



THE STANDARD BANK OF SOUTH AFRICA LIMITED

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

ZAR90 000 000 000

Domestic Medium Term Note Programme

On 7 June 2002, The Standard Bank of South Africa Limited (the **Issuer**) established a ZAR10 000 000 000 Domestic Medium Term Note Programme (the **Programme**) pursuant to a programme memorandum dated 7 June 2002, as amended and restated on 11 September 2003, 14 October 2004, 6 December 2006, 29 October 2008, 1 December 2010, 20 August 2012 and 19 September 2013 (the **Previous Programme Memoranda**) in terms of which the Issuer may issue notes (the **Notes**) from time to time. On 31 January 2005, the aggregate nominal amount of the Programme was increased to ZAR20 000 000 000 and on 14 October 2005, to ZAR40 000 000 000. On 4 March 2010 the aggregate nominal amount of the Programme was increased to ZAR60 000 000 000. On 21 November 2012 the aggregate nominal amount of the Programme was increased to ZAR90 000 000 000. This Programme Memorandum (the **Programme Memorandum**) will apply to all Notes issued under the Programme on or after 25 November 2014 (the **Programme Date**) and will in respect of such Notes supersede and replace the Previous Programme Memoranda in their entirety. Notes issued under the Programme on or after the Programme Date are subject to the provisions described herein. This Programme Memorandum does not affect any Notes issued before the Programme Date and the relevant Previous Programme Memoranda will continue to apply to such Notes, as applicable.

Capitalised terms used in this Programme Memorandum are defined in the section of this Programme Memorandum headed "*Terms and Conditions of the Notes*" (the **Terms and Conditions**), unless separately defined, and/or in relation to a Tranche of Notes, in the Applicable Pricing Supplement.

Notes to be issued under the Programme may comprise (i) senior notes (the **Senior Notes**), and/or (ii) Notes which are subordinated to the Senior Notes (the **Subordinated Notes**). A Tranche of Notes may comprise, without limitation, Fixed Rate Notes, Floating Rate Notes, Mixed Rate Notes, Zero Coupon Notes and/or such combination of the foregoing Notes and/or such other type of Notes as may be determined by the Issuer and the relevant Dealer(s) and specified in the Applicable Pricing Supplement. Notes will be issued in individual Tranches which, together with other Tranches, may form a Series of Notes. A Tranche of Notes will be issued on, and subject to, the Terms and Conditions, as replaced, amended and/or supplemented by the terms and conditions of that Tranche of Notes set out in the Applicable Pricing Supplement.

This Programme Memorandum has been approved by the JSE. A Tranche of Notes may be listed on the JSE or on such other or additional Financial Exchange(s) as may be selected by the Issuer and the relevant Dealer (as defined below), subject to all Applicable Laws. Unlisted Notes may also be issued under the Programme. Unlisted Notes are not regulated by the JSE. The Applicable Pricing Supplement relating to a Tranche of Notes which is to be listed on the JSE will specify the relevant platform or sub-market of the JSE on which such Tranche of Notes is to be listed and will be delivered to the JSE and the Central Depository, before the Issue Date. A Tranche of Notes listed on the JSE may be traded by or through members of the JSE from the date specified in the Applicable Pricing Supplement, in accordance with the Applicable Procedures. The settlement of trades on the JSE will take place in accordance with the electronic settlement procedures of the JSE and the Central Depository for all trades done through the JSE. The placement of a Tranche of unlisted Notes may (at the sole discretion of the Issuer) be reported through the JSE reporting system, in which event the settlement of trades in such Notes will take place in accordance with the electronic settlement procedures of the JSE and the Central Depository. The settlement and redemption procedures for a Tranche of Notes listed on any Financial Exchange (other than or in addition to the JSE) will be specified in the Applicable Pricing Supplement.

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

As at the Programme Date, the Programme has not been rated by any rating agency. After the Programme Date, the Programme and/or any Notes issued under the Programme may be rated by a rating agency on a national or international scale basis. The rating assigned to the Issuer and/or the Programme and/or the Notes, as the case may be, as well as the rating agency(ies) which assigned such rating(s), will be specified in the Applicable Pricing Supplement and made available on the Issuer's website at www.standardbank.co.za.

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a supplementary Programme Memorandum, if appropriate, will be made available, which will describe the effect of the agreement reached in relation to such Notes.

