advisers named herein as to the accuracy or completeness of the information contained in this Programme Memorandum or any Applicable Pricing Supplement or the annual financial statements, incorporated into this Programme Memorandum (as amended or restated from time to time) or any other information provided by the Issuer. The Arrangers, the Dealers and any of their respective affiliates and other professional advisers named herein do not accept any liability for any loss arising from or in reliance upon the whole or any part of in relation to the information contained in this Programme Memorandum or any Applicable Pricing Supplement or the annual financial statements incorporated into this Programme Memorandum or any other information provided by the Issuer in connection with the Notes and the Programme.**

The JSE assumes no responsibility or liability of whatsoever nature for the correctness of any of the statements made or opinions expressed or information contained in or incorporated by reference into this Programme Memorandum and any Applicable Pricing Supplement. The admission of any Tranche of Notes to the list of debt securities maintained by the JSE and the listing of such Notes on the Interest Rate Market of the JSE is not to be taken as an indication of the merits of the Issuer or the Notes. The JSE assumes no responsibility or liability of whatsoever nature for the contents of this Programme Memorandum and any Applicable Pricing Supplement or the annual financial statements of the Issuer or any other information incorporated by reference into this Programme Memorandum and any Applicable Pricing Supplement and the JSE makes no representation as to the accuracy or completeness of this Programme Memorandum and any Applicable Pricing Supplement, the annual financial statements of the Issuer or any other information incorporated by reference into this Programme Memorandum and any Applicable Pricing Supplement. The JSE expressly disclaims any liability for any loss arising from or in reliance upon the whole or any part of this Programme Memorandum and any Applicable Pricing Supplement or the annual financial statements of the Issuer or any other information incorporated by reference into this Programme Memorandum and any Applicable Pricing Supplement.

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 document entered into in relation to the Programme or any other information supplied by the Issuer in connection with the issue and sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Arrangers, the Dealers or other professional advisers named herein.

*Neither this Programme Memorandum nor any other information supplied in connection with the Notes or 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 Arrangers or the Dealers that any recipient of this Programme Memorandum or any other information supplied in connection with the Notes should subscribe for or purchase any Notes.*

*Each person contemplating the subscription for or purchase of any Notes should determine for itself the relevance of the information contained in this Programme Memorandum and 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 Notes should be based upon any such investigation as it deems necessary. Neither this Programme Memorandum nor any Applicable Pricing Supplement nor any other information supplied in connection with the Notes constitutes an offer or invitation by or on behalf of the Issuer or any of the Dealers to any person to subscribe for or to purchase any Notes.*

*Neither the delivery of this Programme Memorandum nor any Applicable Pricing Supplement nor the offering, sale or delivery of any Note shall at any time imply that the information contained herein is correct at any time subsequent to the date hereof or that any other financial statements or other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Arrangers and the Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme. Potential investors should review, inter alia, the most recent financial statements of the Issuer when deciding whether or not to subscribe for or purchase any Notes.*

*Neither this Programme Memorandum nor any Applicable Pricing Supplement constitutes an offer to sell or the solicitation of an offer to buy or an invitation to subscribe for or purchase of any the Notes. The distribution of this Programme Memorandum and any Applicable Pricing Supplement and the issue, sale or offer of the Notes may be restricted by law in certain jurisdictions. Persons into whose possession this Programme Memorandum or any Applicable Pricing Supplement or any Notes come are required by the Issuer, the Arrangers and the Dealers to inform themselves about, and observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of the Notes and on the distribution of this Programme Memorandum and any Applicable Pricing Supplement and other offering material relating to the Notes, see the section of this Programme Memorandum entitled "Subscription and Sale". No one of the Issuer, the Arrangers, the Dealers and other professional advisers named herein nor the JSE represents that this Programme Memorandum may be lawfully distributed, or that any Notes 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 assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Arrangers, the Dealers, the JSE, the Issuer or other professional advisers which would permit a public offering of any Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Notes 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 any Applicable Laws and regulations and the Dealers have represented that all offers and sales by it will be made on the same terms.*

***The Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "Securities Act"). Notes may not be offered, sold or delivered within the United States or to U.S. persons except in accordance with Regulation S under the Securities Act.***

*The price/yield and amount of the Notes to be issued under this Programme will be determined by the Issuer, the Arrangers and Dealers at the time of issue in accordance with the prevailing market conditions.*

*All references in this document to "Rand", "ZAR", "South African Rand", "R" and "cent" refer to the currency of the Republic of South Africa; to "U.S.\$" to the currency of the United States of America and to*

*"Euro" or "€" to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the treaty establishing the European Community, as amended.*

*In connection with the issue and distribution of any Tranche of Notes, the Dealers disclosed as the approved stabilisation manager, if any, (the "**Stabilisation Manager**") in the Applicable Pricing Supplement may, to the extent permitted by Applicable Laws and regulations, over-allot or effect transactions with a view to supporting the market price of the Notes of which such Tranche forms a part at a level higher than that which might otherwise prevail for a limited period after the Issue Date. However, there may be no obligation on the Stabilisation 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. Stabilisation is only permissible if it is conducted in accordance with the listing requirements of the Interest Rate Market of the JSE and is subject to the approval of the JSE.*

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## DOCUMENTS INCORPORATED BY REFERENCE

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*Words used in this section entitled "Documents Incorporated by Reference" shall bear the same meanings as defined in the section entitled "Terms and Conditions of the Notes", except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.*

The following documents shall be deemed to be incorporated in, and to form part of, this Programme Memorandum -

- (a) any supplements and/or amendments to this Programme Memorandum prepared by the Issuer from time to time in accordance with the Programme Agreement;
- (b) the audited annual financial statements, and the notes thereto, of the Issuer for the three financial years ended 30 June 2012, 30 June 2013 and 30 June 2014 as well as the published audited annual financial statements, and notes thereto of the Issuer in respect of further financial years, as and when such become available;
- (c) all information pertaining to the Issuer which is relevant to the Programme, and/or this Programme Memorandum which is electronically submitted by the Stock Exchange News Service ("**SENS**") established by the JSE, to SENS subscribers, if required; and
- (d) each Applicable Pricing Supplement relating to any Tranche of Notes issued under the Programme,

save that any statement contained herein or in a document which is incorporated by reference herein 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, in connection with the listing of Notes on the Interest Rate Market of the JSE, or on such other exchange or further exchange(s) as may be selected by the Issuer, and for so long as any Note remains Outstanding and listed on such exchange, publish a new Programme Memorandum or a further supplement to the Programme Memorandum on the occasion of any subsequent issue of Notes where there has been -

- (a) a material change in the condition (financial or otherwise) of the Issuer which is not then reflected in the Programme Memorandum or any supplement to the Programme Memorandum; or
- (b) any modification of the terms of the Programme which would then make the Programme Memorandum materially inaccurate or misleading.

Any such new Programme Memorandum or Programme Memorandum as supplemented and/or modified shall be deemed to have been substituted for the previous Programme Memorandum or to have modified the previous Programme Memorandum from the date of its issue.

The Issuer will provide, at its registered office as set out at the end of this Programme Memorandum, without charge, to the general public upon request, a copy of this Programme Memorandum and any or all of the documents which are incorporated herein by reference, unless such documents have been modified or superseded.

This Programme Memorandum together with the documents deemed to be incorporated herein by reference are available for inspection at the offices of the Issuer during office hours. The Issuer shall further place an electronic copy of this Programme Memorandum, any Applicable Pricing Supplements issued pursuant to this Programme Memorandum, together with any supplements and/or amendments thereto, as well as its audited annual financial statements, and the notes thereto on its website, [www.lombardins.com](http://www.lombardins.com). An electronic copy of the Programme Memorandum, together with any supplements and/or amendments thereto and any Applicable Pricing Supplements will also be available on the JSE's website, which is [www.jse.co.za](http://www.jse.co.za).

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## GENERAL DESCRIPTION OF THE PROGRAMME

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*Words used in this section headed "General Description of the Programme" shall bear the same meanings as defined in the section entitled "Terms and Conditions of the Notes", 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 Notes denominated in South African Rand. The applicable terms of any Notes will be set out in the Terms and Conditions incorporated by reference into the Notes, as modified and/or supplemented by the Applicable Pricing Supplement relating to the Notes and/or any supplementary Programme Memorandum. A summary of the Programme and the Terms and Conditions appears below.

This Programme Memorandum and any supplement will only apply to Notes issued under the Programme in an aggregate Principal Amount which, when added to the aggregate Principal Amount then outstanding of all Notes previously or simultaneously issued under the Programme, does not exceed ZAR1 000 000 000 unless such amount is increased as set out below and in the Programme Agreement. For purposes of calculating the aggregate Principal Amount of Notes Outstanding under the Programme from time to time -

- (a) the amount of Indexed Notes shall be calculated by reference to the original Principal Amount of such Notes; and
- (b) the amount of Zero Coupon Notes and other Notes issued at a discount or premium shall be calculated by reference to the net subscription proceeds received by the Issuer for the relevant issue.

In the event that the Issuer issues unlisted Notes, or Notes listed on any other financial exchange(s) on which the Notes may be listed, the Issuer shall, no later than the last day of the month of such issue, inform the JSE in writing of the Principal Amount and Redemption Date in respect of such Notes.

From time to time the Issuer may wish to increase the maximum aggregate Principal Amount of the Notes that may be Outstanding under the Programme. Subject to the requirements of the Programme Agreement, the JSE Debt Listings Requirements and/or any other financial exchange(s) on which the Notes may be listed or in terms of any law, the Issuer may, without the consent of Noteholders, increase the maximum aggregate Principal Amount of the Notes that may be Outstanding under the Programme by delivering a notice thereof to the Arrangers, the Dealers, the Debt Sponsor, the Transfer Agent, the Calculation Agent and the relevant financial exchange in accordance with Condition 17 of the Terms and Conditions. Upon such notice being given, all references in the Programme Memorandum or any other agreement, deed or document in relation to the Programme, to the maximum aggregate Principal Amount of the Notes, shall be and shall be deemed to be references to the increased maximum aggregate Principal Amount as set out in such notice.

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## SUMMARY OF THE PROGRAMME

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*The following summary does not purport to be complete and is taken from, and is qualified by, the remainder of this Programme Memorandum and, in relation to the Terms and Conditions of any particular Tranche of Notes, the Applicable Pricing Supplement issued in relation to such Notes. Capitalised terms not separately defined herein shall bear the meaning given to them in the section entitled "Terms and Conditions of the Notes".*

<b>Issuer</b>	Lombard Insurance Company Limited (Registration Number 1990/001253/06).
<b>Description of the Programme</b>	ZAR1 000 000 000 Unsecured Subordinated Note Programme.
<b>Size of Programme</b>	Notes with an aggregate Principal Amount of up to ZAR1 000 000 000 may be Outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the Programme Agreement.
<b>Arrangers</b>	Absa Corporate and Investment Bank, a division of Absa Bank Limited (Registration Number 1986/004794/06) (" <b>Absa</b> ") and Novitas Capital Advisors Proprietary Limited (Registration Number 2011/136067/07) (" <b>Novitas</b> ").
<b>Dealers</b>	Absa and any other Dealer appointed under the Programme from time to time, which appointment may be for a specific issue or on an on-going basis, subject to the Issuer's right to terminate the appointment of any Dealer.
<b>Calculation Agent</b>	Absa, unless the Issuer elects to appoint, in relation to a particular Tranche or Series of Notes, another entity as Calculation Agent, in which event that other entity, shall act in such capacity in respect of that Tranche or Series of Notes.
<b>Paying Agent</b>	Absa, unless the Issuer elects to appoint, in relation to a particular Tranche or Series of Notes, another entity as Paying Agent, in which event that other entity, shall act in such capacity in respect of that Tranche or Series of Notes.
<b>Transfer Agent</b>	in relation to a particular Series of Notes, the entity appointed as Transfer Agent by the Issuer as specified in the Applicable Pricing Supplement.
<b>Rating</b>	The Applicable Pricing Supplement will reflect the rating, if any, which has been assigned to the Issuer, the Programme and/or a Tranche of Notes, as the case may be, as well as the Rating Agency which assigned such rating. Unrated Tranches of Notes may also be issued.
<b>Listing and approval</b>	Application will be made to the Registrar, in terms of section 23(1)(a) of, and paragraph 7(2) of Schedule 2 to, the Short-Term Insurance Act, for the Notes to be issued under the Programme. The Programme has been approved by the JSE. Notes issued under the Programme may be listed on the Interest Rate Market of the JSE (or on a successor exchange to the JSE or such other or further exchange(s) as may be selected by the Issuer in relation to an issue). Unlisted Notes may also be issued under the Programme. The Applicable Pricing Supplement in respect of a Tranche will specify whether or not such Notes will be listed and, if so, on which exchange. The JSE does

	not regulate Unlisted Notes.
<b>Currency</b>	South African Rand.
<b>Denomination of Notes</b>	Notes will be issued with a minimum denomination of ZAR1 000 000 each.
<b>Form of Notes</b>	Notes may be issued in the form of Certificated Notes or Uncertificated Notes as described in the section entitled " <i>Form of the Notes</i> " below.
<b>Interest Period(s) or Interest Payment Date(s)</b>	Such period(s) or date(s) as may be indicated in the Applicable Pricing Supplement.
<b>Issue Price</b>	Notes shall be issued on a fully-paid basis and at an issue price which is at their nominal amount or at a discount to, or premium over, their nominal amount as indicated in the Applicable Pricing Supplement.
<b>Maturities</b>	Such maturity as may be indicated in the Applicable Pricing Supplement. The Notes are not subject to any minimum or maximum maturity.
<b>Noteholder(s)</b>	The holders of Notes (as recorded in the Register).
<b>Notes</b>	<p>Notes may comprise bonds, notes, debentures, commercial paper or any other debt instrument including, but not limited to -</p> <p><b>Fixed Rate Notes:</b> Fixed Rate Notes will bear interest at a fixed interest rate, as indicated in the Applicable Pricing Supplement, and more fully described in the Terms and Conditions.</p> <p><b>Floating Rate Notes:</b> Floating Rate Notes will bear interest at a floating rate, as indicated in the Applicable Pricing Supplement, and more fully described in the Terms and Conditions.</p> <p><b>Zero Coupon Notes:</b> Zero Coupon Notes will be offered and sold at a discount to their nominal amount or at par and will not bear interest other than in the case of late payment.</p> <p><b>Indexed Notes:</b> Payments in respect of interest on Indexed Interest Notes or in respect of principal on Indexed Redemption Amount Notes will be calculated by reference to such index and/or formula as may be indicated in the Applicable Pricing Supplement.</p> <p><b>Mixed Rate Notes:</b> Mixed Rate Notes will bear interest over respective periods at the rates applicable for any combination of Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes or Indexed Notes, each as specified in the Applicable Pricing Supplement.</p> <p><b>Instalment Notes:</b> The Applicable Pricing Supplement in respect of each issue of Notes that are redeemable in two or more instalments will set out the dates on which, and the amounts in which, such Notes may be redeemed.</p> <p><b>Exchangeable Notes:</b> Notes which may be redeemed by the Issuer in cash or by the delivery of securities as specified in the Applicable</p>

Pricing Supplement.

**Extendible Notes:** Notes issued with a maturity of not more than 18 months, which entitles the Issuer to extend the Redemption Date to a pre-determined future date, as may be indicated in the Applicable Pricing Supplement.

**Other Notes**

Terms applicable to Notes other than those specifically contemplated under this Programme Memorandum and approved by the JSE or such other or further exchange(s) on which such Notes may be listed and as agreed between the Issuer and the Dealers, will be set out in the Applicable Pricing Supplement.

**Status of Subordinated Notes**

Notes will constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and will rank *pari passu* among themselves and will rank at least *pari passu* with all other present and future unsecured and subordinated obligations of the Issuer, save for those that have been recorded preferential rights by law.

Subject to Applicable Law, in the event of the dissolution of the Issuer or if the Issuer is placed into liquidation, wound up or is subject to business rescue proceedings, then and in any such event the claims of the persons entitled to be paid amounts due in respect of the Notes shall be subordinated to, and rank in priority of payment behind, all Concurrent Claims in respect of any other indebtedness of the Issuer except for other Subordinated Indebtedness. Accordingly, no amount due on the Notes shall be eligible for set-off or shall be payable to any or all the persons entitled to be paid such amounts due in respect of the Notes in respect of the obligations of the Issuer thereunder until all other indebtedness of the Issuer which is admissible in any such dissolution, liquidation, winding-up or business rescue proceedings (other than Subordinated Indebtedness) has been paid or discharged in full. The Notes will not be subordinated to any categories of share capital of the Issuer.

**Redemption**

Subject to the Applicable Pricing Supplement, the Notes will be redeemed either -

- (a) at their stated maturity (in accordance with Condition 8.1); or
- (b) prior to their stated maturity (subject in each case to the prior approval of the Registrar):
  - (i) if so specified in the Applicable Pricing Supplement, at the option of the Issuer, for tax reasons (in accordance with Condition 8.2); or
  - (ii) if so specified in the Applicable Pricing Supplement, at the option of the Issuer on such terms as are indicated in the Applicable Pricing Supplement (in accordance with Condition 8.3); or
  - (iii) upon the occurrence of a Regulatory Event (in accordance with Condition 8.4).

The Applicable Pricing Supplement may provide that Notes may be repayable in two or more instalments and on such dates as indicated in the Applicable Pricing Supplement.

<b>Register</b>	The Register maintained by the Transfer Agent in terms of the Agency Agreement and the Terms and Conditions.
<b>Distribution</b>	Notes may be distributed by way of public auction, private placement or any other means permitted under South African law, and in each case on a syndicated or non-syndicated basis as may be determined by the Issuer and the relevant Dealers and reflected in the Applicable Pricing Supplement.
<b>Selling Restriction</b>	There are selling restrictions in relation to the United States, the United Kingdom, the European Economic Area and the Republic of South Africa and such other restrictions as may be required to be met in relation to an offering or sale of a particular Tranche of Notes which may be included in the Applicable Pricing Supplement.
<b>Blocked Rand</b>	Blocked Rand may be used for the purchase of Notes, subject to South African Exchange Control Regulations.
<b>Taxation</b>	<p>In terms of prevailing South African legislation, the issue of the Notes or the subsequent transfer of the Notes are exempt from securities transfer tax on the basis that the Notes will not comprise a "security" as defined in section 1 of the Securities Transfer Tax Act, 2007. No securities transfer tax will be payable in terms of the Securities Transfer Tax Act, 2007 in respect of the transfer, issue, cancellation or redemption of the Notes. Any future stamp duties or other duties or Taxes that may be introduced or may be applicable upon the transfer of the Notes will be for the account of Noteholders.</p> <p>As at the date of this Programme Memorandum all payments in respect of the Notes will be made without withholding or deduction for or on account of Taxes levied in South Africa. In the event that certain withholding tax or such other deduction is required by law, then the Issuer will, subject to certain exceptions as provided in Condition 10 of the Terms and Conditions, pay such additional amounts as shall be necessary in order that the net amounts received by the Noteholders after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes in the absence of such withholding or deduction.</p> <p>With effect from 1 January 2015, withholding tax on interest in respect of certain debt instruments may be applicable to certain persons who are regarded as non-resident for tax purposes in South Africa. Certain exemptions may or may not be applicable in this regard.</p>
<b>Governing Law</b>	The Notes will be governed by, and construed in accordance with the laws of South Africa.
<b>Terms and Conditions</b>	The terms and conditions of the Notes are set out in the section of this Programme Memorandum entitled " <i>Terms and Conditions of the Notes</i> ".
<b>Tax Status</b>	A summary of applicable current South African tax legislation appears in the section of this Programme Memorandum entitled " <i>South African Taxation</i> ". The section does not constitute tax advice and investors should consult their own professional advisers.

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## FORM OF THE NOTES

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

Notes may be issued in registered form, as specified in the Applicable Pricing Supplement.

The Notes may be listed on the Interest Rate Market of the JSE and/or such other or further exchange(s) as the Issuer may select in relation to an issue. Each Tranche of Notes listed on the Interest Rate Market of the JSE will be issued in accordance with the Terms and Conditions set out below in this Programme Memorandum and shall be issued as Uncertificated Notes. Unlisted Notes may also be issued under the Programme. Unlisted Notes are not regulated by the JSE.

### **Certificated Notes**

Certificated Notes issued in definitive registered form shall be represented by an Individual Certificate. The title to Certificated Notes represented by an Individual Certificate will pass upon registration of transfer in the Register. The Issuer shall regard the Register as the conclusive record of title to the Notes. Certificated Notes represented by an Individual Certificate may only be transferred in accordance with Condition 15 of the Terms and Conditions.

### **Uncertificated Notes**

Notes may be issued in uncertificated form in terms of section 33 of the Financial Markets Act. Uncertificated Notes will not be represented by any certificate or written instrument. Beneficial interests in Uncertificated Notes may, in terms of existing law and practice, be transferred through the Central Securities Depository by way of book entry in the securities accounts of the Participants. A certificate or other document issued by a Participant as to the Principal Amount of such Beneficial Interest in Uncertificated Notes standing to the account of any person shall be *prima facie* proof of such Beneficial Interest. Title to Uncertificated Notes will pass in accordance with the provisions of Condition 15 of the Terms and Conditions.

Beneficial Interests in Uncertificated Notes may be exchanged, without charge by the Issuer, for Individual Certificates in accordance with the provisions of Condition 13 of the Terms and Conditions. Uncertificated Notes will be registered in the names of the Noteholders in the Register of Noteholders maintained by or on behalf of the Issuer. The Central Securities Depository's Nominee shall be named in the Register as the owner of the Notes held as Uncertificated Notes.

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**PRO FORMA PRICING SUPPLEMENT**

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Set out below is the form of Pricing Supplement which will be completed for each Tranche of Notes issued under the Programme -

**LOMBARD INSURANCE COMPANY LIMITED**

(Registration Number 1990/001253/06)

(Established and incorporated as a public company with limited liability in accordance with the laws of South Africa)

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]**

**Under the Lombard Insurance Company Limited ZAR1 000 000 000**

**Unsecured Subordinated Note Programme**

This document constitutes the Applicable Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions set forth in the Programme Memorandum dated on or about 17 November 2014. This Applicable Pricing Supplement must be read in conjunction with such Programme Memorandum. To the extent that there is any conflict or inconsistency between the contents of this Applicable Pricing Supplement and such Programme Memorandum, the provisions of this Applicable Pricing Supplement shall prevail. To the extent that certain provisions of the *pro forma* Pricing Supplement do not apply to the Notes described herein, they may be deleted in this Applicable Pricing Supplement or indicated to be not applicable.

Any capitalised terms not defined in this Applicable Pricing Supplement shall have the meanings ascribed to them in the Terms and Conditions. References in this Applicable Pricing Supplement to the Terms and Conditions are to the section of the Programme Memorandum entitled "*Terms and Conditions of the Notes*". References to any Condition in this Applicable Pricing Supplement are to that Condition of the Terms and Conditions.