Arranger, Dealer and JSE Debt Sponsor

The Standard Bank of South Africa Limited
(acting through its Corporate and Investment Banking Division)

Dealers

Deutsche Bank AG, Johannesburg Branch
J.P. Morgan Securities South Africa Proprietary Limited

IMPORTANT NOTICES

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

The Issuer certifies that to the best of its knowledge and belief there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made as well as that this Programme Memorandum contains all information required by Applicable Laws and the debt listings requirements of the JSE. The Issuer accepts full responsibility for the accuracy of the information contained in this Programme Memorandum, the Applicable Pricing Supplements and the annual financial report of the Issuer, the amendments to the annual financial report and any supplements thereto from time to time, except as otherwise stated therein.

The JSE takes no responsibility for the contents of this Programme Memorandum, any Applicable Pricing Supplements, or the annual reports of the Issuer (as amended or restated from time to time), makes no representation as to the accuracy or completeness of any of the foregoing documents and expressly disclaims any liability for any loss arising from or in reliance upon the whole or any part of this Programme Memorandum, any Applicable Pricing Supplements, or the annual reports of the Issuer (as amended or restated from time to time).

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

This Programme Memorandum is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see the section headed “*Documents Incorporated by Reference*”). This Programme Memorandum shall be read and construed on the basis that such documents are incorporated by reference into and form part of this Programme Memorandum.

None of the Arranger, the Dealers, the JSE Debt Sponsor, the JSE nor any of their professional advisers has separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by any of the Arranger, the Dealers, the JSE Debt Sponsor, the JSE or other professional advisers as to the accuracy or completeness of the information contained in this Programme Memorandum or any other information provided by the Issuer. None of the Arranger, the Dealers, the JSE Debt Sponsor, the JSE nor any of their professional advisers accept any liability in relation to the information contained in this Programme Memorandum or any other information provided by the Issuer in connection with the Programme.

No Person has been authorised to give any information or to make any representation not contained in or not consistent with this Programme Memorandum or any other information supplied in connection with the Programme and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Arranger or any Dealer.

Neither this Programme Memorandum nor any other information supplied in connection with the Programme is intended to provide a basis for any credit or other evaluation, or should be considered as a recommendation by the Issuer that any recipient of this Programme Memorandum or any other information supplied in connection with the Programme, should purchase any Notes.

Each investor contemplating the purchase of any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the condition (financial or otherwise), of the Issuer. Neither this Programme Memorandum nor any other information supplied in connection with the Programme constitutes an offer or invitation by or on behalf of the Issuer to any Person to subscribe for or to purchase any Notes.

The delivery of this Programme Memorandum does not at any time imply that the information contained herein concerning the Issuer 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 at any time subsequent to the date indicated in the document containing the same. Investors should review, among others, the most recent financial statements of the Issuer when deciding whether or not to purchase any Notes.

This Programme Memorandum does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any Person to whom it is unlawful to make the offer or solicitation in such jurisdiction.

The distribution of this Programme Memorandum and the offer or sale of Notes may be restricted by law in certain

jurisdictions. Persons into whose possession this Programme Memorandum or any Notes come must inform themselves about, and observe, any such restrictions. In particular, there are restrictions on the distribution of this Programme Memorandum and the offer or sale of Notes in the United States of America, the United Kingdom, South Africa and certain other jurisdictions (see the section headed “*Subscription and Sale*”). The Issuer does not represent 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, nor does it assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer 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 Law and regulations.

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

All references in this document to “Rand”, “ZAR”, “South African Rand”, “R” and “cent” refer to the currency of South Africa.

In connection with the issue and distribution of any Tranche of Notes, the Issuer or a Dealer disclosed as the approved stabilisation manager (if any) or any Person acting for it (the Stabilisation Manager) in the Applicable Pricing Supplement may, subject to the terms and conditions for stabilisation contained in the Applicable Pricing Supplement and only if such stabilising is permitted by the debt listings requirements of the JSE and approved by the JSE, over-allot or effect transactions with a view to supporting the market price of the Notes 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 or any of its agents to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period and is to be carried out in accordance with all Applicable Laws and regulations.

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

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DOCUMENTS INCORPORATED BY REFERENCE

Capitalised terms used in this section headed “Documents Incorporated by Reference” shall have the same meanings as defined in the Terms and Conditions, unless they are 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) all amendments and supplements to this Programme Memorandum circulated by the Issuer from time to time in accordance with the Amended and Restated Programme Agreement dated 25 November 2014 between the Arranger and Dealers (as defined therein) and the Issuer (the **Programme Agreement**) which relates to the Programme;
- (b) the audited annual financial statements, and notes thereto, of the Issuer for the three financial years ended 31 December 2011, 2012 and 2013 as well as the published audited annual financial statements, and notes thereto, of the Issuer in respect of all financial years of the Issuer after the Programme Date, as and when same become available;
- (c) each Applicable Pricing Supplement relating to any Tranche of Notes issued under the Programme on or after the Programme Date;
- (d) 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/or which is available on any electronic news service established or used or required by the JSE,

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 JSE or on such other or further Financial Exchange(s) as may be selected by the Issuer and the relevant Dealer, and for so long as any Note remains Outstanding and listed on such Financial Exchange, publish a new Programme Memorandum or a further supplement to the Programme Memorandum where:

- (a) there is a material change in the financial or trading condition of the Issuer; or
- (b) an event has occurred which affects any matter contained in this Programme Memorandum, the disclosure of which would reasonably be required by Noteholders and/or potential investors in the Notes; or
- (c) any of the information contained in this Programme Memorandum becomes outdated in a material respect; or
- (d) this Programme Memorandum no longer contains all the materially correct information required by the Applicable Procedures,

provided that, in the circumstances set out in paragraphs (c) and (d) above, no new Programme Memorandum or supplement to this Programme Memorandum, as the case may be, is required in respect of the Issuer’s annual financial statements if such annual financial statements are incorporated by reference into this Programme Memorandum and such annual financial statements are published, as required by the Companies Act, and submitted to the JSE within six months after the financial year end of the Issuer.

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

The Issuer will provide, free of charge, to any Person, upon request of such Person, a copy of any of the public documents deemed to be incorporated herein by reference, unless such documents have been modified or superseded, in which case the modified or superseding documentation will be provided. In addition, any Noteholder shall be entitled to request a copy of the Register in respect of the Notes held by that Noteholder. Requests for such documents should be directed to the Issuer at its Specified Office, where such documents will be made available. This Programme Memorandum, any amendments and/or supplements thereto, the Applicable Pricing Supplements relating to any issue of listed Notes and the audited annual financial statements of the Issuer are also available on the Issuer’s website, www.standardbank.co.za. In addition, this

Programme Memorandum, any supplements and/or amendments thereto and the Applicable Pricing Supplements relating to any issue of listed Notes will be filed with the JSE. The JSE will publish such documents on its website at www.jse.co.za.

GENERAL DESCRIPTION OF THE PROGRAMME

Capitalised terms used in this section headed “General Description of the Programme” shall have the same meaning as defined in the Terms and Conditions, unless they are 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 the currency specified in the Applicable Pricing Supplement. The applicable terms of any Notes will be set out in the Terms and Conditions incorporated by reference into the Notes, as modified and supplemented by the Applicable Pricing Supplement relating to the Notes and any supplementary Programme Memorandum. A summary of the Programme and the Terms and Conditions appears in the section of this Programme Memorandum headed “*Summary of the Programme*”.

As at the Programme Date, the Programme Amount is ZAR90 000 000 000 (or its equivalent in such other currency or currencies as Notes are issued). This Programme Memorandum will only apply to Notes issued under the Programme in an aggregate Nominal Amount Outstanding which does not exceed the Programme Amount, unless such amount is increased as set out below. For the purpose of calculating the aggregate Nominal Amount of Notes Outstanding issued under the Programme from time to time:

- (a) the ZAR equivalent of Notes denominated in another currency shall be determined at or about the time at which an agreement is reached for the issue of such Notes as between the Issuer and the relevant Dealer(s) on the basis of the spot rate at such time for the sale of such ZAR amount against the purchase of such currency or unit of account in the Johannesburg inter-bank foreign exchange markets, as quoted by the Issuer or by any leading bank selected by the Issuer;
- (b) the amount of Indexed Notes and Partly Paid Notes shall be calculated by reference to the original nominal amount of such Notes (and, in the case of Partly Paid Notes, regardless of the subscription price paid); and
- (c) the amount of Zero Coupon Notes and Other Notes issued at a discount or premium shall be calculated by reference to the Nominal Amount received by the Issuer for the relevant issue.