The Issuer certifies that to the best of its knowledge and belief there are no facts that have been omitted from the Programme Memorandum which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that the Programme Memorandum contains all information required by Applicable Law and, in relation to any Tranche of Notes listed on the Interest Rate Market of the JSE, the JSE Debt Listings Requirements. The Issuer accepts full responsibility for the information contained in the Programme Memorandum, the Applicable Pricing Supplements and the annual financial statements and any amendments to the annual financial statements or any supplements from time to time, except as otherwise stated therein.

The JSE assumes no responsibility or liability of whatsoever nature for the contents of the Programme Memorandum or this Applicable Pricing Supplement or the annual financial statements or any other information incorporated by reference into the Programme Memorandum (as amended or restated from time to time), and the JSE makes no representation as to the accuracy or completeness of the Programme Memorandum or this Applicable Pricing Supplement, the annual financial statements or any other information incorporated by reference into the Programme Memorandum (as amended or restated from time to time). The JSE expressly disclaims any liability for any loss arising from or in reliance upon the whole or any part of this Programme Memorandum or this Applicable Pricing Supplement or the annual financial statements or any other information incorporated by reference into this Programme Memorandum (as amended or restated from time to time).

**DESCRIPTION OF THE NOTES**

1.	Issuer	Lombard Insurance Company Limited
2.	Status of Notes	Unsecured Subordinated Notes
3.	Tranche Number	[•]
4.	Series Number	[•]
5.	Aggregate Principal Amount	[•]
	a) Series	[•]
	b) Tranche	[•]
6.	Interest	[Interest bearing/Non-interest bearing]
7.	Interest/Payment Basis	[Fixed Rate/Floating Rate/Zero Coupon/Indexed Interest/Instalment/other]
8.	Form of Notes	[Listed/Unlisted Notes]
9.	Automatic/Optional Conversion from one Interest/Payment Basis to another	[insert details including date for conversion]
10.	Issue/Settlement Date	[•]
11.	Business Centre	[•]
12.	Additional Business Centre	[•]
13.	Principal Amount per Note	[•]
14.	Specified Denomination	[•]
15.	Issue Price	[•]
16.	Interest Commencement Date	[•]
17.	Redemption Date	[•]
18.	Specified Currency	[•]
19.	Applicable Business Day Convention	[Floating Rate Business Day/Following Business Day/Modified Following Business Day/Preceding Business Day/other convention – insert details]
20.	Final Redemption Amount	[•]
21.	Last Day to Register	[•]
22.	Books Closed Period	The Register will be closed from [•] to [•] and from [•] to [•] (all dates inclusive) in each year until the [Redemption Date]
23.	Programme Limit as at the Issue Date	ZAR1 000 000 000
24.	Aggregate outstanding Principal Amount of all the Notes issued under the	ZAR[•]

Programme as at the Issue Date

## **FIXED RATE NOTES**

25. (a) Fixed Interest Rate(s) [•]% per annum [payable annually/semi-annually/ quarterly] in arrear
- (b) Interest Payment Date(s) [Dates/Periods]
- (c) Initial Broken Amount [•]
- (d) Final Broken Amount [•]
- (e) Any other terms relating to the particular method of calculating interest [•]

## **FLOATING RATE NOTES**

26. (a) Interest Payment Date(s) [Dates/Periods]
- (b) Interest Period(s) [•]
- (c) Definitions of Business Day (if different from that set out in Condition 1) [•]
- (d) Minimum Interest Rate [•]%
- (e) Maximum Interest Rate [•]%
- (f) Other terms relating to the method of calculating interest (e.g., Day Count Fraction, rounding up provision, if different from Condition 7) [•]
27. Manner in which the Interest Rate is to be determined [ISDA Determination/Screen Rate Determination/other (insert details)]
28. Margin [(+/-) [•]% to be added to/subtracted from the relevant (ISDA Rate/Reference Rate)]
29. If ISDA Determination
- (a) Floating Rate [•]
- (b) Floating Rate Option [•]
- (c) Designated Maturity [•]
- (d) Reset Date(s) [•]
30. If Screen Determination
- (a) Reference Rate (including relevant period by reference to which the Interest Rate is to be calculated) [e.g. ZAR-JIBAR-SAFEX]

- (b) Interest Rate Determination Date(s) [•]
  - (c) Relevant Screen Page and Reference Code [•]
31. If Interest Rate to be calculated otherwise than by reference to 29 or 30 above, insert basis for determining Interest Rate/Margin/Fall back provisions
32. If different from the Calculation Agent, agent responsible for calculating amount of principal and interest [•]

#### **ZERO COUPON NOTES**

33. (a) Implied Yield [•]
- (b) Reference Price [•]
- (c) Any other formula or basis for determining amount(s) payable [•]

#### **INSTALMENT NOTES**

34. Instalment Dates [•]
35. Instalment Amounts (expressed as a percentage of the aggregate Principal Amount of the Notes) [•]

#### **MIXED RATE NOTES**

36. Period(s) during which the interest rate for the Mixed Rate Notes will be (as applicable) that for - [•]
- (a) Fixed Rate Notes [•]
  - (b) Floating Rate Notes [•]
  - (c) Indexed Notes [•]
  - (d) Other Notes [•]
37. The interest rate and other pertinent details are set out under the headings relating to the applicable forms of Notes [•]% [naca] [nacs] [nacm] [nacq] [other method of compounding]

#### **INDEXED NOTES**

38. 1. Type of Indexed Notes [Indexed Interest Notes/Indexed Redemption Amount Notes]
- (b) Index/Formula by reference to which Interest Rate/Interest Amount (delete as applicable) is to be determined [•]

- (c) Manner in which the Interest Rate/Interest Amount (delete as applicable) is to be determined [•]
- (d) Interest Payment Date(s) [•]
- (e) Calculation Agent (if different from Absa) [•]
- (g) Provisions where calculation by reference to Index and/or Formula is impossible or impractical [•]

#### EXCHANGEABLE NOTES

- 39. 1 Mandatory Exchange applicable? [Yes/No]
- 2 Noteholders' Exchange Right applicable? [Yes/No]
- 3 Exchange Securities [•]
- 4 Manner of determining Exchange Price [•]
- 5 Exchange Period [•]
- 6 Other [•]

#### EXTENDIBLE NOTES

- 40. Last date to which Redemption Date may be extended [•]
- 41. Step-Up Margin [•]
- 42. Requisite Notice [•]
- 43. Other [•]

#### OTHER NOTES

- 44. Relevant description and any additional Terms and Conditions relating to such Notes [•]

#### PROVISIONS REGARDING REDEMPTION/ MATURITY

- 45. Prior consent of Registrar required for any redemption prior to Redemption Date Yes
- 46. Issuer's Optional Redemption pursuant to Condition 8.3 (*Redemption at the option of the Issuer*): [Yes/No]  
if yes:

- (a) Optional Redemption Date(s) [•]
  - (b) Optional Redemption Amount(s) [•]  
and method, if any, of calculation of  
such amount(s)
  - (c) Minimum Period of Notice (if [•]  
different to Condition 8.3)
  - (d) The redemption amount must,  
according to Condition 8.3, be of a  
nominal amount equal to or greater  
than the Minimum Redemption  
Amount or equal to or less than a  
Higher Redemption Amount:  
  
Minimum Redemption Amount(s) [•]  
  
Higher Redemption Amount(s) [•]
  - (e) Other terms applicable on [•]  
Redemption
47. Issuer's optional early redemption for tax [Yes/No]  
reasons pursuant to Condition 8.2  
(*Redemption for tax reasons*).
48. Issuer's optional early redemption [Yes/No]  
following the occurrence of a Regulatory  
Event pursuant to Condition 8.4 (*Early  
redemption following the occurrence of a  
Regulatory Event*).
49. Early Redemption Amount(s) payable [Yes/No]  
pursuant to Condition 8.5 (*Early  
Redemption Amounts*) on redemption for  
taxation reasons or on the occurrence of a  
Regulatory Event or on the occurrence of  
an Event of Default. If no:
- a) Amount payable; or [•]
  - b) Method of calculation and amount [•]  
payable

#### DEFERRAL OF PAYMENTS

50. Mandatory Deferral of Principal pursuant  
to Condition 9.5.1.1 (*Mandatory Deferral  
of Principal*)
51. Deferral of Principal at the Request of the  
Registrar pursuant to Condition 9.5.1.2  
(*Deferral of Principal at the Request of the  
Registrar*)
52. Mandatory Deferral of Interest pursuant to [Yes/No]  
Condition 0 (*Mandatory Deferral of*

*Interest)*

- |     |   |          |
|-----|---|----------|
| 53. | Deferral of Interest at the Request of the Registrar pursuant to Condition 9.5.2.2<br>( <i>Deferral of Interest at the Request of the Registrar</i> ) | [Yes/No] |
|-----|---|----------|

#### **GENERAL**

- |     |   |   |
|-----|---|---|
| 54. | Prior written approval of the Registrar required for the issue of the Notes                     | a) Registrar, in terms of section 23(1)(a) of the Short-Term Insurance Act, approved the issue of Notes on [•]<br>b) Registrar, in terms of paragraph 7(2) of Schedule 2 to the Short-Term Insurance Act approved the manner in which and the amount for which and the value of the Notes to be determined on [•] |
| 55. | Additional selling restrictions   | [•]   |
| 56. | International Securities Numbering (ISIN)   | [•]   |
| 57. | Stock Code  | [•]   |
| 58. | Financial Exchange  | [•]   |
| 59. | If syndicated, names of managers  | [•]   |
| 60. | Method of Distribution  | [Auction]   |
| 61. | Credit Rating assigned to Notes, the Programme and/ or the Issuer as at the Issue Date (if any) | [•]   |
| 62. | Rating Agency   | [•]   |
| 63. | Transfer Agent  | [•]   |
| 64. | Settlement Agent  | [•]   |
| 65. | Date of issue of current Credit Rating  | [•]   |
| 66. | Date of next Credit Rating Review   | [•]   |
| 67. | Governing law (if the laws of South Africa are not applicable)                                  | [•]   |
| 68. | Use of proceeds   | [•]   |
| 69. | Stabilisation Manager (if any)  | [•]   |
| 70. | Other provisions  | [•]   |

#### **DISCLOSURE REQUIREMENTS IN TERMS OF PARAGRAPH 3(5) OF THE COMMERCIAL PAPER REGULATIONS**

At the date of this Applicable Pricing Supplement -

71. Paragraph 3(5)(a)
- The ultimate borrower is [the Issuer]/[wholly owned subsidiary of the Issuer].
72. Paragraph 3(5)(b)
- The Issuer is a going concern and can in all circumstances be reasonably expected to meet its commitments under the Notes.
73. Paragraph 3(5)(c)
- The auditors of the Issuer are Deloitte & Touche.
74. Paragraph 3(5)(d)
- As at the date of this issue -
- the Issuer has [not issued any Notes]; and
- (b) it is [not] anticipated that the Issuer will issue [ZAR[•]] Notes during its current financial year.
75. Paragraph 3(5)(e)
- Prospective investors in the Notes are to consider this Applicable Pricing Supplement, the Programme Memorandum and the documentation incorporated therein by reference in order to ascertain the nature of the financial and commercial risks of an investment in the Notes. In addition, prospective investors in the Notes are to consider the latest audited financial statements of the Issuer which are incorporated into the Programme Memorandum by reference and which may be requested from the Issuer.
76. Paragraph 3(5)(f)
- There has been no material adverse change in the Issuer's financial position since the date of its last audited financial statements.
77. Paragraph 3(5)(g)
- The Notes issued will be [listed/unlisted].
78. Paragraph 3(5)(h)
- The funds to be raised through the issue of the Notes are to be used by the Issuer for [•].
79. Paragraph 3(5)(i)
- The Notes are unsecured.
80. Paragraph 3(5)(j)
- Deloitte & Touche, the auditors of the Issuer, have confirmed that nothing has come to its attention to indicate that this issue of Notes issued under the Programme will not comply in all respects with the relevant provisions of the Commercial Paper Regulations (Government Notice 2172 in Government Gazette No, 16167 of 14 December 1994) published under Paragraph (cc) of the definition of the "business of a bank" in terms of section 1 of the Banks Act, 1990).

[Application [is hereby]/[will not be] made to list this issue of Notes [on [insert date]].

**SIGNED** at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 2014.

For and on behalf of

**LOMBARD INSURANCE COMPANY LIMITED**

Name:

Name:

Capacity:  
who warrants his/her authority hereto

Capacity:  
who warrants his/her authority hereto

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## TERMS AND CONDITIONS OF THE NOTES

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*The following are the Terms and Conditions of the Notes to be issued by the Issuer which will be incorporated by reference into each Note. The Applicable Pricing Supplement in relation to any Tranche of Notes may specify other terms and conditions which shall to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Tranche of Notes.*

If there is any conflict or inconsistency between provisions set out in the Applicable Pricing Supplement and the provisions set out in these Terms and Conditions of the Notes, then the provisions in the Applicable Pricing Supplement will prevail.

Words and expressions used in the Applicable Pricing Supplement shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated.

### 1. INTERPRETATION

In these Terms and Conditions, unless inconsistent with the context or separately defined in the Applicable Pricing Supplement, the following expressions shall have the following meanings -

<b>"Absa"</b>	Absa Corporate and Investment Bank Limited, a division of Absa Bank Limited (Registration Number 1986/004794/06), a company registered and incorporated in accordance with the laws of South Africa;
<b>"Agency Agreement"</b>	the agency agreement entered into between, amongst others, the Issuer, the Calculation Agent and the Paying Agent;
<b>"Applicable Laws"</b>	<p>all and any –</p> <ol style="list-style-type: none"><li>1 statutes and subordinated legislation;</li><li>2 regulations, ordinances and directives;</li><li>3 by-laws;</li><li>4 codes of practice, circulars, guidance notices, judgments and decisions of any competent authority; and</li><li>5 other similar provisions, from time to time,</li></ol> <p>compliance with which is mandatory;</p>
<b>"Applicable Pricing Supplement"</b>	the pricing supplement relating to each Tranche of Notes setting out the applicable and/or such other terms and conditions applicable to that Tranche of Notes;
<b>"Applicable Procedures"</b>	the rules and operating procedures for the time being of the Central Securities Depository, the JSE and/or any other applicable financial exchange, as the case may be;
<b>"Auditors"</b>	the auditors of the Issuer which, at the date of the Programme Memorandum, are Deloitte & Touche;

<b>"Arrangers"</b>	Absa and Novitas;
<b>"Banks Act"</b>	the Banks Act, 1990;
<b>"BESA Guarantee Fund Trust"</b>	the guarantee fund established and operated by the JSE as a separate guarantee fund, in terms of the rules of the JSE as required by sections 8 (1)(h) and 17(2)(w) of the Financial Markets Act or any successor fund;
<b>"Beneficial Interest"</b>	in respect of Uncertificated Notes, the undivided share of a co-owner of Uncertificated Notes, held in the Central Securities Depository as provided in section 37 of the Financial Markets Act;
<b>"Books Closed Period"</b>	the period, as specified in the Applicable Pricing Supplement, commencing after the Last Day to Register, during which transfer of Notes will not be registered, or such shorter period as the Issuer may decide in order to determine those Noteholders entitled to receive interest;
<b>"Business Day"</b>	a day (other than a Saturday or Sunday or public holiday within the meaning of the Public Holidays Act, 1994) which is a day on which commercial banks settle ZAR payments in Johannesburg or any Additional Business Centre specified in the Applicable Pricing Supplement;
<b>"Calculation Agent"</b>	Absa, unless the Issuer elects to appoint, in relation to a particular Tranche or Series of Notes, another entity as Calculation Agent, in which event that other entity shall act as a Calculation Agent in respect of that Tranche or Series of Notes, as indicated in the Applicable Pricing Supplement;
<b>"Capital Adequacy Requirement"</b>	the amount which the Issuer is required to hold as capital in terms of the Regulatory Capital Directive;
<b>"Central Securities Depository"</b>	Strate Proprietary Limited (Registration Number 1998/022242/07), or its nominee or any successor thereto, operating in terms of the Financial Markets Act, or any additional or alternate depository approved by the Issuer;
<b>"Central Securities Depository's Nominee"</b>	Central Depository Nominees Proprietary Limited (Registration Number 1990/00665/07), a wholly owned subsidiary of the Central Securities Depository, or any successor nominee thereto operating in terms of the Financial Markets Act;
<b>"Central Securities Depository System"</b>	the computer system or systems and associated network or networks operated or used by the Central Securities Depository for the purpose of clearing and settlement of trades in Notes or any other purpose in terms of the Financial Markets Act;

<b>"Certificate"</b>	an Individual Certificate;
<b>"Certificated Note"</b>	a Note issued in registered form represented by an Individual Certificate;
<b>"Class of Noteholders"</b>	the holders of a Series of Notes or, where appropriate, the holders of different Series of Notes;
<b>"Commercial Paper Regulations"</b>	Government Notice number 2172 published in Government Gazette number 16167, dated 14 December 1994;
<b>"Companies Act"</b>	the Companies Act, 2008;
<b>"Concurrent Claims"</b>	all unsecured, unsubordinated claims of creditors of the Issuer which are not preferred by operation of law, including, without limiting the generality of the foregoing, the claims of policyholders of the Issuer, proved in the dissolution, winding up, liquidation or business rescue proceedings of the Issuer;
<b>"Dealers"</b>	Absa and any other Dealer appointed under the Programme from time to time, which appointment may be for a specific issue or on an on-going basis, subject to the Issuer's right to terminate the appointment of any Dealer;
<b>"Deferral Notice"</b>	in relation to a Tranche of Notes, the written notice of the deferral, pursuant to Condition 9.5, of the payment of any principal (or portion thereof) and/or any interest (or portion thereof) payable in respect of that Tranche of Notes, given by the Issuer to the holders of Notes forming part of that Tranche, in accordance with Condition 17;
<b>"Deferred Payment Amount"</b>	in relation to a Tranche of Notes, the amount of principal (or portion thereof) and/or interest (or portion thereof), payment of which is required by the Registrar to be deferred pursuant to Condition 9.5 and (if prescribed by the Registrar) "Deferred Payment Date" means the deferred date of payment of such amount required by the Registrar pursuant to Condition 9.5;
<b>"Early Redemption Amount"</b>	the amount at which the Notes will be redeemed by the Issuer pursuant to the provisions of Condition 8.5 of the Terms and Conditions;
<b>"Event of Default"</b>	an event of default by the Issuer, as set out in Condition 12 of the Terms and Conditions;
<b>"Exchange Control Regulations"</b>	the Exchange Control Regulations, 1961 promulgated in terms of section 9 of the Currency and Exchanges Act, 1933;
<b>"Exchangeable Notes"</b>	Notes which may be redeemed by the Issuer in the manner indicated in the Applicable Pricing

	Supplement by the delivery to the Noteholders of cash or of so many of the Exchange Securities as is determined in accordance with the Applicable Pricing Supplement;
<b>"Exchange Period"</b>	in respect of Exchangeable Notes to which the Noteholders' Exchange Right applies (as indicated in the Applicable Pricing Supplement), the period indicated in the Applicable Pricing Supplement during which such right may be exercised;
<b>"Exchange Price"</b>	the value indicated in the Applicable Pricing Supplement according to which the number of Exchange Securities which may be delivered in redemption of an Exchangeable Note will be determined;
<b>"Exchange Securities"</b>	the securities indicated in the Applicable Pricing Supplement which may be delivered by the Issuer in redemption of Exchangeable Notes to the value of the Exchange Price;
<b>"Extraordinary Resolution"</b>	<ul style="list-style-type: none"> <li>a) a resolution passed at a duly convened meeting of the Noteholders and held in accordance with the provisions of Condition 18 of the Terms and Conditions, on a poll by a majority consisting of not less than 66.67% of the votes cast on such poll; or</li> <li>b) instead of a resolution passed at a meeting of Noteholders, a written resolution passed by a majority consisting of not less than 66.67% of the Noteholders as contemplated in Condition 18.17;</li> </ul>
<b>"Final Redemption Amount"</b>	the amount of principal specified in the Applicable Pricing Supplement payable in respect of each Note upon the Redemption Date;
<b>"Financial Markets Act"</b>	the Financial Markets Act, 19 of 2012;
<b>"Fixed Interest Rate"</b>	the rate or rates of interest applicable to Fixed Rate Notes, as specified in the Applicable Pricing Supplement;
<b>"Fixed Rate Notes"</b>	Notes which will bear interest at the Fixed Interest Rate, as indicated in the Applicable Pricing Supplement;
<b>"Floating Rate"</b>	has the meaning given to the expression in the ISDA Definitions, as indicated in the Applicable Pricing Supplement;
<b>"Floating Rate Notes"</b>	Notes which will bear interest as indicated in the Applicable Pricing Supplement and more fully described in Condition 7.2 of the Terms and Conditions;

<b>"Group"</b>	the Issuer's group of companies, comprising of the Issuer and each Subsidiary of the Issuer from time to time whose financial results are consolidated with the financial results of the Issuer in accordance with IFRS;
<b>"IFRS"</b>	International Financial Reporting Standards and the interpretation of those standards as adopted by the International Accounting Standards Board;
<b>"Implied Yield"</b>	the yield accruing on the Issue Price of Zero Coupon Notes, as specified in the Applicable Pricing Supplement;
<b>"Indebtedness"</b>	any indebtedness in respect of monies borrowed from any person, debenture holder or lender and (without double counting) guarantees, suretyships and indemnities (other than those in the ordinary course of business) given, whether present or future, actual or contingent;
<b>"Indexed Interest Notes"</b>	Notes in respect of which the Interest Amount is calculated by reference to such index and/or formula as indicated in the Applicable Pricing Supplement;
<b>"Indexed Note"</b>	an Indexed Interest Note and/or an Indexed Redemption Amount Note, as applicable;
<b>"Indexed Redemption Amount Notes"</b>	Notes in respect of which the Final Redemption Amount is calculated by reference to an index and/or a formula as indicated in the Applicable Pricing Supplement;
<b>"Individual Certificate"</b>	a Note in the definitive registered form of a single Certificate which may be exchanged for a Beneficial Interest in Uncertificated Notes in accordance with Condition 13 and any further Certificate issued in consequence of a transfer thereof;
<b>"Instalment Amount"</b>	the amount expressed as a percentage of the Principal Amount of an Instalment Note, being an instalment of principal (other than the final instalment) on an Instalment Note;
<b>"Instalment Notes"</b>	Notes redeemable in Instalment Amounts by the Issuer on an amortised basis on different Instalment Dates, as indicated in the Applicable Pricing Supplement;
<b>"Interest Amount"</b>	the amount of interest payable in respect of each Principal Amount of Fixed Rate Notes, Floating Rate Notes and Indexed Notes, as determined in accordance with Condition 7;
<b>"Interest Commencement Date"</b>	the first date from which interest on the Notes, other than Zero Coupon Notes, will accrue, as specified in the Applicable Pricing Supplement;