In the event that the Issuer issues unlisted Notes, or any Notes are listed on any exchange other than the JSE, the Issuer shall, by no later than the last day of the month of such issue, inform the JSE in writing of the nominal amount and scheduled maturity date in respect of such Notes.

From time to time, the Issuer may wish to increase the Programme Amount. Subject to the Applicable Procedures, the Programme Agreement and all Applicable Laws, the Issuer may, without the consent of Noteholders, increase the Programme Amount by delivering notice thereof to (i) the JSE Debt Sponsor, (ii) Noteholders, (iii) the relevant Financial Exchange(s), (iv) the Transfer, Paying and Calculation Agents, and (v) the Arranger and (vi) the Dealers in accordance with Condition 18 (*Notices*) of the Terms and Conditions and the Applicable Procedures. Upon such notices being given, all references in the Programme Memorandum or any other agreement, deed or document in relation to the Programme, to the Programme Amount, shall be, and shall be deemed to be, references to the increased Programme Amount.

To the extent that Notes may be listed on the JSE, the JSE’s approval of the listing of any Notes is not to be taken in any way as an indication of the merits of the Issuer or the Notes. The JSE has not verified the accuracy and truth of the contents of the Programme and to the extent permitted by law, the JSE will not be liable for any claim of whatsoever kind.

Claims against the BESA Guarantee Fund Trust and/or the JSE Guarantee Fund, as the case may be, may only be made in respect of trading in Notes listed on the JSE and in accordance with the rules of the BESA Guarantee Fund Trust and/or the JSE Guarantee Fund, as the case may be. Unlisted Notes are not regulated by the JSE.

Investing in the Notes involves certain risks (see the section of this Programme Memorandum headed “*Risk Factors*”).

SUMMARY OF THE PROGRAMME

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. Capitalised terms used in this section headed “Summary of the Programme” shall have the same meanings as defined in the Terms and Conditions, unless they are defined in this section or this is clearly inappropriate from the context.

PARTIES

Arranger	The Standard Bank of South Africa Limited (acting through its Corporate and Investment Banking Division) (Registration Number 1962/000738/06).
CSD	Strate Proprietary Limited (Registration Number 1998/022242/07), a central securities depository licensed in terms of the Financial Markets Act or such additional or alternative depository as may be agreed between the Issuer and the relevant Dealer(s).
Dealers	The Standard Bank of South Africa Limited (acting through its Corporate and Investment Banking Division), Deutsche Bank AG, Johannesburg Branch, J.P. Morgan Securities South Africa Proprietary Limited, and any other Dealer appointed under the Programme from time to time, which appointment may be for a specific issue or on an ongoing basis, subject to the Issuer’s right to terminate the appointment of any Dealer.
Issuer	The Standard Bank of South Africa Limited (Registration Number 1962/000738/06).
JSE	JSE Limited (Registration Number 2005/022939/06), licensed as an exchange in terms of the Financial Markets Act.
JSE Debt Sponsor	The Standard Bank of South Africa Limited (acting through its Corporate and Investment Banking Division) (Registration Number 1962/000738/06).
Transfer Agent, Calculation Agent and Paying Agent	The Issuer, unless the Issuer elects to appoint, in relation to a particular Tranche or Series of Notes, another entity as Transfer Agent, Calculation Agent or Paying Agent (as the case may be), in which event that other entity shall act in such capacity in respect of that Tranche or Series of Notes.

GENERAL

BESA Guarantee Fund Trust and/or JSE Guarantee Fund	<p>Claims against the BESA Guarantee Fund Trust may only be made in respect of the trading of Notes which are listed on the separate platform or sub-market of the JSE designated as the “<i>Interest Rates Market</i>” and in accordance with the rules of the BESA Guarantee Fund Trust. The holders of Notes that are not listed on the separate platform or sub-market of the JSE designated as the “<i>Interest Rates Market</i>” will have no recourse against the JSE or the BESA Guarantee Fund Trust. Unlisted Notes are not regulated by the JSE.</p> <p>Claims against the JSE Guarantee Fund may only be made in respect of the trading of Notes which are listed on the JSE (other than on the separate platform or sub-market of the JSE designated as the “<i>Interest Rates Market</i>”) and in accordance with the rules of the JSE Guarantee Fund. The holders of Notes that are not listed on the JSE will have no recourse against the JSE or the JSE Guarantee Fund. Unlisted Notes are not regulated by the JSE.</p>
Blocked Rand	Blocked Rand may be used to subscribe for or purchase Notes, subject to South African Exchange Control Regulations (see the section of this

Programme Memorandum headed “*South African Exchange Control*”).