<b>"Interest Payment Date"</b>	the Interest Payment Date(s) specified in the Applicable Pricing Supplement or if no express Interest Payment Date(s) is/are specified in the Applicable Pricing Supplement, each date which occurs after a certain period following the preceding Interest Payment Date (such period as specified in the Applicable Pricing Supplement) or, in the case of the first Interest Payment Date, after the Interest Commencement Date;
<b>"Interest Period"</b>	the period(s) in respect of which interest accrues on Notes, other than Zero Coupon Notes, and falls due for payment on the applicable Interest Payment Date;
<b>"Interest Rate"</b>	the rate(s) of interest applicable to Notes, other than Zero Coupon Notes, as indicated in the Applicable Pricing Supplement;
<b>"ISDA"</b>	International Swaps and Derivatives Association, Inc.;
<b>"ISDA Definitions"</b>	the 2006 ISDA Definitions as published by ISDA (as amended, supplemented, revised or republished from time to time);
<b>"Issuer"</b>	Lombard Insurance Company Limited (Registration Number 1990/001253/06), a company registered and incorporated in accordance with the laws of South Africa;
<b>"JSE"</b>	the JSE Limited (Registration number 2005/022939/06), a licensed financial exchange in terms of the Financial Markets Act or any exchange which operates as a successor exchange to the JSE;
<b>"JSE Debt Listings Requirements"</b>	the debt listings requirements of the JSE from time to time, as published by the JSE;
<b>"Last Day to Register"</b>	with respect to a particular Series of Notes (as reflected in the Applicable Pricing Supplement), the last date or dates preceding a Payment Day on which the Transfer Agent will accept Transfer Forms and record the transfer of Notes in the Register for that particular Series of Notes and whereafter the Register is closed for further transfers or entries until the Payment Day;
<b>"Mandatory Exchange"</b>	if indicated in the Applicable Pricing Supplement, the obligation of the Issuer to redeem Exchangeable Notes on the Redemption Date by delivery of Exchange Securities to the relevant Noteholders of Exchangeable Notes;
<b>"Mixed Rate Notes"</b>	Notes which will bear interest over respective periods at differing interest rates applicable to any combination of Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes or Indexed Notes, each as indicated in the Applicable

	Pricing Supplement and as more fully described in Condition 7;
"naca"	nominal annual compounded annually;
"nacm"	nominal annual compounded monthly;
"nacq"	nominal annual compounded quarterly;
"nacs"	nominal annual compounded semi-annually;
"Noteholders"	the holders of the Notes, as recorded in the Register;
"Noteholders' Exchange Right"	if indicated as applicable in the Applicable Pricing Supplement, the right of Noteholders of Exchangeable Notes to elect to receive delivery of the Exchange Securities in <i>lieu</i> of cash from the Issuer upon redemption of such Notes;
"Notes"	the notes issued or to be issued by the Issuer under the Programme in the form of Certificated Notes or Uncertificated Notes, as the case may be;
"Outstanding"	<p>in relation to the Notes, all the Notes issued other than -</p> <ul style="list-style-type: none"> <li>(a) those which have been redeemed in full;</li> <li>(b) those in respect of which the date for redemption in accordance with the Terms and Conditions has occurred and the redemption moneys wherefore (including all interest (if any) accrued thereon to the date for such redemption and any interest (if any) payable under the Terms and Conditions after such date) remain available for payment against presentation of Certificates (if any) or otherwise;</li> <li>(c) those which have been purchased and cancelled;</li> <li>(d) those which have become void under Condition 11 of the Terms and Conditions;</li> <li>(e) if applicable, Notes represented by those mutilated or defaced Certificates which have been surrendered in exchange for replacement Certificates pursuant to Condition 13;</li> <li>(f) (for the purpose only of determining how many Notes are Outstanding and without prejudice to their status for any other purpose) if applicable, those Notes represented by Certificates alleged to have been lost, stolen or destroyed and in</li> </ul>

respect of which replacement Certificates have been issued pursuant to Condition 13,

provided that for each of the following purposes, namely -

- (i) the right to attend and vote at any meeting of the Noteholders; and
- (ii) the determination of how many and which Notes are for the time being Outstanding for the purposes of Conditions 18 and 19,

all Notes (if any) which are for the time being held by the Issuer (subject to any Applicable Law) or by any person for the benefit of the Issuer and not cancelled (unless and until ceasing to be so held) shall be deemed not to be Outstanding;

**"Parity Security"**

means –

- (a) any security issued by the Issuer which ranks at least *pari passu* with the Notes; and
- (b) any security guaranteed by the Issuer with the Issuer's obligations under the relevant guarantee rank at least *pari passu* with the Issuer's obligations under the Notes,

however, in each case, exclusive of securities issued to members of the Group;

**"Participant"**

a person accepted by the Central Securities Depository as a participant in terms of section 31 of the Financial Markets Act;

**"Paying Agent"**

Absa, unless the Issuer elects to appoint, in relation to a particular Tranche or Series of Notes, another entity as Paying Agent, in which event that other entity shall act as a Paying Agent in respect of that Tranche or Series of Notes, as indicated in the Applicable Pricing Supplement;

**"Payment Day"**

any day which is a Business Day and upon which a payment is due by the Issuer in respect of any Notes;

**"Person"**

shall be construed as a reference to any person, firm, company, corporation, government, state or agency of a state or any association or partnership (whether or not having separate legal personality) of two or more of the foregoing;

**"Principal Amount"**

the nominal amount of each Note;

<b>"Programme"</b>	the ZAR1 000 000 000 Unsecured Subordinated Note Programme under which the Issuer may from time to time issue Notes;
<b>"Programme Agreement"</b>	the programme agreement entered into between the Issuer, the Arrangers and the Dealers;
<b>"Programme Memorandum"</b>	the programme memorandum contained in this document dated on or about 17 November 2014;
<b>"Rating Agency"</b>	Global Credit Ratings Co. and/or such other internationally recognised rating agency as may be appointed by the Issuer, from time to time;
<b>"Redemption Date"</b>	the date upon which the Notes are redeemed by the Issuer pursuant to Condition 8 of the Terms and Conditions;
<b>"Register"</b>	the register maintained by the Transfer Agent in terms of Condition 14 of the Terms and Conditions;
<b>"Registrar"</b>	the Registrar of Short-Term Insurance, as contemplated in the Short-Term Insurance Act;
<b>"Regulator"</b>	The Financial Services Board or any other regulator;
<b>"Regulatory Capital Requirement(s)"</b>	any Regulatory Capital Directive and/or any Relevant Rule;
<b>"Regulatory Capital Directive"</b>	<ul style="list-style-type: none"> <li>i. the Short-Term Insurance Act and, in particular, (a) paragraph 7(2) of Schedule 2 to the Short-Term Insurance Act and (b) the notice on the "Prescribed Requirements for the Calculation of the Value of the Assets, Liabilities and Capital Adequacy Requirement of Short-Term Insurers", published as Board Notice 169 of 2011 in Government Gazette 34715 of 28 October 2011;</li> <li>ii. the written approval of the Registrar, given in terms of paragraph 7(2) of Schedule 2 to the Short-Term Insurance Act, setting out the manner in which and the amount for which the value of the Notes is to be determined, as indicated in the Applicable Pricing Supplement;</li> <li>iii. the written approval of the Registrar, given in terms of section 23(1)(a) of the Short-Term Insurance Act, as indicated in the Applicable Pricing Supplement; and</li> <li>iv. any directive, whether domestic or international, which amends, supersedes or varies (a)(i), (a)(ii) and (a)(iii) above to</li> </ul>

align it with SAM;

<b>"Regulatory Event"</b>	shall be deemed to have occurred, subject to Condition 8.4.2, if (i) under any Regulatory Capital Directive and/or Relevant Rule or (ii) as a result of any change or proposed change to any Regulatory Capital Directive and/or any Relevant Rule or (iii) as a result of any change in the official or generally published interpretation of any Regulatory Capital Directive and/or any Relevant Rule (which change, in each of (ii) and/or (iii), becomes or will become effective on or after the date of the Programme Memorandum) the Notes are no longer or will no longer qualify, or be capable of being counted (whether wholly or partially), as capital for purposes of the Capital Adequacy Requirements applicable to the Issuer under any Regulatory Capital Directive referred to in the definition thereof and/or any Relevant Rule referred to therein;
<b>"Relevant Date"</b>	in respect of any payment relating to the Notes, the date on which such payment first becomes due, except that, in relation to monies payable to the Central Securities Depository in accordance with these Terms and Conditions, it means the first date on which (i) the full amount of such monies have been received by the Central Securities Depository, (ii) such monies are available for payment to the holders of Beneficial Interests, and (iii) notice to that effect has been duly given to such holders in accordance with the Applicable Procedures;
<b>"Relevant Rule(s)"</b>	any legislation (including, without limitation, the Short-Term Insurance Act), rules, regulations or guidance (whether having the force of law or otherwise) implementing any Regulatory Capital Directive referred to in the definition thereof in South Africa;
<b>"Representative"</b>	a person duly authorised to act on behalf of a Noteholder, who may be regarded by the Issuer, the Transfer Agent and the Paying Agent (acting in good faith) as being duly authorised based upon the tacit or express representation thereof by such Representative, in the absence of express notice to the contrary from such Noteholder;
<b>"SAM"</b>	the new risk-based solvency regime for South African short-term and long-term insurers in the process of being developed by the Regulator, known as the Solvency Assessment and Management regime;
<b>"Senior Creditors"</b>	creditors of the Issuer whose claims do not rank <i>pari passu</i> with, or junior to the claims of the

	holders of the Notes;
<b>"Series"</b>	a Tranche of Notes together with any further Tranche or Tranches of Notes which are expressed to be consolidated and form a single series and "holders of Notes of the relevant Series" and related expressions shall be construed accordingly;
<b>"Settlement Agent"</b>	a Participant, approved by the JSE or any other relevant financial exchange to perform electronic settlement of both funds and scrip on behalf of market participants, as specified in the Applicable Pricing Supplement;
<b>"Short-Term Insurance Act"</b>	the Short-Term Insurance Act 53 of 1998;
<b>"Solvency Event"</b>	shall have occurred if on any date – <ul style="list-style-type: none"> <li>(a) prior to the implementation of SAM by the Regulator, the Issuer does not have appropriate funds to cover the required minimum relevant Regulatory Capital Requirement or such funds would, as a result of any payments under the Notes that would otherwise be due on such date become less than the required minimum relevant Regulatory Capital Requirement ; or</li> <li>(b) upon the implementation of SAM by the Regulator, the Issuer's regulatory capital (howsoever described under any Regulatory Capital Requirement) is not sufficient to comply with the relevant minimum Regulatory Capital Requirement or, the relevant requirements would, as a result of any interest payment under the Notes that would otherwise be due on such date, not be complied with; or</li> <li>(c) the Regulator prohibits any interest payments, other distributions or redemption payments for whatever reason; or</li> <li>(d) the Issuer is unable to pay its debts to its Senior Creditors as they fall due; or</li> <li>(e) the liabilities of the Issuer (other than liabilities to persons who are not Senior Creditors of the Issuer) exceed its assets.</li> </ul>
<b>"Solvency Shortfall"</b>	the portion of the interest or principal amount, as the case may be, that would cause a Solvency Event to occur or to be continuing;
<b>"Subordinated Indebtedness"</b>	any indebtedness of the Issuer, including any guarantee by the Issuer, under which the right of payment of the person(s) entitled thereto is, or is expressed to be, or is required by any present or

	future agreement of the Issuer to be, subordinated to Concurrent Claims of the Issuer in the event of the dissolution, winding-up, entering into business rescue proceedings or placing into liquidation of the Issuer;
<b>"Subordinated Securities"</b>	<p>means –</p> <ul style="list-style-type: none"> <li>(a) any security issued by the Issuer which ranks junior to the Notes; and</li> <li>(b) any security guaranteed by the Issuer where the Issuer's obligations under the relevant guarantee are subordinated to the Issuer's obligations under the Notes,</li> </ul> <p>however, in each case, exclusive of securities issued to members of the Group;</p>
<b>"Subsidiary"</b>	each subsidiary as defined in section 3(1) of the Companies Act;
<b>"Taxes"</b>	all present and future taxes, levies, imposts, duties, charges, fees, deductions and withholdings imposed or levied by any governmental, fiscal or other competent authority in South Africa or any other jurisdiction from which any payment is made and <b>"Tax"</b> and <b>"Taxation"</b> shall be construed accordingly;
<b>"Terms and Conditions"</b>	the terms and conditions applicable to Notes as set out in the section entitled <i>"Terms and Conditions of the Notes"</i> ;
<b>"Tranche"</b>	all Notes which are identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices and "holders of Notes of a relevant Tranche" and related expressions shall be construed accordingly;
<b>"Transfer Agent"</b>	in relation to a particular Series of Notes, the entity appointed as Transfer Agent by the Issuer, as specified in the Applicable Pricing Supplement;
<b>"Transfer Form"</b>	the written form for the transfer of a Certificated Note in the form approved by the Transfer Agent, and signed by the transferor and transferee;
<b>"Uncertificated Note"</b>	a Note issued in uncertificated form in accordance with section 33 of the Financial Markets Act, not evidenced by any written document or instrument and held in the Central Securities Depository;
<b>"ZAR"</b>	the lawful currency of South Africa, being South African Rand, or any successor currency;

**"ZAR-JIBAR-SAFEX"**

the mid-market rate for deposits in ZAR for a period of the Designated Maturity which appears on the Reuters Screen SAFEX Page as at 11h00, Johannesburg time on the relevant date, or any successor rate; and

**"Zero Coupon Notes"**

Notes which will be offered and sold at a discount to their Principal Amount or at par and will not bear interest other than in the case of late payment.

**2. ISSUE**

- 2.1 Notes may at any time and from time to time be issued by the Issuer without the consent of the then existing Noteholders, in Tranches pursuant to the Programme. A Tranche of Notes may, together with a further Tranche or Tranches, form a Series of Notes issued under the Programme.
- 2.2 The Noteholders, by virtue of their subscription for or purchase of the Notes, are deemed to have notice of, and are entitled to the benefit of, and are subject to, all the provisions of the Applicable Pricing Supplement.
- 2.3 The Applicable Pricing Supplement for each Tranche of Notes is (to the extent relevant) incorporated herein and supplements the Terms and Conditions. The Applicable Pricing Supplement may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Terms and Conditions, replace and/or modify the Terms and Conditions for the purposes of those Notes.

**3. FORM AND DENOMINATION**

**3.1 General**

- 3.1.1 Notes will be issued in such denominations as may be determined by the Issuer and as indicated in the Applicable Pricing Supplement.
- 3.1.2 Notes will be issued on a fully-paid basis.
- 3.1.3 All payments in relation to the Notes will be made in South African Rand.
- 3.1.4 Each Note shall be a Subordinated Note. Any Note may be an Instalment Note, Extendible Note or an Exchangeable Note. Each Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Indexed Interest Note, an Indexed Redemption Amount Note, a Mixed Rate Note or a combination of any of the foregoing or such other types of Notes as may be determined by the Issuer, as specified in the Applicable Pricing Supplement.
- 3.1.5 Notes will be issued in such denominations as may be determined by the Issuer and as indicated in the Applicable Pricing Supplement. Listed and/or unlisted Notes may be issued under the Programme.
- 3.1.6 Noteholders of Notes that are not listed on the Interest Rate Market of the JSE will have no recourse against the JSE or BESA Guarantee Fund Trust. Unlisted Notes are not regulated by the JSE.

**3.2 Uncertificated Notes**

Uncertificated Notes will be issued in uncertificated form in terms of section 33 of the Financial Markets Act and will not be represented by any certificate or written instrument. A Tranche of Notes issued in uncertificated form will be held in the Central Securities Depository, and the Central Securities Depository's Nominee will be named in the Register as the registered Noteholder of that Tranche of Notes. An owner of a Beneficial Interest in Uncertificated Notes held in the Central Securities Depository shall be entitled to exchange such Beneficial Interest for an Individual Certificate in accordance with Condition 13.

**3.3 Certificated Notes**

Certificated Notes will be issued in definitive registered form and will be represented by Individual Certificates.

#### **4. TITLE**

##### **4.1 Certificated Notes**

4.1.1 Subject to the provisions set out below, title to Certificated Notes will pass upon registration of transfer in the Register in accordance with Condition 14.

4.1.2 The Issuer, the Transfer Agent and the Paying Agent may deem and treat the registered holder of any Certificated Notes as the absolute owner of the Notes registered in the Noteholder's name (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes and shall not be bound to enter any trust in the Register or to take notice of or to accede to the execution of any trust (express, implied or constructive) to which any Note may be subject.

##### **4.2 Uncertificated Notes**

4.2.1 Title to Uncertificated Notes will pass upon registration of transfer in the Register in accordance with Condition 14. The Issuer, the Transfer Agent and the Paying Agent may deem and treat the registered holder thereof as the absolute owner of the Notes registered in the Noteholder's name (whether or not overdue and notwithstanding any notice of any previous loss or theft thereof) for all purposes and shall not be bound to enter any trust in the Register or to take notice of or to accede to the execution of any trust (express, implied or constructive) to which any Note may be subject.

4.2.2 Beneficial Interests in Uncertificated Notes may, in terms of existing law and practice, be transferred through the Central Securities Depository by way of book entry in the central securities accounts of the Participants. Such transfers will not be recorded in the Register and the Central Securities Depository's Nominee will continue to be reflected in the Register as the Noteholder in respect of Uncertificated Notes, notwithstanding such transfers. Any reference in this Programme Memorandum to the relevant Participant shall, in respect of Beneficial Interests, be a reference to the Participant appointed to act as such by a holder of such Beneficial Interest.

#### **5. STATUS OF NOTES**

5.1 The Notes constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and rank *pari passu* among themselves and at least equally with all other present and future unsecured and subordinated obligations of the Issuer, save for those that have been accorded preferential rights by law.

5.2 Subject to Applicable Law, in the event of the dissolution of the Issuer or if the Issuer is placed in liquidation or wound-up or commences business rescue proceedings, the claims of the persons entitled to be paid amounts due in respect of the Notes shall be subordinated to, and rank in priority of payment behind, all Concurrent Claims in respect of other indebtedness of the Issuer except for other Subordinated Indebtedness. Accordingly, no amount shall be eligible for set-off or shall be payable to any or all the persons entitled to be paid amounts due in respect of the Notes in respect of the obligations of the Issuer thereunder until all other indebtedness of the Issuer which is admissible in any such dissolution, insolvency, winding-up or business rescue (other than Subordinated Indebtedness) has been paid or discharged in full. The Notes will not be subordinated to any categories of share capital of the Issuer.

#### **6. SET-OFF**

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

#### **7. INTEREST**

##### **7.1 Interest on Fixed Rate Notes**

- 7.1.1 Except if otherwise specified in the Applicable Pricing Supplement, interest on Fixed Rate Notes will be paid on a semi-annual basis, on the Interest Payment Dates.
- 7.1.2 Each Fixed Rate Note bears interest on its outstanding Principal Amount from (and including) the Interest Commencement Date to (but excluding) the Redemption Date at the rate(s) per annum equal to the Fixed Interest Rate(s). Such interest shall fall due for payment in arrears on the Interest Payment Date(s) in each year and on the date of early redemption in accordance with Condition 8.5, or the Redemption Date, as the case may be, if either such date does not fall on an Interest Payment Date.
- 7.1.3 The first payment of interest will be made on the Interest Payment Date next following the Interest Commencement Date.
- 7.1.4 Except if otherwise specified in the Applicable Pricing Supplement, the amount of interest payable in respect of any six-month period shall be calculated by dividing the Fixed Interest Rate by two and multiplying the product by the Principal Amount, provided that -
- 7.1.4.1 if an Initial Broken Amount is specified in the Applicable Pricing Supplement, then the first Interest Amount shall equal the Initial Broken Amount specified in the Applicable Pricing Supplement; and
- 7.1.4.2 if a Final Broken Amount is specified in the Applicable Pricing Supplement, then the final Interest Amount shall equal the Final Broken Amount.
- 7.1.5 Save as provided in the preceding paragraphs, if interest is required to be calculated for a period other than 1 (one) year (in the case of annual interest payments) or other than 6 (six) months (in the case of semi-annual interest payments), as the case may be, such interest shall be calculated on the basis of the actual number of days in such period divided by 365.

## **7.2 Interest on Floating Rate Notes**

### **7.2.1 Interest Payment Dates**

Each Floating Rate Note bears interest on its outstanding Principal Amount from (and including) the Interest Commencement Date to (but excluding the Redemption Date) at the rate equal to the Interest Rate. Such interest shall fall due for payment in arrears on the Interest Payment Date(s) in each year and on the date of early redemption in accordance with Condition 8.5 or the Redemption Date, as the case may be, if either such date does not fall on an Interest Payment Date. The first payment of interest will be made on the Interest Payment Date next following the Interest Commencement Date.

### **7.2.2 Interest Rate**

The Interest Rate payable from time to time in respect of the Floating Rate Notes will be determined -

- a) on the basis of ISDA Determination; or
- b) on the basis of Screen Rate Determination; or
- c) on such other basis as may be determined by the Issuer,

all as indicated in the Applicable Pricing Supplement.

### **7.2.3 ISDA Determination**

Where ISDA Determination is specified in the Applicable Pricing Supplement as the manner in which the Interest Rate is to be determined, the Interest Rate for each Interest Period will be the relevant ISDA Rate (as defined below) plus or minus (as indicated in the Applicable Pricing Supplement) the Margin (if any).

For the purposes of this Condition 7.2.3 -

"ISDA Rate" for an Interest Period means a rate equal to the Floating Rate that would be determined by such Transfer Agent as is specified in the Applicable Pricing Supplement under an interest rate swap

transaction if that Transfer Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which -

- a) the Floating Rate Option is as specified in the Applicable Pricing Supplement;
- b) the Designated Maturity is the period specified in the Applicable Pricing Supplement; and
- c) the relevant Reset Date is either: (i) if the applicable Floating Rate Option is based on the ZAR-JIBAR-SAFEX on the first day of that Interest Period; or (ii) in any other case, as specified in the Applicable Pricing Supplement.

**"Floating Rate", "Floating Rate Option", "Designated Maturity" and "Reset Date"** have the meanings given to those terms in the ISDA Definitions.

When this Condition 7.2.3 applies, in respect of each Interest Period such agent as is specified in the Applicable Pricing Supplement will be deemed to have discharged its obligations under Condition 7.2.6 in respect of the determination of the Interest Rate if it has determined the Interest Rate in respect of such Interest Period in the manner provided in this Condition 7.2.3.

#### **7.2.4 Screen Rate Determination**

Where Screen Rate Determination is specified in the Applicable Pricing Supplement as the manner in which the Interest Rate is to be determined, the Interest Rate for each Interest Period will, subject as provided below, be either -

- a) If the Relevant Screen Page is available,
  - (i) the offered quotation (if only one quotation appears on the screen page); or
  - (ii) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage per annum) for the Reference Rate which appears on the Relevant Screen Page as at 11h00 (Johannesburg time) on the Interest Determination Date in question, plus or minus (as indicated in the Applicable Pricing Supplement) the Margin (if any), all as determined by the Calculation Agent. If five or more such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

- b) If the Relevant Screen Page is not available or if, in the case of (i) above, no such offered quotation appears or, in the case of (ii) above, fewer than three such offered quotations appear, in each case at the time specified in the preceding paragraph, the Calculation Agent shall request the principal Johannesburg office of each of the Reference Banks (as defined below) to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately 11h00 (Johannesburg time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Interest Rate for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of such offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Calculation Agent.
- c) If the Interest Rate cannot be determined by applying the provisions of (a) and (b) above, the Interest Rate for the relevant Interest Period shall be the rate per annum which the Calculation Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks offered, at approximately 11h00 (Johannesburg time) on the relevant Interest Determination Date, in respect of deposits in an amount approximately equal to the Principal Amount of the Notes of the relevant Series, for a period equal to that which would have been used for the Reference Rate, to Reference

Banks in the Johannesburg inter-bank market plus or minus (as appropriate) the Margin (if any). If less than two of the Reference Banks provide the Calculation Agent with such offered rates, the Interest Rate for the relevant Interest Period will be determined by the Calculation Agent as the arithmetic mean (rounded as provided above) of the rates for deposits in an amount approximately equal to the Principal Amount of the Notes of the relevant Series, for a period equal to that which would have been used for the Reference Rate, quoted at approximately 11h00 (Johannesburg time) on the relevant Interest Determination Date, by four leading banks in Johannesburg (selected by the Calculation Agent and approved by the Issuer) plus or minus (as appropriate) the Margin (if any). If the Interest Rate cannot be determined in accordance with the foregoing provisions of this paragraph, the Interest Rate shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period).

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the Applicable Pricing Supplement as being other than ZAR-JIBAR-SAFEX, the Interest Rate in respect of such Notes will be determined, in the manner provided above, or as may be provided in the Applicable Pricing Supplement.

**"Reference Banks"** means for the purposes of this Condition 7.2.4 four leading banks in the South African inter-bank market selected by the Calculation Agent and approved by the Issuer.

#### 7.2.5 *Minimum and/or Maximum Interest Rate*

If the Applicable Pricing Supplement specifies a Minimum Interest Rate for any Interest Period, then, in the event that the Interest Rate in respect of any such Interest Period determined in accordance with the above provisions is less than such Minimum Interest Rate, the Interest Rate for such Interest Period shall be such Minimum Interest Rate. If the Applicable Pricing Supplement specifies a Maximum Interest Rate for any Interest Period, then, in the event that the Interest Rate in respect of any such Interest Period determined in accordance with the above provisions is greater than such Maximum Interest Rate, the Interest Rate for such Interest Period shall be such Maximum Interest Rate.

#### 7.2.6 *Determination of Interest Rate and calculation of Interest Amount*

The Calculation Agent will, in the case of Floating Rate Notes, on or as soon as practical after each time at which the Interest Rate is to be determined, determine the Interest Rate and calculate the Interest Amount payable for the relevant Interest Period, and the Calculation Agent shall notify the Issuer of the Interest Rate for the relevant Interest Period as soon as practicable after determining or calculating the same but in any event no later than 4 (four) Business Days thereafter. Unless stated otherwise in the Applicable Pricing Supplement, each Interest Amount shall be calculated by multiplying the Interest Rate by the Principal Amount, then multiplying the product by the applicable Day Count Fraction and rounding the resultant product to the nearest smallest denomination of the Specified Currency, half of any such denomination being rounded upwards.

**"Day Count Fraction"** means in respect of the calculation of the Interest Amount for any Interest Period -

- a) if **"Actual/365"**, **"Act/365"**, **"Actual/Actual"** or **"Act/Act"** is specified in the Applicable Pricing Supplement, the actual number of days in the Interest Period in respect of which payment is being made divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (i) the actual number of days in that portion of the Interest Period falling in a leap year divided by 365 and (ii) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365); or
- b) if **"Actual/365 (Fixed)"**, **"Act/365 (Fixed)"**, **"A/365 (Fixed)"** or **"A/365F"** is specified in the Applicable Pricing Supplement, the actual number of days in the Interest Period in respect of which payment is being made divided by 365; or
- c) if **"Actual/360"**, **"Act/360"** or **"A/360"** is specified in the Applicable Pricing Supplement, the actual number of days in the Interest Period in respect of which payment is being made divided by 360; or

- d) if "30/360", "360/360" or "Bond Basis" is specified in the Applicable Pricing Supplement, the number of days in the Interest Period in respect of which payment is being made divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Interest Period is the 31<sup>st</sup> day of a month but the first day of the Interest Period is a day other than the 30<sup>th</sup> or 31<sup>st</sup> day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month or (ii) that last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); or
- e) such other calculation method as is specified in the Applicable Pricing Supplement.

#### *7.2.7 Notification of Interest Rate and Interest Amount*

The Calculation Agent will cause the Interest Rate and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Paying Agent, the JSE and the Central Securities Depository and/or every other relevant exchange or authority as soon as possible after their determination but in any event no later than the 4<sup>th</sup> (fourth) Business Day thereafter.

Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to the Issuer, the Paying Agent, the JSE, the Central Securities Depository and/or every other relevant exchange or authority and to the Noteholders in accordance with Condition 17.

#### *7.2.8 Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 7.2.8 by the Calculation Agent shall, in the absence of wilful deceit, bad faith, manifest error or proven error, be binding on the Issuer, the Paying Agent and all Noteholders, and no liability to the Issuer, the Paying Agent or the Noteholders shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

### **7.3 Interest on Mixed Rate Notes**

The Interest Rate payable from time to time on Mixed Rate Notes shall be the Interest Rate payable on any combination of Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes or Indexed Notes for respective periods, each as specified in the Applicable Pricing Supplement. During each such applicable period, the interest rate on the Mixed Rate Notes shall be determined and fall due for payment on the basis that such Mixed Rate Notes are Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes or Indexed Notes, as the case may be.

### **7.4 Interest on Indexed Notes**

In the case of Indexed Notes, if the Interest Rate or Final Redemption Amount falls to be determined by reference to an index and/or a formula, such rate or amount payable shall be determined in the manner specified in the Applicable Pricing Supplement. Any interest payable shall fall due for payment on the Interest Payment Date(s).

### **7.5 Interest on Instalment Notes**

In the case of Instalment Notes, interest will accrue on the amount outstanding on the relevant Note from time to time and otherwise as specified in the Applicable Pricing Supplement.

### **7.6 Accrual of Interest**

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date of its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue at the Interest Rate until the date on which all amounts due in respect of such Note have actually been paid, or, in respect

of Uncertificated Notes, the date on which the full amount of the moneys payable has been received by the Central Securities Depository and notice to that effect has been given to Noteholders in accordance with the Applicable Procedures and Condition 17.

## **7.7 Business Day Convention**

If any Interest Payment Date (or other date) which is specified in the Applicable Pricing Supplement to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is -

- a) the **"Floating Rate Business Day Convention"**, such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day unless it would thereby fall into the next month, in which event: (i) such Interest Payment Date (or other date) shall be brought forward to the first preceding Business Day; and (ii) each subsequent Interest Payment Date (or other date) shall be the last Business Day in the month which falls the number of months or other period specified as the Interest Period in the Applicable Pricing Supplement after the preceding applicable Interest Payment Date (or other date) has occurred; or
- b) the **"Following Business Day Convention"**, such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day; or
- c) the **"Modified Following Business Day Convention"**, such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day unless it would thereby fall into the next month, in which event such Interest Payment Date (or other such date) shall be brought forward to the first preceding Business Day; or
- d) the **"Preceding Business Day Convention"**, such Interest Payment Date (or other date) shall be brought forward to the first preceding Business Day.

## **8. REDEMPTION AND PURCHASE**

### **8.1 At maturity**

- 8.1.1 Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed in the Specified Currency by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the Applicable Pricing Supplement on the Redemption Date.
- 8.1.2 The Issuer shall be entitled to extend the Redemption Date of all or part of the Principal Amount Outstanding of Extendible Notes. If such option is exercised by the Issuer in respect of part of the Principal Amounts Outstanding of such Extendible Notes, then the Issuer shall redeem such portion of Notes not so extended at the Partial Redemption Amount and subject to any further extension, the redemption of the balance, being the Principal Amount Outstanding will be extended to a date specified in the Applicable Pricing Supplement or otherwise notified to Noteholders. For the avoidance of doubt, the Issuer is not obliged to treat all Noteholders of Extendible Notes in the same manner.

### **8.2 Redemption for tax reasons**

- 8.2.1 Notes may be redeemed at the option of the Issuer (but subject to the prior written consent of the Registrar) in whole, but not in part, at any time or on any Interest Payment Date, on giving not less than 30 (thirty) nor more than 60 (sixty) days' notice to the Noteholders in accordance with Condition 17 (which notice shall be irrevocable), if the Issuer is of the reasonable opinion that -
  - 8.2.1.1 on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided for or referred to in Condition 10 as a result of any change in or amendment to, the laws or regulations of the country of domicile (or residence for tax reasons) of the Issuer or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date; and

8.2.1.2 such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 (ninety) days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. On the date of publication of any notice of redemption pursuant to this Condition 8.2, the Issuer shall deliver to the Transfer Agent and the Paying Agent at their registered offices, for inspection by any holder of Notes so redeemed, a certificate signed by two authorised signatories of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

8.2.2 Notes redeemed pursuant to this Condition 8.2 will be redeemed at their Early Redemption Amount referred to in Condition 8.5, together (if appropriate) with interest accrued to (but excluding) the date of redemption.

### 8.3 Redemption at the option of the Issuer

8.3.1 If the Issuer is specified in the Applicable Pricing Supplement as having an option to redeem, the Issuer may, subject to –

8.3.1.1 prior written notice given to the Registrar within the period required by the Registrar of its intention to redeem the Notes and the Registrar having provided its written approval;

8.3.1.2 the Issuer, immediately following such redemption, being in compliance with the Regulatory Capital Requirements;

8.3.1.3 the required notice set out in the Applicable Pricing Supplement being delivered to the Noteholders in accordance with Condition 17;

8.3.1.4 not less than 7 (seven) days before giving the notice referred to in 8.3.1.3 above, giving notice to the Transfer Agent;

(both of which notices shall be irrevocable) redeem all or some of the Notes then Outstanding on the Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the Applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date(s).

8.3.2 Any such redemption amount must be of a nominal amount equal to or greater than the Minimum Redemption Amount or equal to or less than a Higher Redemption Amount, both as indicated in the Applicable Pricing Supplement. In the case of a partial redemption of Notes, the Notes to be redeemed ("**Redeemable Notes**") will be selected–

8.3.2.1 in the case of Redeemable Notes represented by Individual Certificates individually by lot; and

8.3.2.2 in the case of Redeemable Notes issued in uncertificated form in accordance with the Applicable Procedures,

and in each such case not more than 30 (thirty) days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**").

8.3.3 A list of the serial numbers of the Certificates will be published in accordance with Condition 17 not less than 15 (fifteen) days prior to the date fixed for redemption.

8.3.4 No exchange of Beneficial Interests in Notes issued in uncertificated form for Individual Certificates will be permitted during the period from and including the Selection Date to and including the date fixed for redemption pursuant to this Condition 8.3 and notice to that effect shall be given by the Issuer to the Noteholders in the notice to Noteholders contemplated in paragraph 8.3.1.1 above.

8.3.5 Holders of Redeemable Notes shall surrender the Certificates (if any), representing the Notes in accordance with the provisions of the notice given to them by the Issuer as contemplated above.

Where only a portion of the Notes represented by such Certificates are redeemed, the Transfer Agent shall deliver new Certificates to such Noteholders in respect of the balance of the Notes.

#### **8.4 Early Redemption following the occurrence of a Regulatory Event**

##### **8.4.1 Redemption**

- 8.4.1.1 The Issuer may at its option (but subject to the prior written consent of the Registrar) on giving not less than 30 (thirty) nor more than 60 (sixty) days' notice to the Noteholders in accordance with Condition 17 (which notice shall be irrevocable), redeem all (but not some only) of the Notes if a Regulatory Event has occurred and is continuing, if prior to the giving of such notice, the Auditors have in accordance with Condition 8.4.2 determined that a Regulatory Event has occurred and is continuing.
- 8.4.1.2 Notes redeemed as a result of a Regulatory Event pursuant to this Condition 8.3 will be redeemed at their Early Redemption Amount referred to in Condition 8.5, together (if appropriate) with interest accrued to (but excluding) the date of redemption.
- 8.4.1.3 From the date of publication of any notice of redemption pursuant to this Condition 8.4.1, the Issuer shall make available at its registered office, for inspection by any holder of Notes to be so redeemed, a certificate signed by or on behalf of the Auditors stating that a Regulatory Event has occurred and is continuing as at the date of the certificate.

##### **8.4.2 Determination of Regulatory Event**

If in the opinion of the Issuer, a Regulatory Event has occurred and is continuing and the Issuer wishes to redeem a Tranche of Notes pursuant to Condition 8.4.1, the Issuer will forthwith notify the Auditors thereof. Forthwith after receipt of such notice by the Auditors, the Issuer will procure that the Auditors determine, in accordance with this Condition 8.4.2, whether or not, in the reasonable opinion of the Auditors, a Regulatory Event has occurred and is continuing (the "**Determination**"). The Issuer will, promptly after demand therefor is made by the Auditors, provide the Auditors with all such information and documents as may reasonably be required by the Auditors to make the Determination.

#### **8.5 Early Redemption Amounts**

- 8.5.1 For the purpose of Conditions 8.2 and 8.4 (and otherwise as stated herein), the Notes will be redeemed at the Early Redemption Amount calculated as follows -
- 8.5.1.1 in the case of Notes with a Final Redemption Amount equal to the Principal Amount, at the Final Redemption Amount thereof; or
- 8.5.1.2 in the case of Notes (other than Zero Coupon Notes) with a Final Redemption Amount which is or may be less or greater than the Principal Amount, to be determined in the manner specified in the Applicable Pricing Supplement, at that Final Redemption Amount or, if no such amount or manner is so specified in the Pricing Supplement, at their Principal Amount; or
- 8.5.1.3 in the case of Zero Coupon Notes, at an amount (the "**Amortised Face Amount**") equal to the sum of (i) the Reference Price; and (ii) the product of the Implied Yield (compounded semi-annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or, as the case may be, the date upon which such Note becomes due and payable, or such other amount as is provided in the Applicable Pricing Supplement.
- 8.5.2 Where such calculation is to be made for a period which is not a whole number of years, it shall be calculated on the basis of actual days elapsed divided by 365, or such other calculation basis as may be specified in the Applicable Pricing Supplement.

#### **8.6 Instalment Notes**

Instalment Notes will be redeemed at the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 8.5.

## 8.7 Exchangeable Notes

If the Notes are Exchangeable Notes, they will be redeemed, whether at maturity, early redemption or otherwise in the manner indicated in the Applicable Pricing Supplement. Exchangeable Notes in respect of which Mandatory Exchange is indicated in the Applicable Pricing Supplement as applying, or upon the exercise by the Noteholder of the Noteholders' Exchange Right (if applicable), will be redeemed by the Issuer delivering to each Noteholder so many of the Exchange Securities as are required in accordance with the Exchange Price. The delivery by the Issuer of the Exchange Securities in the manner set out in the Applicable Pricing Supplement shall constitute the *in specie* redemption in full of such Notes.

## 8.8 Purchases

The Issuer or any of its Subsidiaries may at any time purchase Notes at any price in the open market or otherwise. Such Notes may, subject to Applicable Law, be held, resold, or, at the option of the Issuer surrendered to the Transfer Agent for cancellation.

## 8.9 Cancellation

All Notes which are redeemed will forthwith be cancelled. All Notes so cancelled shall be forwarded to the Issuer and cannot be re-issued or resold. Where only a portion of Notes represented by an Individual Certificate are cancelled, the Transfer Agent shall deliver an Individual Certificate to such Noteholder in respect of the balance of the Notes.

## 8.10 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note, pursuant to Condition 8 or upon its becoming due and repayable as provided in Condition 7, is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 8.5.1.3, as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid, and (ii) where relevant, 5 (five) days after the date on which the full amount of the moneys payable has been received by the Central Securities Depository, and notice to that effect has been given to the Noteholders in accordance with Condition 17.

# 9. PAYMENTS

## 9.1 General

- 9.1.1 Payments of principal and/or interest in respect of Uncertificated Notes will be made to the Central Securities Depository, or such other registered holder of the Uncertificated Notes, as shown in the Register on the Last Day to Register and the Issuer will be discharged of its relevant payment obligations by proper payment to the Central Securities Depository or the registered holder of the Uncertificated Notes in respect of each amount so paid. Each of the persons shown in the records of the Central Securities Depository and the Participants, as the case may be, shall look solely to the Central Securities Depository or the Participant, as the case may be, for his share of each payment so made by the Issuer to the registered holder of such Uncertificated Note(s). The Issuer will not have any responsibility or liability for any aspect of the records relating to, or payments made on account of Beneficial Interests, or for maintaining, supervising or review any records relating to such Beneficial Interests. Payment of interest and principal in respect of Uncertificated Notes held in the Central Securities Depository shall be recorded by the Central Securities Depository's Nominee, as the registered holder of the Notes, distinguishing between interest and principal, and such records of payments by the registered holder of the Uncertificated Notes shall be *prima facie* proof of such payments.
- 9.1.2 Payments of principal and/or interest on an Individual Certificate shall be made to the registered holder of such Note, as set forth in the Register on the close of business on the Last Day to Register (as specified in the Applicable Pricing Supplement). In addition to the above, in the case of a final redemption payment, the holder of the Individual Certificate shall be required, on or before the Last Day to Register prior to the Redemption Date, to surrender such Individual Certificate at the offices of the Transfer Agent.

## 9.2 **Uncertificated Notes**

Only Noteholders of Uncertificated Notes reflected in the Register at 17h00 (Johannesburg time) on the relevant Last Day to Register shall be entitled to payments of principal and/or interest in respect of such Notes.

## 9.3 **Certificated Notes**

Only Noteholders of Certificated Notes reflected in the Register at 17h00 (Johannesburg time) on the relevant Last Day to Register shall be entitled to payments of principal and/or interest in respect of such Notes.

Payments of Instalment Amounts in respect of Certificated Notes will be made to the holder of such Note only following presentation and surrender by the holder of the Certificate endorsing such Certificated Note.

Payments of the final instalment of principal in respect of Certificated Notes will be made to the holder of such Note only following presentation and surrender by the holder of such Note of the Certificate evidencing such Certificated Notes.

## 9.4 **Method of Payment**

9.4.1 Payments of interest and/or principal will be made by means of electronic funds transfer, to the Noteholder.

9.4.2 If the Issuer is prevented or restricted directly or indirectly from making any payment by electronic funds transfer in accordance with the preceding paragraph (whether by reason of strike, lockout, fire, explosion, floods, riot, war, accident, act of God, embargo, legislation, shortage of or breakdown in facilities, civil commotion, unrest or disturbances, cessation of labour, Government interference or control or any other cause or contingency beyond the control of the Issuer), the Issuer shall make such payment by cheque marked "*not transferable*" (or by such number of cheques as may be required in accordance with applicable banking law and practice) to make payment of any such amounts. Such payments by cheque shall be sent by post to the address of the Noteholder as set forth in the Register or, in the case of joint Noteholders the address set forth in the Register of the one of them who is first named in the Register in respect of that Note.

9.4.3 Each such cheque shall be made payable to the relevant Noteholder or, in the case of joint Noteholders of Certificated Notes the first one of them named in the Register. Cheques may be posted by ordinary post, provided that neither the Issuer nor the Paying Agent shall be responsible for any loss in transmission and the postal authorities shall be deemed to be the agent of the Noteholders for the purposes of all cheques posted in terms of this Condition 9.4.

9.4.4 In the case of joint Noteholders, payment by electronic funds transfer will be made to the account of the Noteholder first named in the Register. Payment by electronic transfer to the Noteholder first named in the Register shall discharge the Issuer of its relevant payment obligations under the Notes.

9.4.5 Payments will be subject in all cases to any taxation or other laws, directives and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 10.

9.4.6 Holders of Uncertificated Notes shall not be required to present and/or surrender any documents of title to the Paying Agent, however, they may be required to present such other documentation as the Participant or Paying Agent (to the extent that the Participant is not the Paying Agent in terms of the Applicable Pricing Supplement) may prescribe under its then prevailing rules.

## 9.5 **Deferred Payment**

### 9.5.1 **Deferral of Principal**

#### 9.5.1.1 *Mandatory Deferral of Principal*

If on the Redemption Date a Solvency Event has occurred or would occur, the payment of principal in respect of that relevant Tranche of Notes shall, unless the Registrar or the Regulator determines otherwise, be deferred for as long as the Solvency Event is continuing, provided that in the case where the payment of such principal would itself cause a Solvency Event to occur, the Issuer shall only be obliged to defer the payment of the Solvency Shortfall.

The Issuer shall notify the Noteholders of the existence of a Solvency Event in accordance with Condition 17 not less than 5 (five) Business Days prior to the Redemption Date. Non-payment of principal pursuant to this Condition 9.5.1.1 shall not constitute a default of the Issuer or any other breach of its obligations under the Notes or for any other purpose. Interest will continue to accrue on any amount of principal deferred in accordance with this Condition 9.5.1.1 at the Interest Rate applicable to that Tranche of Notes until the date the amount of principal so deferred is paid.

#### **9.5.1.2 *Deferral of Principal at the Request of the Registrar***

If the Registrar or the Regulator, in relation to a Tranche of Notes, requires the Issuer to defer the due date for payment of any principal (or portion thereof) payable in respect of such Notes, the Issuer shall, by giving a Deferral Notice to the holders of Notes in that Tranche, defer the due date for payment of such principal (or portion thereof) for such period, and subject to such conditions, as are prescribed by the Registrar or the Regulator.

The Deferral Notice shall specify the Deferred Payment Amount and (if a defined period is prescribed by the Registrar or the Regulator) the Deferred Payment Date. On the giving of a Deferral Notice specifying a Deferred Payment Date, the due date for payment of the Deferred Payment Amount shall be deferred to the Deferred Payment Date. On the giving of a Deferral Notice which does not specify a Deferred Payment Date, the due date for payment of the Deferred Payment Amount shall be deferred to such date in the future on which the Registrar or the Regulator confirms to the Issuer in writing that amounts, the payment of which had previously been deferred pursuant to this Condition 9.5, may be paid to the Noteholders. The Issuer shall not be obliged to make payment of the Deferred Payment Amount on the date upon which such Deferred Payment Amount, in the absence of this Condition 9.5, would otherwise have become due and payable, and a deferral of payment in terms of this Condition 9.5 shall not constitute an Event of Default.

Interest will continue to accrue on the Deferred Payment Amount, at the Interest Rate applicable to the relevant Tranche of Notes on the date upon which such Deferred Payment Amount, in the absence of this Condition 9.5, would otherwise have become due and payable, from and including such date to but excluding the Deferred Payment Date.