Cross Default	Senior Notes will have the benefit of a cross default as described in Condition 13.1.3 (<i>Cross default of Issuer</i>).
Denomination of Notes	Notes will be issued in such denominations as may be specified in the Applicable Pricing Supplement.
Description of the Programme	The Standard Bank of South Africa Limited ZAR90 000 000 000 Domestic Medium Term Note Programme.
Distribution	Notes may be distributed by way of private placement, auction or bookbuild 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 Dealer(s) and reflected in the Applicable Pricing Supplement.
Method of Transfer	The method of transfer is by registration for transfer of Notes to occur through the Register and by electronic book entry in the securities accounts of Participants or the CSD, as the case may be, for transfers of Beneficial Interests in the Notes, in all cases subject to the restrictions described in this Programme Memorandum. The Notes will be freely transferable.
Form of Notes	Notes may be issued in the form of Registered Notes, Bearer Notes or Order Notes. Registered Notes may be issued in certificated or uncertificated form, as specified in the Applicable Pricing Supplement (see section of this Programme Memorandum headed “ <i>Form of the Notes</i> ” below). Bearer Notes and Order Notes will, if issued, be issued in certificated form.
Governing Law	The Programme Memorandum, the Terms and Conditions and the Notes will be governed by, and construed in accordance with the laws of South Africa.
Interest	A Tranche of Notes may be interest-bearing or non-interest bearing, as specified in the Applicable Pricing Supplement. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate or be index linked, and the method of calculating interest may vary between the Issue Date and the Maturity Date, all as specified in the Applicable Pricing Supplement.
Interest Period(s) or Interest Payment Date(s)	The Interest Rate(s), Interest Payment Date(s) and Interest Period(s) applicable to interest-bearing Notes will be specified in the Applicable Pricing Supplement.
Issue Price	Notes may be issued on a fully-paid or a partly-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 specified in the Applicable Pricing Supplement.
Listing	<p>The Programme has been approved by the JSE. Notes issued under the Programme may be listed on the JSE, or on a successor exchange or such other or additional Financial Exchange(s) as may be selected by the Issuer and the relevant Dealer in relation to such issue. Unlisted Notes may also be issued under the Programme. Unlisted Notes are not regulated by the JSE.</p> <p>The Applicable Pricing Supplement in respect of a Tranche of Notes will specify whether or not such Tranche of Notes will be listed, on which Financial Exchange they are to be listed (if applicable) and, if such Tranche of Notes is to be listed on the JSE, the relevant platform or sub-market of the JSE on which such Tranche of Notes is to be listed.</p>
Maturities of Notes	Any maturity, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Subject to the applicable Capital Rules, Tier 2 Notes may have a minimum Maturity Period determined in

	accordance with the Capital Rules relating to such Tier 2 Notes, as set out in the Applicable Pricing Supplement.
Negative Pledge	Senior Notes will have the benefit of a negative pledge as described in Condition 6 (<i>Negative Pledge</i>).
Noteholder(s)	The holders of the Registered Notes (as recorded in the Register) and/or Bearers of the Bearer Notes and/or the Payees of the Order Notes.
Notes	<p>Notes may comprise:</p> <p>Fixed Rate Notes: Fixed Rate Notes will bear interest at a fixed interest rate, as indicated in the Applicable Pricing Supplement;</p> <p>Floating Rate Notes: Floating Rate Notes will bear interest at a floating rate, as indicated in the Applicable Pricing Supplement;</p> <p>Zero Coupon Notes: 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>Indexed Notes: 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>Mixed Rate Notes: 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>Instalment Notes: 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>Partly Paid Notes: the Issue Price of Partly Paid Notes will be payable in two or more instalments as set out in the Applicable Pricing Supplement;</p> <p>Exchangeable Notes: Notes which may be redeemed by the Issuer in cash or by the delivery of securities as specified in the Applicable Pricing Supplement;</p> <p>Other Notes: terms applicable to Notes other than those specifically contemplated under this Programme Memorandum will be set out in the Applicable Pricing Supplement.</p>
Participants	The persons accepted by the Central Depository as participants in terms of the Financial Markets Act. As at the Programme Date, the Participants are Citibank NA, South Africa branch, FirstRand Bank Limited (RMB Custody and Trustee Services), Link Investor Services, Nedbank Limited, The Standard Bank of South Africa Limited, Standard Chartered Bank, Johannesburg branch, Société Générale, Johannesburg branch and the SARB. Euroclear Bank S.A./N.V. as operator of the Euroclear System (Euroclear) and Clearstream Banking, <i>societe anonyme</i> (Clearstream Banking), may hold Notes through their Participant (see the section of this Programme Memorandum headed “ <i>Settlement, Clearing and Transfer of Notes</i> ”).
Programme Amount	The maximum aggregate Nominal Amount of all Notes Outstanding that may be issued under the Programme at any one point in time, being as at the