### **9.5.2 *Deferral of Interest***

#### **9.5.2.1 *Mandatory Deferral of Interest***

If on any Interest Payment Date a Solvency Event has occurred or would occur, the payment of interest in respect of the Notes otherwise falling due on such date shall, unless the Registrar or the Regulator determines otherwise, be deferred for as long as the Solvency Event is continuing, provided that in the case where the payment of such interest amount would itself cause a Solvency Event to occur, the Issuer shall only be obliged to defer the payment of the Solvency Shortfall.

The Issuer shall notify the Noteholders of the existence of a Solvency Event in accordance with Condition 17 not less than 5 (five) Business Days prior to the relevant Interest Payment Date. Non-payment of interest pursuant to this Condition 9.5.2.1 shall not constitute a default of the Issuer or any other breach of its obligations under the Notes or for any other purpose. Interest will continue to accrue on any amount of interest deferred in accordance with this Condition 9.5.2.1 at the Interest Rate applicable to that Tranche of Notes until the date the amount of interest so deferred is paid.

#### **9.5.2.2 *Deferral of Interest at the Request of the Registrar***

If the Registrar or the Regulator, in relation to a Tranche of Notes, requires the Issuer to defer the payment of any interest (or portion thereof) payable in respect of such Notes, the Issuer shall, by giving

a Deferral Notice (setting out the information referred to in Condition 9.5.1.2) to the holders of Notes in that Tranche, defer the payment of such interest (or portion thereof) for such period (which may, but will not necessarily be, a defined period), and subject to such conditions, as are prescribed by the Registrar or the Regulator. A deferral of interest in terms of this Condition 9.5.2.2 shall not constitute an Event of Default. Interest will continue to accrue on any amount of interest deferred in accordance with this Condition 9.5.2.2 at the Interest Rate applicable to that Tranche of Notes until the date the amount of interest so deferred is paid.

9.5.3 The Issuer may only make payments of amounts of principal and/or interest deferred in terms of this Condition 9.5 with the prior written consent of the Registrar or the Regulator.

9.5.4 All Deferred Payment Amounts which remain unpaid upon the dissolution, winding-up, liquidation or the implementation of business rescue proceedings in relation to the Issuer shall forthwith become due and payable upon the occurrence of any of the foregoing events. If more than one Deferred Payment Amount remains unpaid, payment in part thereof shall be made to the relevant Noteholders pro rata according to the proportion which each Deferred Payment Amount bears to the aggregate of all of the Deferred Payment Amounts in respect of all Notes Outstanding.

#### **9.6 Payment Day**

9.6.1 If the date for payment of any amount in respect of any Note is not a Business Day, then -

9.6.1.1 if a Business Day Convention is not specified in the Applicable Pricing Supplement, such date for payment shall be the following Business Day; or

9.6.1.2 if a Business Day Convention is specified in the Applicable Pricing Supplement, such date for payment shall be adjusted according to such Business Day Convention.

9.6.2 If the date for payment of any amount in respect of any Notes is not a Business Day and is not subject to any adjustment in accordance with a Business Day Convention, the holder thereof shall not be entitled to any further interest or other payment in respect of such delay.

#### **9.7 Interpretation of principal and interest**

9.7.1 Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable -

9.7.1.1 any additional amounts which may be payable with respect to principal under Condition 10;

9.7.1.2 the Final Redemption Amount of the Notes or the Early Redemption Amount of the Notes, as the case may be;

9.7.1.3 the Optional Redemption Amount(s) (if any) of the Notes;

9.7.1.4 in relation to Instalment Notes, the Instalment Amounts;

9.7.1.5 in relation to Zero Coupon Notes, the Amortised Face Amount (as defined under Condition 8.5.1.3); and

9.7.1.6 any premium and any other amounts which may be payable under or in respect of the Notes, but excluding for the avoidance of doubt, interest.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 10.

#### **10. TAXATION**

10.1 As at the date of this Programme Memorandum, all payments of principal and/or interest in respect of the Notes will be made without withholding or deduction for or on account of any present or future taxes, duties,

assessments or governmental charges ("**taxes**") of whatever nature imposed or levied by or in or on behalf of the country of domicile (or residence for tax purposes) of the Issuer or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. The payment of any taxes by the Issuer as an agent or representative taxpayer for a Noteholder shall not constitute a withholding or deduction for the purposes of this Condition 10.

- 10.2 In the event of any such withholding or deduction in respect of taxes being levied or imposed on interest or principal payments on the Notes, the Issuer shall pay such additional amounts as shall be necessary in order that the net amounts received by the Noteholders after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, as the case may be, in the absence of such withholding or deduction except that no such additional amounts shall be payable with respect to any Note -
- 10.2.1 held by or on behalf of a Noteholder, who is liable for such taxes in respect of such Note by reason of it having some connection with the country of domicile (or residence for tax purposes) of the Issuer other than the mere holding of such Note or the receipt of principal or interest in respect thereof; or
- 10.2.2 held by or on behalf of a Noteholder which would not be liable or subject to the withholding or deduction by complying with any statutory requirement or by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority; or
- 10.2.3 where such withholding or deduction is in respect of taxes levied or imposed on interest or principal payments only by virtue of the inclusion of such payments in the Taxable Income or Taxable Gains (each as defined below) of any Noteholder; or
- 10.2.4 where (in the case of any payment of principal or interest which is conditional on surrender of the relevant Certificate in accordance with these Terms and Conditions) the relevant Certificate is surrendered for payment more than 30 (thirty) days after the Relevant Date except to the extent that the relevant Noteholder would have been entitled to an additional amount on presenting the Certificate for payment on such 30<sup>th</sup> (thirtieth) day; or
- 10.2.5 if such withholding or deduction arises through the exercise by revenue authorities of special powers in respect of tax defaulters;
- 10.2.6 where the Noteholder is entitled to claim a tax reduction, credit or similar benefit in respect to such withholding or deduction in terms of the Noteholder's domestic tax laws or applicable double tax treaty; or
- 10.2.7 where such withholding or deduction is required to be made by the Paying Agent from any payment of principal and/or interest in respect of such Notes if such payment can be made without withholding or deduction by any other Paying Agent.

For the purposes of this Condition 10 -

**"Taxable Income"** means any "taxable income" as defined in section 1 of the Income Tax Act;

**"Taxable Gain"** means any "taxable capital gain" as defined in paragraph 1 of Schedule 8 to the Income Tax Act; and

**"Income Tax Act"** means the Income Tax Act, 1962, as amended.

Any reference in these Terms and Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under these Terms and Conditions or under any undertakings given in addition to, or in substitution for, these Terms and Conditions.

## 11. PRESCRIPTION

The Notes will become void unless presented for payment of principal within a period of 3 (three) years after the Relevant Date, save that claims against the Issuer under any Individual Certificate constituting a "*bill of exchange or other negotiable instrument*" in accordance with section 11 of the Prescription Act, 1969

will become void unless presented for payment of principal and interest within a period of 6 (six) years from the Relevant Date.

## **12. EVENTS OF DEFAULT**

12.1 An Event of Default shall occur if -

12.1.1 the Issuer fails to pay any principal or interest (subject to Condition 9.5) under the Notes on its due date for payment and such failure continues for a period of 5 (five) Business Days after the due date for such payment; or

12.1.2 the Issuer initiates or consents to judicial proceedings relating to itself under any applicable compromise with creditors, liquidation, winding-up or insolvency or other similar laws or compromises or attempts to compromise with its creditors generally (or any significant class of creditors) or any meeting of creditors is convened by the Issuer to consider a proposal for an arrangement or compromise with its creditors generally (or any significant class of its creditors); or

12.1.3 the Issuer is unable to pay its debts, suspends or threatens to suspend payment of all or a material part of its Indebtedness, commences negotiations or takes any other step with a view to the deferral, rescheduling or other re-adjustment of all or a material part of its Indebtedness, proposes or makes a general assignment or an arrangement with or for the benefit of its creditors or a moratorium is agreed or declared in respect of or affecting all or a material part of the Indebtedness of the Issuer; or

12.1.4 any business rescue proceedings under the Companies Act is commenced against the Issuer or a meeting of the Issuer is convened to consider or pass a resolution to commence business rescue proceedings against the Issuer.

12.2 If the Issuer becomes aware of the occurrence of any Event of Default, the Issuer shall forthwith notify all Noteholders and the JSE.

12.3 Upon the happening of an Event of Default, any Noteholder may, and by written notice to the Issuer at its registered office, effective upon the date of receipt thereof by the Issuer, declare the Notes held by such Noteholder to be forthwith due and payable. Upon receipt of that notice, such Notes, together with accrued interest (if any) to the date of payment, shall (subject to the prior written consent of the Registrar) become forthwith due and payable at the Early Redemption Amount (as described in Condition 8.5).

## **13. DELIVERY, EXCHANGE AND REPLACEMENT OF CERTIFICATES**

13.1 Upon the issue of Certificated Notes or Uncertificated Notes, or upon notice from a Participant pursuant to Condition 13.3 requesting the exchange of a Beneficial Interest in an Uncertificated Note for an Individual Certificate(s), the Transfer Agent shall deliver the relevant Individual Certificate(s).

13.2 Notes of each Tranche listed on the Interest Rate Market of the JSE will be issued in the form of Uncertificated Notes and will be lodged and immobilised in the Central Securities Depository and registered in the name, and for the account, of the Central Securities Depository's Nominee.

13.3 Any person holding a Beneficial Interest in Uncertificated Notes may, in terms of the Applicable Procedures and through its nominated Participant, direct a written request to the Transfer Agent for an Individual Certificate representing the number of Notes to be delivered by the Issuer in exchange for such Beneficial Interest. The aggregate of the Principal Amount of the Notes represented by such Individual Certificate shall be equivalent to the amount of such Beneficial Interest. The Transfer Agent shall deliver such Individual Certificate upon such written request no later than 14 (fourteen) days after receiving the written request of the holder of such Beneficial Interest in accordance with the Applicable Procedures, provided that, joint holders of a Beneficial Interest shall be entitled to receive only one Individual Certificate in respect of that joint holding and delivery to one of those joint holders shall be delivery to all of them.

13.4 Upon receipt of a written request for delivery of an Individual Certificate, in terms of Condition 13.3 the Uncertificated Notes shall, in terms of the Applicable Procedures, be presented to the Transfer Agent for splitting and a new Note for the balance of the Notes (if any) still held by the Central Securities Depository's Nominee shall be delivered to the Central Securities Depository.

- 13.5 A Noteholder shall be entitled to receive an Individual Certificate evidencing the Notes transferred to that Noteholder within 7 (seven) days after registration of that transfer in accordance with Condition 14 (and which will apply mutatis mutandis to such Individual Certificate), provided that joint Noteholders will be entitled to receive only one Individual Certificate in respect of that joint holding, and the delivery to one of those Noteholders shall be delivery to all of them.
- 13.6 Any person becoming entitled to Certificated Notes or Uncertificated Notes in consequence of the death, sequestration or liquidation of the holder of such Notes may upon producing such evidence that he holds the position in respect of which he proposes to act under this Condition 13 or of his title as the Issuer and the Transfer Agent shall require, be registered himself as the holder of such Notes or, subject to the requirements of the Applicable Procedures and of this Condition 13, may transfer such Notes. The Issuer and the Paying Agent shall be entitled to retain any amount payable upon the Notes to which any person is so entitled until such person shall be registered as aforesaid or shall duly transfer the Notes.
- 13.7 If an Individual Certificate is worn out or defaced then, within 14 (fourteen) days of its presentation to the Transfer Agent, the Transfer Agent shall cancel that Individual Certificate and issue a new Individual Certificate in its place.
- 13.8 If an Individual Certificate is stolen, lost or destroyed then upon proof thereof to the satisfaction of the Transfer Agent, a new Individual Certificate in lieu thereof may be issued to the person entitled to that stolen, lost or destroyed Individual Certificate provided that the Noteholder shall provide the Transfer Agent and the Issuer with an indemnity and pay any out-of-pocket expenses incurred in connection with the indemnity. The person providing the indemnity and the form of the indemnity shall be to the satisfaction of the Issuer. The new Individual Certificate shall be issued within 14 (fourteen) days from the date that the conditions for issuing such Individual Certificate have been fulfilled.
- 13.9 An entry as to the issue of a new Individual Certificate and indemnity (if any) shall be made in the Register (in respect of Certificated Notes) upon the date of issue of the new Individual Certificate.
- 13.10 Individual Certificates to be provided by the Issuer to Noteholders shall be collected by the Noteholders from the Transfer Agent.
- 13.11 Individual Certificates shall be provided (whether by way of issue, delivery or exchange) by the Issuer without charge, save as otherwise provided in these Terms and Conditions. Separate costs and expenses relating to the provision of Individual Certificates and/or the transfer of Notes, whether Certificated Notes or Uncertificated Notes, may be levied by other persons, such as a Settlement Agent, under the Applicable Procedures and such costs and expenses shall not be borne by the Issuer. The costs and expenses of delivery of Individual Certificates otherwise than by ordinary post (if any) and, if the Issuer shall so require, taxes or governmental charges or insurance charges that may be imposed in relation to such mode of delivery shall be borne by the Noteholder.

#### **14. REGISTER**

- 14.1 The Register of Noteholders -
- 14.1.1 shall be kept at the registered office of the Transfer Agent or such other person as may be appointed for the time being by the Issuer to maintain the Register;
- 14.1.2 shall contain the number of Notes issued and Outstanding and whether they are Certificated Notes or Uncertificated Notes;
- 14.1.3 shall contain the names, addresses and bank account details of the Noteholders;
- 14.1.4 shall show the total Principal Amount of the Notes issued to such Noteholder and the date of such issue;
- 14.1.5 shall show the serial numbers of the Certificates issued in respect of Certificated Notes (if any);
- 14.1.6 shall be open for inspection at all reasonable times during business hours on Business Days by any Noteholder or any person authorised in writing by a Noteholder; and

14.1.7 shall be closed during the Books Closed Period.

14.2 Except as provided for in these Terms and Conditions or as required by law, in respect of Notes, the Issuer will only recognise a Noteholder as the owner of the Notes registered in that Noteholder's name as per the Register.

14.3 Except as provided for in these Terms and Conditions or as required by law, the Issuer shall not be bound to enter any trust in the Register or to take notice of or to accede to the execution of any trust (express, implied or constructive) to which any Note may be subject.

14.4 The Transfer Agent shall alter the Register in respect of any change of name, address or bank account number of any of the Noteholders of which it is notified.

## **15. TRANSFER OF NOTES**

### **15.1 Certificated Notes**

15.1.1 In order for any transfer of Certificated Notes to be effected through the Register and for the transfer to be recognised by the Issuer, each transfer of a Certificated Note –

15.1.1.1 must be embodied in a Transfer Form;

15.1.1.2 must be signed by the relevant Noteholder and the transferee, or any authorised representatives of that registered Noteholder or transferee;

15.1.1.3 shall only be in respect of the Specified Denomination of the Note or integral multiples thereof, and consequently the Issuer will not recognise any fraction of the Specified Denomination; and

15.1.1.4 must be made by way of the delivery of the Transfer Form to the Transfer Agent together with the Certificate in question for cancellation (if only part of the Notes represented by a Certificate is transferred, a new Certificate for the balance will be issued to the transferor and the cancelled Individual Certificate will be retained by the Transfer Agent).

15.1.2 The transferor of any Certificated Notes represented by an Individual Certificate shall be deemed to remain the registered owner thereof until the transferee is registered in the Register as the holder thereof.

15.1.3 Before any transfer is registered all relevant transfer taxes (if any) must have been paid and such evidence must be furnished as the Transfer Agent reasonably requires as to the identity and title of the transferor and the transferee.

15.1.4 The Transfer Agent will, within 3 (three) Business Days of receipt by it of a valid Transfer Form (or such longer period as may be required to comply with any applicable taxation or other laws, regulations or Applicable Procedures), authenticate and deliver to the transferee (at the risk of the transferee) a new Certificate in respect of the Notes transferred.

15.1.5 No transfer will be registered whilst the Register is closed.

15.1.6 In the event of a partial redemption of Notes under Condition 8.3 the Issuer and the Transfer Agent shall not be required –

15.1.6.1 to register the transfer of any Notes during the period beginning on the 10<sup>th</sup> (tenth) day before the date of the partial redemption and ending on the date of the partial redemption (both inclusive); or

15.1.6.2 to register the transfer of any Note, or part of a Note, called for partial redemption.

## **15.2 Uncertificated Notes**

- 15.2.1 Beneficial Interests in Uncertificated Notes held with the Central Securities Depository may be transferred only in terms of the Applicable Procedures.
- 15.2.2 Transfers of Beneficial Interests to and from clients of Participants occur by way of electronic book entry in the securities account maintained by the Participants for their clients, in accordance with the Applicable Procedures.
- 15.2.3 Transfers of Beneficial Interests in Notes represented by Uncertificated Notes will not be recorded in the Register and the Central Securities Depository's Nominee will continue to be reflected in the Register as the Noteholder of such Notes notwithstanding such transfers.
- 15.2.4 In the event of a partial redemption of Notes under Condition 8.3 the Issuer and the Transfer Agent shall not be required -
  - 15.2.4.1 to register the transfer of any Notes during the period beginning on the 10<sup>th</sup> (tenth) day before the date of the partial redemption and ending on the date of the partial redemption (both inclusive); or
  - 15.2.4.2 to register the transfer of any Note, or part of a Note, called for partial redemption.

## **16. TRANSFER AGENT, CALCULATION AGENT AND PAYING AGENT**

The Issuer is entitled to vary or terminate the appointment of the Transfer Agent, the Calculation Agent and/or the Paying Agent and/or appoint additional or other agents and/or approve any change in the specified office through which any agent acts, provided that there will at all times be a Transfer Agent, Calculation Agent and Paying Agent with an office in such place as may be required by the Applicable Procedures. The Transfer Agent, Paying Agent and Calculation Agent act solely as the agents of the Issuer and do not assume any obligation towards or relationship of agency or trust for or with any Noteholders.

## **17. NOTICES**

- 17.1 All notices to Noteholders shall be valid if -
  - 17.1.1 sent by registered mail or delivered by hand to their addresses appearing in the Register; or
  - 17.1.2 published in an English language daily newspaper of general circulation in the Republic of South Africa; or
  - 17.1.3 for so long as the Notes are listed on the Interest Rate Market of the JSE and held in their entirety by the Central Securities Depository, there may be substituted for publication as contemplated in Conditions 17.1.1 and 17.1.2, the delivery of the relevant notice to the Central Securities Depository and the Securities Exchange News Service of the JSE (SENS) for communication by them to the holders of Beneficial Interests in the Uncertificated Notes and any such notices shall be deemed to have been given on the date of the first publication.
- 17.2 Any notice given to Noteholders in terms of Condition 17.1.1 shall be deemed to have been given on the 7<sup>th</sup> (seventh) day after the day on which it is mailed, and on the day of delivery, if delivered. Any notice published in accordance with Condition 17.1.2, shall be deemed to have been given on the day of such publication.
- 17.3 Any notice given by any Noteholder to the Issuer shall be deemed to have been received by the Issuer, if delivered to the registered office of the Issuer, on the date of delivery, and if sent by registered mail, on the 7<sup>th</sup> (seventh) day after the day on which it is sent, together with a certified copy of the relevant Certificate. In respect of Uncertificated Notes, notice may be given by any holder of a Beneficial Interest in those Notes to the Issuer via the relevant Participant in accordance with the Applicable Procedures, in such manner as the Issuer and the relevant Participant may approve for this purpose. Such notices shall be deemed to have been received by the Issuer, if delivered by hand, on the 2<sup>nd</sup> (second) Business Day after being hand delivered, or, if sent by registered mail, 7<sup>th</sup> (seventh) day after posting. The Issuer may

change its registered office upon 10 (ten) Business Days prior written notice to Noteholders specifying such new registered office.

18. **MEETINGS OF NOTEHOLDERS**

- 18.1 A Noteholder, may by an instrument in writing (a "**form of proxy**") signed by the Noteholder or, in the case of a corporation, executed under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation, appoint any person (a "**proxy**" or "**proxies**") to act on his or its behalf in connection with any meeting or proposed meeting of a Class of Noteholders.
- 18.2 Any proxy appointed pursuant to Condition 18.1 or a Representative shall, so long as the appointment remains in force, be deemed for all purposes in connection with any meeting or proposed meeting of that Class of Noteholders specified in the appointment, to be the holder of the Notes to which the appointment relates and the actual beneficial holder of the Notes shall be deemed for such purposes not to be the Noteholder.
- 18.3 The proxies and Representatives need not be Noteholders.
- 18.4 Each form of proxy (or certified copy thereof) shall be deposited at such place as the Transfer Agent shall approve not less than 24 hours before the time appointed for holding the meeting or adjourned meeting at which the proxies named in the form of proxy propose to vote and the form of proxy shall not be treated as valid unless the Chairman of the meeting decides otherwise before such meeting or adjourned meeting proceeds to business. The Transfer Agent shall not thereby be obliged to investigate or be concerned with the validity of or the authority of the proxies named in any such form of proxy.
- 18.5 Any vote given in accordance with the terms of a proxy shall be valid notwithstanding the previous revocation or amendment of the form of proxy or of any of the Noteholders' instructions pursuant to which it was executed provided that no intimation in writing of such revocation or amendment shall have been received by the Transfer Agent or the Issuer at its specified office (or such other place as may have been approved by the Transfer Agent for the purpose) by the time being 24 hours before the time appointed for holding the meeting or adjourned meeting at which the form of proxy is to be used.
- 18.6 The Issuer may at any time and, upon a requisition in writing of any Class of Noteholders holding not less than 20% in Principal Amount of the Notes for the time being Outstanding in that Class of Noteholders, convene a meeting of the Noteholders and if the Issuer fails for a period of 7 (seven) Business Days in convening such a meeting the same may be convened by the requisitionists. Whenever the Issuer or any Class of Noteholders, as the case may be, is/are about to convene any such meeting it/they shall forthwith give notice in writing to the Transfer Agent, the Arrangers and the Dealers of the day, time and place thereof and of the nature of the business to be transacted thereat. Every such meeting shall be held at such time and place as the Transfer Agent may approve.
- 18.7 At least 21 (twenty one) Business Days' notice (exclusive of the day on which the notice is given and the day on which the meeting is held) specifying the place, day and hour of meeting shall be given to the Class of Noteholders (and the Issuer, if the meeting is convened by any Class of Noteholders) prior to any meeting of the Noteholders of that Class in the manner provided by Condition 17. Such notice shall state generally the Class of Noteholders which are to meet, the nature of the business to be transacted at the meeting, the date, place and time of the meeting and the terms of any resolution to be proposed. Such notice shall include a statement to the effect that proxy forms may be deposited with the Transfer Agent for the purpose of appointing proxies not less than 24 hours before the time fixed for the meeting.
- 18.8 A person (who may need not be a Noteholder) nominated in writing by the Issuer shall be entitled to take the chair at every such meeting but if no such nomination is made, or if at any meeting the person nominated is not present within thirty minutes after the time appointed for holding the meeting, the Noteholders of the relevant Class present shall choose a Noteholder of that Class to be Chairman.
- 18.9 At any such meeting one or more Noteholders in that Class present or represented by proxies or Representatives and holding or representing in the aggregate not less than one third in Principal Amount of the Notes for the time being Outstanding shall (except for the purpose of passing an Extraordinary Resolution) form a quorum for the transaction of business and no business (other than the choosing of a Chairman) shall be transacted at any meeting unless the requisite quorum be present at the

commencement of business. The quorum at any such meeting for passing an Extraordinary Resolution shall (subject as provided below) be one or more Noteholders of that Class present or represented by proxies or Representatives and holding or representing in the aggregate a clear majority in Principal Amount of the Notes held by the applicable Class for the time being Outstanding. Subject to Condition 9.5, at any meeting the business of which includes any of the following matters, shall only be capable of being effected after having been approved by Extraordinary Resolution namely –

- 18.9.1 modification of the Redemption Date of any Notes or reduction or cancellation of the Principal Amount payable upon maturity or earlier redemption or repayment or variation of the method of calculating the amount payable upon maturity or earlier redemption or repayment; or
- 18.9.2 reduction or cancellation of the amount payable or modification of the payment date in respect of any interest in respect of the Notes or variation of the method of calculating the Interest Rate in respect of the Notes; or
- 18.9.3 reduction or increase of any Minimum Interest Rate and/or Maximum Interest Rate specified in the Applicable Pricing Supplement of any Note; or
- 18.9.4 modification of the currency in which payments under the Notes are to be made; or
- 18.9.5 modification of the majority required to pass an Extraordinary Resolution.

At any meeting whose business includes any of such matters, the quorum shall be one or more Noteholders of that Class present or represented by proxies or Representatives and holding or representing in the aggregate not less than two thirds in Principal Amount of the Notes of that Class for the time being Outstanding. An Extraordinary Resolution passed at any meeting of the holders of Notes of that Class will be binding on all holders of Notes, whether or not they are present at the meeting.

- 18.10 If within thirty minutes after the time appointed for any such meeting a quorum is not present the meeting shall, if convened upon the requisition of Noteholders, be dissolved. In any other case it shall stand adjourned to such date and time being not less than 14 (fourteen) days nor more than 21 (twenty one) days thereafter, and at the same time and place, except in the case of a meeting at which an Extraordinary Resolution is to be proposed in which case it shall stand adjourned for such period not being less than 14 (fourteen) days, and at such place as may be appointed by the Chairman and approved by the Transfer Agent. At such adjourned meeting one or more Noteholders of the applicable Class present or represented by proxies or Representatives (whatever the Principal Amount of the Notes so held or represented by them) shall (subject as provided below) form a quorum and shall (subject as provided below) have power to pass any Extraordinary Resolution or other resolution and to decide upon all matters which could properly have been dealt with at the original meeting had the requisite quorum been present, provided that at any adjourned meeting the business of which includes any of the matters specified in the proviso to Condition 18.9 above, the quorum shall be one or more Noteholders in that Class present or represented by proxy or Representatives and holding or representing in the aggregate not less than one third in Principal Amount of the Notes for the time being Outstanding.
- 18.11 Notice of any adjourned meeting at which an Extraordinary Resolution is to be submitted shall be given in the same manner as notice of an original meeting but as if 14 (fourteen) were substituted for 21 (twenty one) in Condition 18.7 above and such notice shall (except in cases where the proviso to Condition 18.10 above shall apply when it shall state the relevant quorum) state that one or more Noteholders in that Class present or represented by proxies or Representatives at the adjourned meeting whatever the Principal Amount of the Notes held or represented by them will form a quorum.
- 18.12 Except where otherwise provided, every resolution proposed to be passed at a meeting shall be decided on a poll and in case of equality of votes the Chairman shall have a casting vote in addition to the vote or votes (if any) to which he may be entitled as a Noteholder or as a proxy or as a Representative. Each Noteholder present in person or by proxy at the meeting shall have that proportion of all votes capable of being cast which the Principal Amount of the Notes held by the Noteholder bears to the aggregate Principal Amount Outstanding of all the Notes.
- 18.13 The Chairman may with the consent of (and shall if directed by) any such meeting adjourn the same from time to time and from place to place but no business shall be transacted at any adjourned meeting except

business which might lawfully (but for the lack of required quorum) have been transacted at the meeting from which the adjournment took place.

- 18.14 Any officer or director of the Issuer, and/or its nominated Representative and/or its lawyers and the Transfer Agent may attend and speak at any meeting. Save as aforesaid, but without prejudice to the proviso to the definition of "**Outstanding**", no person shall be entitled to attend and speak nor shall any person be entitled to vote at any meeting of the Noteholders or join with others in requisitioning the convening of such a meeting unless he/she either produces proof acceptable to the Issuer that he/she is the Noteholder or is a proxy or a Representative. The Issuer shall not be entitled to vote at any meeting in respect of Notes held by it for the benefit of any person and no other person shall be entitled to vote at any meeting in respect of Notes held by it for the benefit of any other person unless duly authorised as contemplated herein. Nothing herein contained shall prevent any of the proxies named in any form of proxy or any representative from being a director, an officer or Representative of or otherwise connected with the Issuer.
- 18.15 Any resolution passed at a meeting of a Class of Noteholders duly convened and held in accordance with the provisions hereof shall be binding upon all the Noteholders of that Class whether present or not present at such meeting and whether or not voting, and all the Noteholders of the applicable Class shall be bound to give effect thereto accordingly and the passing of any such resolution shall be conclusive evidence that the circumstances justify the passing thereof. Notice of the result of the voting on any resolution duly considered by the Noteholders shall be published in accordance with Condition 17 by the Issuer within 14 (fourteen) Business Days of such result being known provided that the non-publication of such notice shall not invalidate such resolution.
- 18.16 Minutes of all resolutions and proceedings at every such meeting as aforesaid shall be recorded and maintained by the Transfer Agent and duly entered in books to be from time to time provided for that purpose by the Issuer and any such minutes as aforesaid if purporting to be signed by the Chairman of the meeting at which such resolutions were passed or proceedings had, shall be conclusive evidence of the matters therein contained. Until the contrary is proven every such meeting in respect of the proceedings of which minutes have been made shall be deemed to have been duly held and convened and all resolutions passed or proceedings had thereat to have been duly passed or had.
- 18.17 Round Robin Resolutions
- 18.17.1 Notwithstanding anything to the contrary contained in this Condition 18, as regards any resolution that could be voted on at a Noteholders' meeting, such resolution may instead be voted on in writing by Noteholders entitled to exercise voting rights in relation to the proposed written resolution ("**Round Robin Resolution**") within 15 days after the proposed written resolution was submitted to such Noteholders.
- 18.17.2 Such Round Robin Resolution shall be regarded as having been adopted if it was supported by Noteholders entitled to exercise sufficient voting rights for it to have been adopted in accordance with the voting percentage prescribed above at a properly constituted meeting of Noteholders.
- 18.17.3 The notice of the proposed written resolution to Noteholders shall include the written resolution including any restrictions on voting contemplated in this Programme Memorandum, the last date on which the Noteholder must return the signed resolution and the address to which it should be sent.
19. **MODIFICATION**
- 19.1 The Issuer may effect any modification of the Terms and Conditions which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law of the jurisdiction in which the Issuer is incorporated and the governing law in accordance with which Notes are issued. Any such modification shall be binding on the relevant Class of Noteholders and any such modification shall be notified to the relevant Class of Noteholders in accordance with Condition 17 as soon as practical thereafter.
- 19.2 Any modification of these Terms and Conditions which may have a direct effect on compliance with the JSE Debt Listings Requirements or the requirements of such other financial exchange, as the case may be, will require the approval of the JSE or such other financial exchange, as the case may be.

- 19.3 Save as provided in Conditions 19.1 and 19.2, no modification of these Terms and Conditions may be effected unless -
- 19.3.1 in writing and signed by or on behalf of the Issuer and by or on behalf of the members of the relevant Class of Noteholders holding not less than 66.67%, in nominal amount, of the Notes in that Class for the time being Outstanding; or
- 19.3.2 sanctioned by an Extraordinary Resolution.

20. **FURTHER ISSUES**

The Issuer shall be at liberty from time to time without the consent of the Noteholders to create and issue further Notes having terms and conditions the same as any of the other Notes issued under the Programme or the same in all respects save for the amount and date of the first payment of interest thereon, the Issue Price and the Issue Date, so that the further Notes shall be consolidated to form a single Series with the Outstanding Notes.

21. **GOVERNING LAW**

The provisions of the Programme Memorandum and the Notes are governed by, and shall be construed in accordance with, the laws of South Africa.

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## USE OF PROCEEDS

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*Words used in this section headed "Use of Proceeds" shall bear the same meanings as defined in the section entitled "Terms and Conditions of the Notes", except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.*

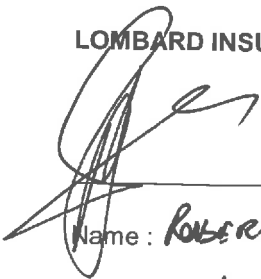
For purposes of the Commercial Paper Regulations, it is recorded that the "Ultimate Borrower" as defined in the Commercial Paper Regulations, of the net proceeds from each Tranche of Notes will be the Issuer unless otherwise indicated in the Applicable Pricing Supplement.

The net proceeds from the issue of the Notes will be applied by the Issuer for general business purposes, unless otherwise indicated in the Applicable Pricing Supplement.

Signed at  on this 17th day of November 2014.

For and on behalf of

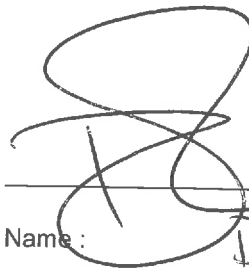
**LOMBARD INSURANCE COMPANY LIMITED**



Name: **ROBERT JOHN SYMONDS**

Capacity: **MANAGING DIRECTOR**

Who warrants that his/her authority hereto



Name:

**Dean Hyle**

Capacity: **Financial Director**

who warrants his/her authority hereto

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## DESCRIPTION OF ISSUER

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Words used in this section headed "Description of Issuer" shall bear the same meanings as defined in the section entitled "Terms and Conditions of the Notes", except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

### DESCRIPTION OF THE ISSUER

The Issuer, Lombard Insurance Company Limited ("**Lombard**" or the "**Issuer**" or the "**Company**") is a company incorporated in South Africa in terms of the Companies Act under registration number 1990/001253/06. It is a wholly-owned subsidiary of LomHold Proprietary Limited ("**LomHold**"). The Issuer is a privately owned, niche short-term insurance company operating in the guarantee, surety and credit insurance markets. The Issuer is a registered short-term insurance company and is regulated by the South African Financial Services Board ("**FSB**").

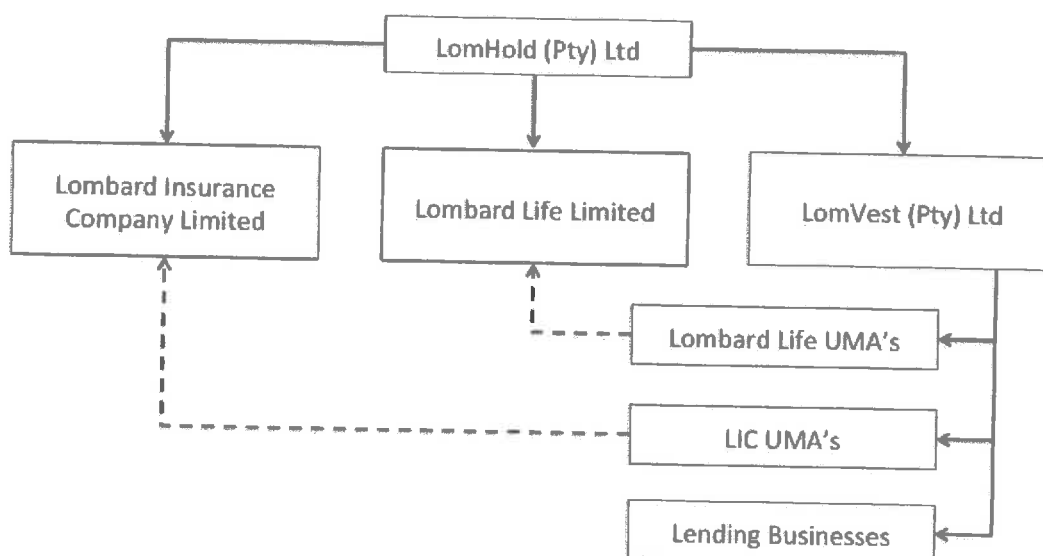
For further information on the Issuer and the Lombard Group (the "**Group**"), refer to the 2014 annual financial statements of the Issuer which are available on the Lombard website ([www.lombardins.com](http://www.lombardins.com)).

### BACKGROUND AND HISTORY

The Issuer was established in 1990 as a niche surety and guarantee insurer in the surety and guarantee market, predominantly in the construction sector. The Issuer has since grown to include mining rehabilitation guarantee and customs bond products, has ventured into trade credit insurance and has established a partnership division, which now includes a number of underwriting managers supplying the market with various niche commercial insurance products. Today, Lombard is recognised and respected for its diverse range of insurance products, its expertise, and its superior service.

### ORGANISATIONAL STRUCTURE

A simplified organogram of the Issuer's corporate structure at 30 June 2014 is set out below:



### DESCRIPTION OF THE ISSUER'S PRINCIPAL BUSINESS

The Issuer is a niche short-term insurer providing specialist insurance products. Under the Lombard brand there are 4 key focus areas, each represented by its own division:

- **Construction Bonds and Guarantees:** serves the entire spectrum of the construction industry and offers a wide range of bonds and guarantees, including but not limited to performance bonds,

advance payment guarantees and retention guarantees. The division also offers monitoring, legal and technical support. The division is active throughout Southern Africa and in certain parts of East and West Africa. For the year ended June 2014, the division had gross written premiums of ZAR244.1 million.

- **General and Commercial:** provides the full spectrum of guarantee requirements to a number of industries including payment guarantees (for logistics and fuel), customs and excise guarantees (for importers and exporters, clearing and forwarding agents and transporters), utilities guarantees and education guarantees. The product enables clients to free up cash flow to allow for a more efficient use of capital. For the year ended June 2014 the division had gross written premiums of ZAR68.2 million.
- **Mining Rehabilitation:** provides guarantees to the mining industry including mine rehabilitation guarantees to the Department of Mineral Resources, electricity guarantees to Eskom and freight guarantees to Spoornet. For the year ended June 2014 the division had gross written premiums of ZAR42.6 million.
- **Trade Credit:** provides insurance on debtors books for South African clients. The product provides an excess of loss structure which protects policy holders against the loss which can be incurred on any one debtor. The policy can be ceded to a financial institution for borrowing purposes, thereby improving the value of the debtors book. The division also provides export credit insurance to companies based in South Africa who export their products worldwide. For the year ended June 2014 the division had gross written premiums of ZAR129.8 million.

In addition to the above, the Group invests in a number of short-term underwriting managers via LomVest Proprietary Limited ("**LomVest**"). Although the investment is held in LomVest, the underwriting managers write business using Lombard's short-term licence. The Partnerships division of Lombard is responsible for managing the following short-term underwriting managers:

- 20% equity stake in Consort Technical Underwriting Managers Proprietary Limited ("**Consort**"). Consort provides insurance to engineering companies involved in construction projects and enjoys a number of synergies with the construction division;
- 41% equity stake in Horizon Underwriting Managers Proprietary Limited ("**Horizon**"). Horizon provides marine risk insurance and is the leading underwriter in its field;
- 30% equity stake in Leppard and Associates Proprietary Limited ("**Leppard**"). Leppard provides a variety of professional indemnity and liability insurance including environmental hazardous material and spillage clean up but excluding medical malpractice; and
- 25% equity stake in Commercial Crime Concepts Proprietary Limited ("**CCC**"). CCC provides commercial crime insurance including fraud and/or theft committed by employees and computer fraud.

## **KEY STRENGTHS**

- Lombard is disciplined about focusing on niche markets where a combination of industry specialisation and service ethos allows Lombard to enjoy significant market share which is sustainable at good margins, whilst maintaining a diverse portfolio of classes of business to balance risk exposure.
- Market leader in its markets with strong growth into Africa:
  - Construction Guarantees – established 1990, #1 market position.
  - Trade Credit – established 2000, #2 market position.
  - General & Commercial – established 2000, #1 market position.
  - Mining Rehabilitation – established 2008, #2 market position.

- Innovative product development and constantly looking to maximise on opportunities both in the short and long term.
- Build long term meaningful relationships with clients by truly engaging with them and proactively managing their risks, underwriting from the field and not behind the desk.
- Proven to be sufficiently resilient to handle adversity, learn from mistakes and move on undaunted. Flexible to adapt quickly to changing conditions.
- Employees share common values and have the highest levels of integrity with each other as well as all clients, beneficiaries and reinsurers.
- Lombard obtains a formal Claims Paying Ability rating from GCR (since 2004). The rating was confirmed in November 2013 at A+.

### **SALIENT FINANCIAL INFORMATION**

The salient financial information indicated in the table below has been extracted from the audited company annual financial statements of the Issuer.

The audited financial statements of the Issuer are prepared in accordance with International Financial Reporting Standards ("IFRS").

	2011	2012	2013	2014
<b>Income Statement (ZAR millions)</b>				
Gross written premium (GWP)	939.2	1,146.8	1,171.4	1,023
Reinsurance premiums	(293.0)	(408.4)	(573.9)	(562.4)
Net written premium	646.2	738.4	597.5	460.8
Other Income	123.7	188.4	196.2	229.9
Claims Incurred	(307.8)	(418.6)	(262.8)	(218)
Expenses	(348.1)	(423.3)	(457.1)	(439.2)
Taxation	(32.5)	(23.9)	(18.1)	(8.7)
Net income after tax	81.5	61.1	55.7	24.8
Unrealised gains / (losses)	16.3	8.4	20.4	15
Retained Surplus	97.7	69.5	76.1	39.8
<b>Balance Sheet (ZAR millions)</b>				
Total Equity	342.5	443.9	493.1	570.3
Total Liabilities	863.2	835.6	1,166.3	1,086.2
Total equity and liabilities	1,205.7	1,279.5	1,659.4	1,656.5
Total Assets	1,205.7	1,279.5	1,659.4	1,656.5
<b>Ratios</b>				
Statutory CAR coverage (times)	1.8	1.3	1.6	2
GWP Growth (%)	15.1	34.4	9.1	(13.6)
Earned loss ratio (%)	29.7	47.1	38	47.3
Management Expenses/earned premiums (%)	52.6	49	57.4	60.1
Underwriting result/Earned premiums (%)	17	4.2	3.9	(5.9)

## **CAPITAL ADEQUACY REQUIREMENTS AND CAPITAL MANAGEMENT**

As at 30 June 2014, the capital of the Issuer amounted to ZAR570 million. After regulatory adjustments, the statutory qualifying capital of the Issuer of ZAR504.9 million covered its Capital Adequacy Requirement 2.03 times.

The Issuer manages the level and nature of Regulatory Capital on the Interim Measures Basis, which is the current prudential requirement of the FSB (The prudential requirements of Interim Measures are informed by the FSB's Board Notice 169 of 2011).

With the expected change of prudential regulation to the Solvency Assessment and Management ("SAM") regime on 1 January 2016, the Issuer is actively preparing for the transition and has been a participant in the three Quantitative Impact Studies ("QIS") undertaken by the FSB to date.

Lombard's objectives when managing capital are:

- to comply with the insurance regulatory capital requirements prescribed by the FSB. Lombard has set a minimum threshold of 150% of these regulatory requirements, but with an overriding requirement that the capital is always adequate to write business in the Republic of South Africa;
- to safeguard Lombard's ability to continue as a going concern so that it can provide returns for shareholders and benefits for the other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.

The Group Investment Committee, a sub-committee of the board of directors of the Issuer (the "Board") is responsible for the Issuer's capital base in terms of the specific strategies approved by the Board. Specific responsibilities of the Investment Committee are:

- capital management;
- investment of the Group's assets;
- management of investment assets; and
- taxation.

## **CONTINGENT LIABILITIES**

At the end of June 2014, the Issuer had no material commitments or contingent liabilities that were not fully provided for in its 2014 annual financial statements.

## **POST-2014 YEAR-END DEVELOPMENTS**

No material contingent liabilities arose or events occurred since June 2014 that necessitates an adjustment to the potential exposure in respect of contingent liabilities.

## **STRATEGY**

Main strategic thrusts through to 2018 are:

### **Construction Guarantees: Sub-Saharan Africa including the Republic of South Africa**

- Take advantage of the significant emerging opportunities from infrastructural development in Africa outside of South Africa.

- Increase market share in selected markets within South Africa.

#### Construction Guarantees: Global

- Grow through partnerships in selected markets.
- Gain majority “share of influence”: through technical excellence and support to existing and future partners.
- Secure international A-rated paper.

#### Trade Credit: South Africa

- Develop and selectively deploy a “ground up” cover option to augment existing excess of loss product.

#### Partnerships: South Africa

- Build business to include 8-10 partners (currently 4).
- New partners will be selected on their ability to offer alternate classes and innovative approaches.

### **RISK MANAGEMENT**

Risk management is an on-going exercise involving both senior management and is the ultimate responsibility of the Board. The Risk Management Strategy (“**RMS**”) provides stakeholders in the Company with a framework to understand, evaluate, analyse and manage the on-going risk applicable to the Company’s operation.

The Company’s RMS reflects its position as an underwriter of low frequency, high severity commercial credit, guarantee and surety insurance lines and that of high frequency, low severity on the more general commercial insurance lines. As the business grows, so the RMS will evolve and continue to be revised to reflect the changing nature of the portfolio. Senior management is responsible for identifying material risks before or as they emerge. The Company employs the services of a Risk Officer to assist the Managing Director and the Board to identify and monitor risk. The Company holds quarterly risk management meetings, chaired by a non-executive Director, co-ordinated by the Managing Director involving the senior management team to review its risk profile. The Managing Director, Managers of the Divisions and the Risk Officer are responsible for the evaluation of emerging risks and for providing appropriate recommendations and the implementation of required action, and where required, the amendment of the RMS. The Managing Director will advise the Board of any changes to the RMS. The Board is responsible for approving RMS changes and reviews the RMS on at least an annual basis. Management has identified what it considers to be some of the more significant exposures to risk and regular reports on these risks are presented to the Board.

The Company has identified the need to establish a comprehensive enterprise risk management framework that will be designed to identify, assess, measure and manage exposure to risk. Its primary objective is to protect the Company from events that hinder the sustainable achievement of the Company’s performance objectives, including failing to exploit opportunities.

The following elements of the Company’s risk management framework include:

- the Board’s responsibility for risk management and their opinion on the effectiveness of the process;
- the risk strategy, key principles and policy for the overall management and governance of enterprise risk management including roles, responsibilities and reporting structures; and
- the approach followed to build an enterprise view of the risks faced by the Company.

## **RISK FACTORS**

The Issuer is exposed to the following risk types:

<b>Risk Type</b>	<b>Description</b>
<b>Insurance</b>	Product design and pricing risk arises from the exposure to financial loss from transacting insurance business where the costs and liabilities assumed in respect of a product line, exceed the expectation in pricing the product. Underwriting and liability risk is the exposure to financial loss resulting from the selection and approval of risks to be insured, the reduction, retention and transfer of risk, the reserving and adjudication of claims, and the management of contractual and non-contractual product options.
<b>Credit</b>	Credit risk arises from a counterparty's inability or unwillingness to fully meet its on- and/or off-balance sheet contractual obligations. Exposure to this risk results from financial transactions with a counterparty including issuer, debtor, borrower, broker, policyholder, reinsurer or guarantor.
<b>Market</b>	Market risk arises from changes in market rates or prices. Exposure to this risk can result from market-making, dealing, and position-taking activities in markets such as interest rate, foreign exchange, equity, commodity and real estate.
<b>Liquidity</b>	Liquidity risk arises from an insurer's inability to purchase or otherwise obtain the necessary funds, either by increasing liabilities or converting assets, to meet its on- and off-balance sheet obligations as they come due, without incurring unacceptable losses.
<b>Strategic</b>	Strategic risk arises from an insurer's inability to implement appropriate business plans, strategies, decision-making, resource allocation and its inability to adapt to changes in its business environment.
<b>Operational</b>	Operational risk arises from problems in the performance of business functions or processes. Exposure to this risk can result from deficiencies or breakdowns in internal controls or processes, technology failures, human errors or dishonesty and natural catastrophes.
<b>Legal &amp; Regulatory</b>	Legal and regulatory risk arises from an insurance company's or related party's non-compliance, or potential non-compliance, with legislation, and includes reputational risk.

Having assessed relevant risks, management determines how it will respond. In considering its response, management assesses the effectiveness of control actions, as well as costs and benefits, selecting a response that brings residual risk within desired risk tolerances.

Risk responses fall within the following general categories:

- **Avoidance** – Exiting the activities giving rise to risk. Risk avoidance may involve exiting a product line, declining expansion or selling a division.
- **Reduction** – Action is taken to reduce the residual risk by improving a control actions effectiveness and/or completeness or by adding more control actions.
- **Acceptance** – No action is needed to mitigate the risk.

Depending on which response is appropriate, an action plan is drawn up with specific individuals responsible for certain aspects of the plan as well as timelines for completion.

Enterprise risk management requires that risk be considered from an entity-wide perspective. Management typically takes an approach in which risk is first considered for each business unit, with the responsible manager developing a composite assessment of risks for the unit reflecting the unit's residual risk profile.

With a view of risk for individual units, senior management is well positioned to take a portfolio view to determine whether the residual risk profile is commensurate with its overall risk appetite. Risks in different

units may be within the risk tolerances of the individual units but taken together, risks might exceed the risk appetite of the entity as a whole, in which case additional or different risk responses might be needed to bring risk within the entity's risk appetite. Conversely, risks may naturally offset across the entity where, for example, some individual units have higher risk while others are relatively risk averse, such that overall risk is within the entity's risk appetite, removing the need for a different risk response.

On the following table the Enterprise Risk Management Framework is depicted, which shows how the Group manages its risk with a top-down approach, utilising the principles of the "three lines of defence". Risks are identified from the risk universe and categorised according to the SAM recommendations. The key features of the Enterprise Risk Management Framework are the Board's responsibilities which are supported by numerous committees, Exco, the Chief Risk Officer and the Divisional business units and their responsibilities.

Refer to the Issuer's annual financial statements for further information regarding the management of risk factors.

## Lomhold Enterprise Risk Management Framework

Lomhold Enterprise Risk Management Framework															
Risk Universe	Insurance Risk		Credit Risk	Market Risk			Liquidity Risk	Strategic Risk			Operational Risk			Legal & Regulatory Risk	
	Underwriting & Liability Risk	Product Design & Pricing Risk		Interest Rate Risk	Foreign Exchange Risk	Investment Risk	Capital Risk	New Business Risk	Social & Environmental Risk	Transformation Risk	Accounting & Taxation Risk	IT Risk	People Risk	Compliance Risk	Reputational Risk
Key Features of ERMF	<div><div><ul style="list-style-type: none"><li>- The board of directors is ultimately responsible for all risks in the group, approval and oversight of the risk measurement and management system and the setting of risk appetite</li><li>- The board is assisted by seven board mandated committees</li><li>- The Group Exco is assisted by six committees</li><li>- The Chief Risk Officer reports to the Reinsurance and Risk GM</li></ul></div><div><ul style="list-style-type: none"><li>- Primary responsibility and accountability for the risks originating in the businesses are clearly assigned to the respective business unit managers</li><li>- Group Risk Division is independent of the operational business units</li><li>- Strong emphasis in the ERMF is placed on individual accountability and not on undue reliance on committees</li><li>- Risk management frameworks and risk officers are in place across all the businesses</li></ul></div></div>														
1st LINE OF DEFENCE															
Board Committees	Board of Directors														
	Group Audit, Risk & Compliance Committee			Group Investment & Capital Management Committee			Transformation, Social & Ethics Committee		Actuarial Committee	Remuneration Committee	Group IT Committee		Reinsurance Committee		
Lombard Exco Committees	Group Exco / Public Officer - Johnny Symmonds														
	Risk Management Committee			Lombard (LUC & LLL) Exco Committee			UMA/Partnerships Operations Committees			Investment & Capital Committee		People Development Committee		SAM Committee	
Business Unit Risk Governance	<div>Lombard Insurance Company (including UMA's); Lombard Life (including UMA's); Lombard Trade Finance; Fulcrum and Cape Finance:</div> <div><ul style="list-style-type: none"><li>- Business Unit Exco's, Divisional Underwriting Committees, Divisional Claim Committees, Divisional Risk Committees and Divisional Finance Functions</li><li>- Partnerships Board meetings &amp; Operations meetings</li><li>- KTs and Representatives</li></ul></div>														
Support Areas	Chief Financial Officer Dean Hyde	Marketing Manager Peter McCloy	Chief Information Officer Leoni Groenewald	People Development Manager Lynda Gouveia			Chief Risk Officer Peter Hillbrook			Secretarial & Compliance			Reinsurance		
Central Financial Risk & Balance Sheet Management	Group Finance Division Chief Financial Officer: Dean Hyde														
	<div><ul style="list-style-type: none"><li>- Group tax</li><li>- Group Financial Control</li></ul></div>														
2nd LINE OF DEFENCE															
Independent Functions for Group Policy, Risk Monitoring & Model Validation	Independent Group Risk, Compliance & Governance														
	Chief Risk Officer: Peter Hillbrook					Actuarial Control: Menoli Damoulakis					Lombard Group Compliance: Ronell Platte				
	Enterprise-wide Risk Management			Solvency Assessment			Reserving and Capital Adequacy			LUC Compliance: Ronell Platte			LLL Compliance: Stephen Vivian		
3rd LINE OF DEFENCE															
Independent Assurance	Internal & External Audit and Independent Actuaries														
	Group Internal Audit: John Biesman-Simons					External Audit: Deloitte					Independent Actuaries: Ernst & Young				

## **BOARD DIRECTORS OF THE ISSUER**

The Board members at 30 June 2014 are:

### ***Non-executive directors***

#### **ML Japhet**

BSc (Honours) Economics & Politics, Bristol University, 1977  
ACII  
Chairman  
Joined in 1995

Mr Japhet has over 30 years' insurance experience as chief-executive of the Hollard Group and as the chairman of Lombard for the last 19 years. He was appointed to the Board on 16 November 1995.

#### **ADH Enthoven**

BA (Philosophy, Politics, Economics), Oxford, 1992  
MA (Philosophy), Oxford, 1996  
PHD (Philosophy), Oxford, 2000  
Joined in 2010

Mr Enthoven was a director of Yellowwoods Ventures Investments for 5 years and Spier Holdings for 6 years. He was appointed to the Board on 24 November 2010 and was recently appointed chairman of the board of Hollard.

#### **PJ Orford**

BBusSci (Economics), UCT 1992  
MPhil (Economics), Oxford, 1997  
CFA, 2000  
Joined in 2010

Mr Orford has 16 years' experience in investment business and was previously based in the USA and London. He was appointed to the Board on 24 November 2010.

### ***Independent Non-executive directors***

#### **CE Backeburg**

BSc (Honours), UCT, 1981  
Fellow of Actuarial Society of SA (FASSA), 1988  
Joined in 2011

Mr Backeburg was the Managing Director of MS Life from 2000 to 2006. He was also the Managing Director of RGA Reinsurance until March 2009. Mr Backeburg has been an independent non-executive director of Lombard since February 2009.

#### **GJM Carlin**

BCom (Honours), 1972  
CA (SA), 1976  
Joined in 1997

Mr Carlin has 23 years' experience as a director at Hollard and group companies. He was appointed to the Board on 16 November 1995. Mr Carlin is also a non-executive independent member of the Audit Committee.

#### **P Soko**

BCompt (Honours), UNISA  
Certified Internal Auditor SA – IIA (SA)  
Joined in 2007

Ms P Soko was appointed to the Board on 6 June 2007, and is a non-executive independent member of the Audit Committee.

### ***Executive directors***

#### **RJ Symmonds**

BCom, UCT, 1978  
BCom (Hons), UCT, 1980  
CA (SA), 1983  
Managing Director  
Joined in 2004

Mr Symmonds has 20 years' financial institution experience and has been a Managing Director at Lombard since January 2004.

#### **DD Hyde**

BCom (Law), WITS, 1989  
CA (Canada), 1991  
Financial Director  
Joined in 2009

Mr Hyde joined Lombard as the Financial Director in 2009. He qualified as a CA in Canada and has over 20 years' experience in the world of finance including 12 years as the Financial Director of the Spur Group. He still serves as a non-executive director on the Spur Board.

### ***Company secretariat***

#### **SJ Vivian**

BCom, UNISA, 1999  
LLB, UNISA, 2004  
Admitted Attorney and Notary, 2005 and 2010  
Non-practicing Solicitor of England and Wales, 2011  
Company Secretary

All directors have unlimited access to the advice and services of the Company Secretary, who is accountable to the Board for ensuring that procedures are complied with and that sound corporate governance and ethical principles are adhered to. If appropriate, individual directors are entitled to seek independent professional advice concerning the discharge of their responsibilities at the Issuer's expense. The address of the Company Secretary is Building C, Sunnyside Office Park, 2 Carse O'Gowrie Road, Parktown, 2193.

## **CORPORATE GOVERNANCE**

The Board promotes and supports high standards of corporate governance and in so doing, endorses the principles of the third report on Corporate Governance in South Africa ("**King III**"). Lombard also complies with the requirements for good corporate governance as currently required of insurance companies by the FSB.

Lombard subscribes to a governance system whereby, in particular, ethics, integrity and transparency set the standards for compliance. Lombard consistently reviews and adapts its structures and process to facilitate effective leadership and corporate citizenship and to reflect national and international corporate governance standards, developments and best practice.

Furthermore, Lombard is committed to complying with the coming governance requirements as proposed by the FSB in its SAM project. The SAM project proposes all insurers comply with certain minimum governance requirements relating to board compositions, remuneration structures, risk management and internal controls (specifically relating to its actuarial, accounting and compliance functions.)

Furthermore, the Board is committed to the highest standards of business integrity, ethical values and governance. It recognizes the responsibility of Lombard to conduct its affairs with prudence, transparency, accountability, fairness and social responsibility, thereby ensuring its sustainability and safeguarding the interests of all its stakeholders. The Board also acknowledges the relationship between good governance, risk management practices and corporate profitability. Sound governance principles remain one of the top priorities demonstrated by the Board and executive management.

### **Board responsibilities and functioning**

Lombard, LomVest and LomHold have a single composite Board whose Board meetings are held concurrently. The agenda for the Board meetings of this composite Board, focuses on Group strategy, capital management, accounting policies, financial results, people development, regulatory compliance and good corporate governance throughout the Group. This composite board also remains responsible for the relationship with shareholders and other stakeholders in the Group and has the following Board Committees:

- an Audit, Risk and Compliance Committee;
- an Investment Committee;
- a Reinsurance Committee; and
- a Social, Ethics and Transformation Committee.

### **Board's Terms of Reference**

The Board's Terms of Reference (and sub-committee Terms of Reference) embrace the Code of Practice and Corporate Conduct in the King III Report, which contains the corporate governance guidelines and recommendations. The current Board's Terms of Reference has been modelled on the principles of sound corporate governance, recommended by King III and as also prescribed by the FSB.

The Board's Terms of Reference (and Sub-Committee's Terms of References, which describe the Terms of References of the sub-committee as delegated and approved by the Board, are reviewed annually.

### **Board Composition**

As at the 2014 financial year end, the Board consisted of:

- eight members in total;
- two executive directors;
- three non-executives directors; and
- three independent non-executive directors.

The role of the Chairman and the Group Chief Executive Officer remained separated, with Miles Japhet and Johnny Symmonds holding these positions respectively. None of the non-executive directors have a service contract, but all remuneration paid to non-executive directors for their services is in terms of approval, by special resolution of the shareholders, at the AGM as required by the Companies Act. Executive directors are full-time employees and as such are subject to Lombard's conditions of service.

### **Application of and approach to King III**

Lombard's Audit, Risk and Compliance Committee is satisfied that it complies, where appropriate, with the King III principles and has taken steps to ensure adherence with the obligations placed on the Group as a consequence thereof.

Lombard's composite Board is a unitary Board, consisting of a majority of non-executive directors, the majority of whom are independent. This Board takes full accountability for the Group, its strategic direction and management's implementation of that strategy. Further the Board delegates its responsibilities (when appropriate) to appropriate Board structures and to senior management. The composition complies with the recommendations of King III and furthermore complies with Directive 101.A.i as issued by the FSB.

Lombard applies the principles of the King III code ("**King III Code**") except where noted below:

KING III GOVERNANCE ELEMENT	STATUS
Ethical leadership and corporate citizenship	The Issuer applies the King III Code.
Board and directors	<p>The Issuer does not produce an integrated report as sustainability priorities are managed with the direct participation of the major shareholders and reported separately, in various formats to other stakeholders.</p> <p>Although the chairman of the Board is not an independent director, the aim of the King III Code in this regard is achieved with the Board having a preponderance of experienced independent non-executive directors.</p>
Audit Committee/Governance of Risk	The Issuer applies the King III Code except that the Issuer does not produce an integrated report. No combined assurance model is specifically applied, however the audit committee does consider risk in the context of the co-ordinated approaches taken by compliance, risk management, internal audit and external audit.
Governance of information technology.	The Issuer applies the King III Code.
Compliance with laws, rules, codes and standards	The Issuer applies the King III Code.
Internal Audit	The Issuer applies the King III Code although it is noted that the Internal Audit function is outsourced to KPMG.
Governing stakeholder relationships	The Issuer does apply the King III Code, except to note that the "company's reputation and linkage with stakeholder relationships" is not as yet a regular Board agenda item.
Integrated reporting and disclosure	The Issuer does not apply the King III Code, because sustainability priorities are managed with the direct participation of the major shareholders and reported separately, in various formats to other stakeholders.

## STAKEHOLDER COMMUNICATION BY THE GROUP

The Group understands and values the information needs of its stakeholders and is committed to the principles of transparency and disclosure. The Group's efforts in this regard have been recognised by its disclosure required in terms of its' corporate status as well as regular reporting requirements to the FSB and reinsurers.

## **TRANSFORMATION**

Lombard recognises the importance of transformation for an organisation operating in the South African business environment. Since 2009, the company has been rated on the Generic BEE scorecard. Going forward, the Company will be rated on the Financial Sector Scorecard.

Whilst the value of all the elements on the scorecard are recognised, Lombard focuses on specific elements to improve its current transformation stance. Employment Equity, Skills Development, Enterprise Development and Socio-Economic Development are the elements that Lombard feels will make the greatest impact not only on Lombard itself, but also in creating sustainable upliftment in the environment in which the Company operates.

Lombard is cognisant of the direct and indirect impact that BEE has on the business, and the ongoing objective is to implement initiatives that make business sense and to embrace BEE in the spirit that it is intended.

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## RISK FACTORS

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*Words used in this section entitled "Risk Factors" shall bear the same meanings as defined in the section entitled "Terms and Conditions of the Notes", except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.*

***Investing in the Notes involves substantial risks. Prospective investors should carefully consider all of the information in the Programme Memorandum and, in particular, before investing in the Notes, prospective investors should consider the risk factors below and stated elsewhere in the Programme Memorandum. Investors contemplating making an investment in the Notes should make their own investigation and analysis of the financial condition and affairs, and their own appraisal of the creditworthiness, of the Issuer and the terms of the offering and their own determination of the suitability of any such investment, with particular reference to their own investment objectives and experience, and any other factors which may be relevant to them in connection with such investment.***

### RISK ASSOCIATED WITH THE ISSUER AND ITS BUSINESSES AND FINANCIAL CONDITIONS

See the heading "Risk Factors" under the section entitled "Description of the Issuer".

### RISKS RELATING TO THE NOTES

#### ***The Notes may not be a suitable investment for all investors***

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

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

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

#### ***There is a limited trading market for the Notes***

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently a limited trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. There is no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes.

***The Notes may be redeemed prior to maturity***

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

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

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

Notes issued under the Programme which are listed on the Interest Rate Market of the JSE or such other or additional financial exchange and/or immobilised in the Central Securities Depository may, subject to Applicable Laws and the Applicable Procedures, be issued in uncertificated form. Unlisted Notes may also be lodged and immobilised in the Central Securities Depository in uncertificated form. Notes held in the Central Securities Depository will be issued, cleared and settled in accordance with the Applicable Procedures through the electronic settlement system of the Central Securities Depository. Except in the limited circumstances described in the Terms and Conditions, investors will not be entitled to receive Individual Certificates. The Central Securities Depository will maintain records of the Beneficial Interests in Notes and/or issued in uncertificated form, which are held in the Central Securities Depository (whether such Notes are listed or unlisted). Investors will be able to trade their Beneficial Interests only through the Central Securities Depository and in accordance with the Applicable Procedures.

Payments of principal and/or interest in respect of Uncertificated Notes will be made to the Central Securities Depository and/or the Participants and the Issuer will discharge its payment obligations under the Notes by making payments to or to the order of the Central Securities Depository and/or the Participants for distribution to their account holders. A holder of a Beneficial Interest in Uncertificated Notes, whether listed or unlisted, must rely on the procedures of the Central Securities Depository to receive payments under the relevant Notes. Each investor shown in the records of the Central Securities Depository and/or the Participants, as the case may be, shall look solely to the Central Securities Depository or the Participant, as the case may be, for his share of each payment so made by the Issuer to the registered holder of such Uncertificated Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, such Beneficial Interests.

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

### ***Credit Rating***

Tranches of Notes issued under the Programme, the Issuer and/or the Programme, as the case may be, may be rated or unrated. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Any adverse change in an applicable credit rating could adversely affect the trading price for the Notes issued under the Programme. Where a Tranche of Notes and/or the Issuer and/or the Programme is rated, any amendment to such credit rating will be announced on SENS.

### ***Risks related to the structure of the particular issue of Notes***

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

#### ***Notes subject to optional redemption by the Issuer***

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

#### ***Index-Linked Notes***

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

- a) the market price of such Notes may be volatile;
- b) no interest may be payable on such Notes;
- c) payments of principal or interest on such Notes may occur at a different time than expected;
- d) the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero;
- e) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- f) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable is likely to be magnified; and
- g) 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.

#### ***Notes issued at a substantial discount or premium***

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

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

### ***Modification and waivers and substitution***

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

### ***Change of law***

The Notes are governed by, and will be construed in accordance with, South African law in effect as at the date of this Programme Memorandum. No assurance can be given as to the impact of any possible judicial decision or change to South African law or administrative practice in either such jurisdiction after such date.

### ***Regulatory approval***

In granting approval for the issue of Notes, the Registrar may set out certain conditions, including the prior consent of the Registrar to an early redemption of the Notes or the repayment of amounts due in respect of the Notes following an Event of Default. There can be no assurance that the approval of the Registrar will be granted upon the occurrence of these events. Further, the Registrar has the ability to require that principal and or interest and or interest is deferred as per Condition 9.5 which may result in investors not receiving their monies on a timely basis.

### ***Capital Adequacy Risk***

Capital adequacy risk is the risk that there will be insufficient reserves to provide for unexpected adverse variations in actual future experience as compared to what was assumed in the calculation of policyholders liabilities. At 30 June 2014, the Issuer's available capital exceeded its minimum regulatory capital adequacy requirement ("CAR"). The ratio of the Issuer's available capital compared to its minimum regulatory CAR was 2.03 times at 30 June 2014.

### ***Changing Regulatory and Business Landscape***

The past few years have seen a number of significant regulatory and business changes internationally and within South Africa. A number of these changes arose following the various market crises globally and to ensure a safe financial sector moving forward. The South African National Treasury and the Financial Services Board ("FSB") have introduced the Twin Peaks model to give effect to the various regulatory requirements in line with international standards. The new envisaged framework will take a holistic approach with the South African Reserve Bank leading the way on prudential regulations and the FSB taking the lead on market conduct regulations. To support this move a number of legislative requirements have been promulgated and a number of significant requirements are still under development.

### ***Solvency Assessment and Management***

The FSB is in the process of developing a new risk-based regulatory requirement for South African insurance and reinsurance companies, known as Solvency Assessment and Management ("SAM"). This new regulatory regime aims to address governance, risk management and appropriate capital requirements to protect policyholders. The initiative will align the regulation of the South African insurance industry with the principles of the International Association of Insurance Supervisors ("IAIS") and European Solvency II developments, but adapted to South African specific circumstances where necessary.

### ***Legal investment considerations may restrict certain investments***

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

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## SETTLEMENT, CLEARING AND TRANSFERS OF NOTES

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*Words used in this section entitled "Settlement, Clearing and Transfers of Notes" shall bear the same meanings as defined in the section entitled "Terms and Conditions of the Notes", except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.*

### Uncertificated Notes

Uncertificated Notes listed on the Interest Rate Market of the JSE will be registered in the name, and for the account of the Central Securities Depository's Nominee, which forms part of the settlement system of the Interest Rate Market of the JSE. The Central Securities Depository's Nominee will be the sole Noteholder in respect of the Uncertificated Notes.

The Central Securities Depository holds Uncertificated Notes subject to the Financial Markets Act and the Rules of the Central Securities Depository. The Rules of the Central Securities Depository as at the date of this Programme Memorandum have most recently been updated by the Registrar of the Security Services in Government Gazette No. 33989 of February 2011.

While the Uncertificated Notes are held in the Central Securities Depository, the Central Securities Depository's Nominee will be reflected as the Noteholder in the Register. Accordingly, in terms of the Terms and Conditions relating to Uncertificated Notes, all amounts to be paid and all rights to be exercised in respect of the Uncertificated Notes held in the Central Securities Depository, will be paid to and may be exercised only by the Central Securities Depository's Nominee, for the holders of Beneficial Interests in the Uncertificated Notes held by the Central Securities Depository.

The Central Securities Depository maintains accounts only for Participants. As at the date of this Programme Memorandum, the Participants which are approved by the Interest Rate Market of the JSE as Settlement Agents to perform electronic settlement of funds and scrip are FirstRand Bank Limited, Nedbank Limited, The Standard Bank of South Africa Limited, the South African Reserve Bank, Citibank N.A., Johannesburg branch, Standard Chartered Bank, Johannesburg branch and Société Générale, Johannesburg branch. The Participants are in turn required to maintain securities accounts for their clients. The clients of the Participants may include the holders of Beneficial Interests or their custodians. The clients of Participants, as the holders of the Beneficial Interests or as custodians for such holders, may exercise their rights in respect of the Uncertificated Notes held by them in the Central Securities Depository only through the Participants. Euroclear Bank S.A./N.V. as operator of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme, (Clearstream Luxembourg) ("Clearstream") may hold Uncertificated Notes through the Settlement Agents.

Transfers of Beneficial Interests in Notes in the Central Securities Depository to and from clients of Participants, who are also Settlement Agents, occur by electronic book entry in the securities accounts of the clients with the Settlement Agents. Transfers among Participants of Uncertificated Notes held in the Central Securities Depository occur through electronic book entry in the Participant's central security accounts with the Central Securities Depository.

Beneficial Interests in Uncertificated Notes may be exchanged for Individual Certificates in accordance with the Terms and Conditions.

Payments of interest or principal in respect of Uncertificated Notes held in the Central Securities Depository and registered in the name of the Central Securities Depository's Nominee will be made in accordance with Condition 9 of the Terms and Conditions to the Central Securities Depository's Nominee or such other registered holder of the Uncertificated Notes shown in the Register and the Issuer will be discharged of its payment obligations under the Uncertificated Note by proper payment to, or to the order of the registered holder of the Uncertificated Note in respect of each amount so paid. Each of the persons shown in the records of the Central Securities Depository and the Participants as the holders of Beneficial Interests, as the case may be, shall look solely to the Central Securities Depository or the relevant Participant, as the case may be, for such person's share of such payment so made by the Issuer to, or to the order of, the registered holder of such Uncertificated Notes.

The Issuer will not have any responsibility or liability for any aspect of the records relating to, or payments made on account of, Beneficial Interests, or for maintaining, supervising or reviewing any records relating to such Beneficial Interests.

**Certificated Notes**

All Notes not being Uncertificated Notes shall be issued in definitive form and represented by Individual Certificates.

Title to Certificated Notes issued in the definitive form will pass upon registration of transfer in the Register. The Issuer shall regard the Register as a conclusive record of title to the Certificated Notes.

Payments of Interest and principal in respect of Individual Certificates in respect of Certificated Notes will be made to Noteholders in accordance with Condition 9.

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## SOUTH AFRICAN TAXATION

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*The information contained below is intended to be a general guide to the relevant tax laws of South Africa as at the date of this Programme Memorandum and is not intended as comprehensive advice and does not purport to describe all of the considerations that may be relevant to a prospective purchaser of Notes. Prospective purchasers of Notes should consult their own professional advisers in regard to the purchase of Notes and the tax implications thereof. Accordingly, the Issuer makes no representation and gives no warranty or undertaking, express or implied, and accepts no responsibility for the accuracy or completeness of the information contained in this paragraph. The information contained below sets out guidelines on the current position regarding South African taxation for taxpayers who hold the Notes as capital assets. Traders in these Notes should consult their own advisers.*

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

### 1. SECURITIES TRANSFER TAX

No securities transfer tax will be payable, in terms of the South African Securities Transfer Tax Act, 2007, in respect of either the issue of the Notes or on the subsequent transfer of the Notes on the basis that the Notes will not comprise a "security" as defined in section 1 of the Securities Transfer Tax Act.

### 2. TAX RESIDENCE AND CONTROLLED FOREIGN COMPANIES

South African ("SA") tax implications for Noteholders will depend, to a large extent, on the tax residence status of a Noteholder, including whether a foreign Noteholder would be regarded as a controlled foreign company. These concepts are discussed below.

### 3. NATURAL PERSONS

A natural person will be a SA tax resident if he or she is "ordinarily resident" in South Africa or, if not "ordinarily resident" in South Africa, was physically present in South Africa for certain prescribed periods in the five tax years prior to and during the tax year in question ("**physical presence test**"). These periods amount to at least 91 days in each year of assessment and an aggregate of 915 days during those five preceding years of assessment. A natural person, not "ordinarily resident" in South Africa but who meets the "physical presence test", who is physically absent from South Africa for a continuous period of 330 days from the day immediately after the date on which such person ceases to be physically present in South Africa is deemed to have been a non-SA tax resident from the day on which the person ceased to be physically present in South Africa.

The above residence rules are subject to a provision that prescribes that, even if a person would be a SA tax resident in terms of the above rules, that person will not be so resident, and in fact will rather be a non-resident, if the person concerned is deemed to be exclusively a resident of another country for purposes of a double taxation agreement entered into by South Africa and the other jurisdiction.

### 4. PERSONS OTHER THAN NATURAL PERSONS

A person other than a natural person will be a SA tax resident if it is incorporated, established or formed in South Africa or has its place of "effective management" in South Africa.

The tax treaty override also applies to persons other than natural persons, so that a person, even if tax resident in South Africa in terms of the above rules, would not be so resident if its treaty residence is determined to be in a jurisdiction other than South Africa in terms of a tax treaty entered into between South Africa and the other jurisdiction.

### 5. CONTROLLED FOREIGN COMPANIES

If any non-resident association, corporation, company, arrangement or scheme which falls within the definition of a company (a "**foreign company**") in which SA tax residents hold more than 50% of the participation rights or can exercise, directly or indirectly, more than 50% of the voting rights in that

foreign company (a "CFC"), a proportionate amount of the net income and capital gains of the CFC will be included in the income of such SA tax residents, subject to certain exclusions. The rules applicable to SA residents and non-residents should be read in the context of the CFC rules, where applicable.

## **6. INCOME TAX: INTEREST**

### **6.1 Nature of any original issue discount or premium**

Any original issue discount to the face value of the Notes will be treated as interest for tax purposes and will be deemed to accrue under section 24J of the Income Tax Act, 1962 to the Noteholder on a day-to-day basis until maturity or until such time as such Noteholder disposes of its beneficial interest in the Note. The amount to be included in the Noteholder's taxable income is normally calculated on a yield to maturity basis.

Any original issue premium will be added to the face value of the Notes to determine the initial amount which will be used to determine the interest which is deemed, under section 24J of the Income Tax Act, 1962, to have been incurred or to have accrued in respect of the Notes.

### **6.2 Tax on interest on Notes**

Under current taxation law in South Africa -

- a) a person who is tax resident in South Africa will, subject to any available exemptions, be taxed on their worldwide income including all interest on the Notes; and
- b) a person not tax resident in South Africa will be exempt from tax in South Africa on any interest received or accrued on the Notes, unless that person -
  - (i) is a natural person who was physically present in South Africa for a period exceeding 183 days in aggregate in the tax year; or
  - (ii) at any time during this tax year carried on business through a permanent establishment in South Africa.

From 1 January 2015, a withholding tax on interest will ordinarily apply in relation to interest received by or accrued to Noteholders, subject to any available tax treaty relief, and provided the interest is not subject to normal tax in terms of the rule explained above. The withholding tax will also not apply to Noteholders who are controlled foreign companies. As the Notes are listed, the interest on the Notes will, however, be exempt from the withholding tax on interest.

## **7. PROFITS ON DISPOSAL OTHER THAN INTEREST**

Any subsequent disposal of the Notes by a Noteholder who is resident in South Africa prior to their redemption may be subject to Capital Gains Tax, where applicable.

Capital gains are taxable at normal tax rates, but in the case of a natural person only one-third of the gain is taxable, and in the case of companies and trusts, two-thirds of the capital gain is taxable.

Noteholders who are not tax resident in South Africa will generally not be subject to capital gains tax (if any) on the disposal of Notes unless the Notes are assets of a trading permanent establishment of such non-resident located in South Africa.

For Noteholders who hold the Notes for speculative purposes, profits not already forming part of interest (being a discount or premium, as discussed above) will attract income tax for Noteholders who are SA tax residents and for those non-residents who derive these profits from a SA source, in which case treaty relief may be available for non-resident Noteholders not having a permanent establishment in South Africa.

## **8. VALUE-ADDED TAX**

No value-added tax ("VAT") is payable on the issue or transfer of the Notes. Notes constitute "debt securities", the issue, allotment, drawing, acceptance, endorsement or transfer of ownership of which is a financial service, which is exempt from VAT.

Commissions, fees or similar charges raised for the facilitation of these services will be subject to VAT at the standard rate (currently 14%), except where the recipient is a non-resident for tax purposes, in which case a zero rate may apply.

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## SUBSCRIPTION AND SALE

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*Words used in this section entitled "Subscription and Sale" shall bear the same meanings as defined in the section entitled "Terms and Conditions of the Notes", except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.*

In terms of (and subject to) the Subscription Agreement, the Issuer may from time to time agree with the Dealers to issue, and the Dealers may agree to place, one or more Tranches of Notes.

### Republic of South Africa

Prior to the issue of any Tranche of Notes under the Programme by the Issuer, each Dealer for that Tranche of Notes will be required to represent and agree that it will not solicit any offers for subscription for or sale of the Notes in that Tranche of Notes, and will itself not sell Notes, in South Africa, in contravention of the Companies Act, the Banks Act, 1990, the Exchange Control Regulations and/or any other Applicable Laws or regulations promulgated thereunder. In particular, without limitation, this Programme Memorandum does not, nor is it intended to, constitute a prospectus (as that term is defined in the Companies Act) and each Dealer will be required to represent and agree that it will not make "an offer to the public" (as that term is defined in the Companies Act) of any of the Notes in that Tranche of Notes (whether or subscription or sale) and any regulations promulgated thereunder. Notes will not be offered for subscription to any single addressee for an amount of less than ZAR1 000 000.

### United States of America

The Notes have not been and will not be registered under the United States Securities Act, 1933, as amended (the "**Securities Act**") and may not be offered or sold within the United States or to, or for the account of or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Prior to the issue of any Tranche of Notes under the Programme by the Issuer, each Dealer for that Tranche of Notes will be required to represent and agree that -

- (i) the Notes in that Tranche have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account of or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act;
- (ii) it has not offered, sold or delivered any Notes in that Tranche and will not offer, or sell or deliver, any Notes in that Tranche (i) as part of their distribution at any time or (ii) otherwise until 40 (forty) days after completion of the distribution, as determined and certified by the Dealers or, in the case of an issue of such Notes on a syndicated basis, the relevant Lead Manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons;
- (iii) it will send to each dealer to which it sells any Notes in that Tranche during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of such Notes within the United States or to, or for the account or benefit of, U.S. persons;
- (iv) it, its affiliates and any persons acting on its or any of its affiliates behalf have not engaged and will not engage in any directed selling efforts with respect to the Notes in that Tranche and it, its affiliates and any persons acting on its or any of its affiliates' behalf have complied and will comply with the offering restrictions requirements of Regulation S.

Until 40 (forty) days after the commencement of the offering of a Tranche of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an exemption from registration under the Securities Act.

### United Kingdom

Prior to the issue of any Tranche of Notes under the Programme by the Issuer, each Dealer for that Tranche of Notes will be required to represent and agree that -

- (i) it has not offered or sold, and prior to the expiry of a period 6 (six) months from the Issue Date in respect of each Tranche of Notes will not offer or sell, any Notes in that Tranche to persons in the United Kingdom, except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations, 1995 of the United Kingdom;
- (ii) it has complied with and will comply with all applicable provisions of the Financial Services and Markets Act, 2000 (the "**FSMA**") with respect to anything done by it in relation to the Notes in that Tranche in, from or otherwise involving the United Kingdom; and
- (iii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in that Tranche in circumstances in which section 21(1) of the FSMA does not apply to the Issuer.

### **European Economic Area**

In relation to each Member State of the European Economic Area which has implemented the prospectus directive (each, a "**Relevant Member State**"), each of the Issuer and Dealers have represented and agreed that, with effect from and including the date on which the prospectus directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**"), it has not made, and will not make an offer of Notes to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State -

- i. in the period beginning on the date of publication of a prospectus in relation to those Notes which prospectus has been approved by the competent authority in that Relevant Member State in accordance with the prospectus directive and/or, where appropriate, published in another Relevant Member State and notified to the competent authority in that Relevant Member State in accordance with Article 18 of the prospectus directive and ending on the date which is 12 (twelve) months after the date of such publication;
- ii. at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- iii. at any time to any legal entity which has two or more of (a) an average of at least 250 employees during the last financial year; (b) a total balance sheet of more than €43 000 000; and (iii) an annual net turnover of more than €50 000 000 as shown in its last annual or consolidated accounts; or
- iv. at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the prospectus directive.

For the purposes of this provision, the expression an "*offer of Notes to the public*" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that Member State by any measure implementing the prospectus directive in that Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

### **General**

Prior to the issue of any Tranche of Notes under the Programme, each Dealer for that Tranche of Notes will be required to represent and agree that it will (to the best of its knowledge and belief) comply with all Applicable Laws in force in each jurisdiction in which it purchases, subscribes or procures subscriptions for, offers or sells Notes in that Tranche or has in its possession or distributes this Programme Memorandum and will obtain any consent, approval or permission required by it for the purchase, subscription, offer or sale by it of Notes in that Tranche under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, subscriptions, offers or sales.

Each Dealer for a Tranche of Notes will be required to represent and agree that it will comply with such other or additional restrictions in relation to that Tranche of Notes as the Issuer and such Dealer agree and as are set out in the Applicable Pricing Supplement.

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

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## **SOUTH AFRICAN EXCHANGE CONTROL**

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

The comments below are intended as a general guide to the current position under the Exchange Control Regulations, 1961 as promulgated under the Currency and Exchanges Act, 1933, as amended, (the "**Regulations**") and are not a comprehensive statement of the Regulations. The information below is not intended as advice and it does not purport to describe all of the considerations that may be relevant to a prospective subscriber for, or purchaser of any Notes. Prospective subscribers for, or purchasers of any Notes who are non-South African residents or who are emigrants from the Common Monetary Area are urged to seek further professional advice in regard to the subscription for, or purchase of any Notes.

### **Non-South African Resident Noteholders and Emigrants from the Common Monetary Area**

Dealings in the Notes and the performance by the Issuer of its obligations under the Notes may be subject to the Regulations.

#### **Blocked Rand**

Blocked Rand may be used for the subscription for or purchase of Notes. Any amounts payable by the Issuer in respect of the Notes subscribed for or purchased with Blocked Rand may not, in terms of the Regulations, be remitted out of South Africa or paid into any non-South African bank account.

#### **Emigrants from the Common Monetary Area**

Any individual Certificates issued to Noteholders who are emigrants from the Common Monetary Area will be endorsed "emigrant". Such restrictively endorsed individual Certificates will be deposited with an authorised foreign exchange dealer controlling such emigrant's blocked assets.

In the event that a Beneficial Interest in Notes is held by an emigrant from the Common Monetary Area through the Central Securities Depository and its relevant Participants, the securities account of such emigrant will be designated as an "emigrant" account.

Any payments of interest and/or principal due to an emigrant Noteholder will be deposited into such emigrant's Blocked Rand account, as maintained by an authorised foreign exchange dealer. The amounts are not freely transferable from the Common Monetary Area and may only be dealt with in terms of the Regulations.

#### **Non-residents of the Common Monetary Area**

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

It will be incumbent on any such non-resident to instruct the non-resident's nominated or authorised dealer in foreign exchange as to how any funds due to such non-resident in respect of Notes are to be dealt with. Such funds may, in terms of the Regulations, be remitted abroad only if the relevant Notes are acquired with foreign currency introduced into South Africa and provided that the relevant Certificate or securities account is designated "non-resident".

For the purposes of these paragraphs –

- a) the **Common Monetary Area** comprises South Africa, the Republic of Namibia, the Kingdom of Lesotho and the Kingdom of Swaziland; and

- b) **Blocked Rand** means funds which may not be remitted out of South Africa or paid into a non-South African resident's bank account. The relevant legislation relating to Blocked Rand is the Regulations promulgated under the Currency and Exchanges Act, 1933.

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## GENERAL INFORMATION

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*Words used in this section entitled "General Information" shall bear the same meanings as defined in the section entitled "Terms and Conditions of the Notes", except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.*

### Authorisation

All consents, approvals, authorisations or other orders of all regulatory authorities required by the Issuer under the laws of South Africa have been given for the establishment of the Programme and the issue of Notes thereunder. As at the date of this Programme Memorandum, no approval from the Financial Surveillance Department of the South African Reserve Bank is required for the issuance of Notes under the Programme or this Programme Memorandum.

### Listing

Application will be made to the Registrar, in terms of section 23(1)(a) of and paragraph 7(2) of Schedule 2 to, the Short-Term Insurance Act, for the Notes to be issued under the Programme. The Programme has been registered with the JSE. Notes issued under the Programme may be listed on the Interest Rate Market of the JSE or such other or further exchange(s) as may be selected by the Issuer. Unlisted Notes may also be issued under the Programme.

### Documents Available

So long as Notes are in issue under the Programme, copies of the following documents will, when published, be available from the registered office of the Issuer -

- (a) the audited annual financial statements, and the notes thereto, of the Issuer for the three financial years ended 30 June 2012, 30 June 2013 and 30 June 2014 as well as the published audited annual financial statements, and notes thereto of the Issuer in respect of further financial years, as and when such become available;
- (b) each of the Applicable Pricing Supplements relating to any Notes;
- (c) the Agency Agreement; and
- (d) any future supplements and/or amendments to this Programme Memorandum and any other documents incorporated herein or therein by reference.

### Clearing Systems

The Notes listed on the Interest Rate Market of the JSE as well as Unlisted Registered Notes that are held by the Central Securities Depository will be cleared and settled in accordance with the rules of the JSE and the Central Securities Depository, or their successors. The Notes may also be accepted for clearance through any additional clearing system as may be selected by the Issuer.

### Settlement Agents

As at the date of this Programme Memorandum, the JSE-recognised Settlement Agents, who are also Participants, are The South African Reserve Bank, FirstRand Bank Limited, Nedbank Limited, The Standard Bank of South Africa Limited, Citibank N.A., Johannesburg branch, Standard Chartered Bank, Johannesburg branch and Société Générale, Johannesburg branch. Euroclear and Clearstream, Luxembourg will settle offshore transfers through South African Settlement Agents.

### Material Change


As at the date of this Programme Memorandum, and after due and careful enquiry, there has been no material change in the financial or trading conditions of the Issuer since the date of its latest audited financial statements. As at the date of this Programme Memorandum, there has been no involvement by Deloitte & Touche in making the aforementioned statement.

### Litigation

The Issuer is not engaged (whether as defendant or otherwise) in any legal, arbitration, administration or other proceedings, the results of which if adversely decided might have or have had a material adverse effect on the financial position or the operations of the Issuer, nor is it aware of any such proceedings being threatened or pending.

### Auditors

Deloitte & Touche have acted as the auditors of the financial statements of the Issuer for the financial years ending 30 June 2012, 30 June 2013 and 30 June 2014 and, in respect of these years issued unqualified audit reports in respect of the Issuer.

Signed at  on behalf of Lombard Insurance Company Limited on 17 November 2014.

  
Director

  
Director

## **ISSUER**

### **Lombard Insurance Company Limited**

(Registration Number 1990/001253/06)

Ground Floor, Building C  
Sunnyside Office Park  
2 Carse O'Gowrie Road  
Parktown,  
Johannesburg  
South Africa

Contact: Dean Hyde – Financial Director

Email: [DeanH@lombardins.com](mailto:DeanH@lombardins.com)

Tel: +27 11 551 0679

## **ARRANGERS**

### **Absa Corporate and Investment Bank a division of Absa Bank Limited**

(Registration Number 1986/004794/06)

15 Alice Lane  
Sandown  
Sandton

Contact: Debt Capital Markets

Liza Bowles

Email: [liza.bowles@absacapital.com](mailto:liza.bowles@absacapital.com)

Tel: +27 11 895 6528

and

### **Novitas Capital Advisors Proprietary Limited**

(Registration Number 2011/136067/07)

7 Amdec House  
Silverwood Close  
Steenberg Office Park  
Tokai 7945  
Cape Town, South Africa

Contact: James Edwards

Email: [james@novitas.co.za](mailto:james@novitas.co.za)

Tel: +27 11 482 1457

## **DEALER**

### **Absa Corporate and Investment Bank a division of Absa Bank Limited**

(Registration Number 1986/004794/06)

15 Alice Lane  
Sandown  
Sandton

Contact: Beyers Roux

Email: [beyers.roux@absacapital.com](mailto:beyers.roux@absacapital.com)

Tel: +27 11 895 5334

## **PAYING AGENT AND CALCULATION AGENT**

### **Absa Corporate and Investment Bank a division of Absa Bank Limited**

(Registration Number 1986/004794/06)

15 Alice Lane  
Sandown  
Sandton

Contact: Nikkita Leong  
Email: [nikkita.leong@absacapital.com](mailto:nikkita.leong@absacapital.com)  
Tel: +27 010 245 4201

## **TRANSFER AGENT**

### **Standard Chartered Bank – Johannesburg Branch**

(Registration Number 2003/020177/10)

5th Floor  
4 Sandown Valley Crescent  
Sandton  
South Africa

Contact: Helen de Melo  
Email: [Helen.DeMelo@sc.com](mailto:Helen.DeMelo@sc.com)  
Tel: +27 11 291 8245

## **LEGAL ADVISERS TO THE ISSUER, THE ARRANGERS AND THE DEALER**

### **Edward Nathan Sonnenbergs Inc**

(Registration Number 2006/018200/21)

150 West Street  
Sandown  
Sandton, 2196  
South Africa

Contact: Mr Stephen von Schirnding

## **AUDITORS TO THE ISSUER**

### **Deloitte & Touche**

Deloitte Place  
Building 8  
The Woodlands  
20 Woodlands Drive  
Woodmead  
2052  
South Africa

Contact: Yuresh Maharaj  
E-mail: [ymaharaj@deloitte.co.za](mailto:ymaharaj@deloitte.co.za)

## **DEBT SPONSOR**

**Absa Corporate and Investment Bank**  
**a division of Absa Bank Limited**  
(Registration Number 1986/004794/06)  
15 Alice Lane  
Sandown  
Sandton

Contact: Bonnie Brink  
Email: [bonnie.brink@absacapital.com](mailto:bonnie.brink@absacapital.com)  
Tel: +27 11 895 6843