Programme Date, ZAR90 000 000 000 (or its equivalent in other currencies) or such increased amount as is determined by the Issuer from time to time, subject to the Applicable Procedures, Applicable Laws and the Programme Agreement, as more fully set out in the section of this Programme Memorandum headed (“*General Description of the Programme*”).

Redemption

Scheduled Redemption: A Tranche of Notes will, subject to the Terms and Conditions, be redeemed on the Maturity Date, as set out in Condition 9.1 (*Scheduled Redemption*).

Early Redemption at the option of the Issuer (Call Option): If the Call Option is specified as applicable in the Applicable Pricing Supplement, the Issuer may (having given not less than 30 (thirty) and not more than 60 (sixty) days’ notice to the Noteholders in accordance with Condition 18 (*Notices*)) redeem the Notes in whole, or if so specified in the Applicable Pricing Supplement, in part on the Optional Redemption Dates, in accordance with Condition 9.4 (*Early Redemption at the option of the Issuer (Call Option)*).

Early Redemption at the option of Noteholders of Senior Notes (Put Option): If the Put Option is specified as applicable in the Applicable Pricing Supplement, the Noteholders of any such Tranche of Senior Notes may, by delivering, amongst other things, a duly completed Put Notice in accordance with Condition 9.6 (*Early Redemption at the option of the Noteholders of Senior Notes (Put Option)*), require the Issuer to redeem such Tranche of Senior Notes on the Optional Redemption Dates specified in the relevant Put Notice in the manner set out in, and in accordance with, Condition 9.6 (*Early Redemption at the option of the Noteholders of Senior Notes (Put Option)*).

Early Redemption following the occurrence of a Tax Event and/or Change in Law: If so specified in the Applicable Pricing Supplement, the Issuer may redeem any Tranche of Notes at any time prior to the Maturity Date following the occurrence of a Tax Event and/or a Change in Law as set out in Condition 9.2 (*Early Redemption following the occurrence of a Tax Event and/or Change in Law*).

Early Redemption following the occurrence of a Capital Disqualification Event: If so specified in the Applicable Pricing Supplement, the Issuer may redeem any Tranche of Notes at any time prior to the Maturity Date following the occurrence of a Capital Disqualification Event as set out in Condition 9.3 (*Early Redemption following the occurrence of a Capital Disqualification Event*).

Early Redemption following an Event of Default: Upon the occurrence of an Event of Default and receipt by the Issuer of a written notice declaring Notes held by the relevant Noteholder to be forthwith due and payable in accordance with Condition 13 (*Events of Default*), such Notes shall become forthwith due and payable at the Early Redemption Amount in the manner set out in Condition 9.8 (*Early Redemption Amounts*), together with interest (if any) to the date of payment, in accordance with Condition 13 (*Events of Default*).

Notes may be redeemable at par or at such other Redemption Amount (detailed in a formula, index or otherwise) as may be specified in the Applicable Pricing Supplement. Notes may also be redeemable in two or more instalments on such dates and in such manner as may be specified in the Applicable Pricing Supplement relating to the relevant Tranche of Notes.

For so long as the Capital Rules so require, Tier 2 Notes may be redeemed, purchased or modified prior to the Maturity Date only at the option of the Issuer and subject to the prior written approval of the Relevant Regulator and

in accordance with the conditions (if any) approved by the Relevant Regulator.

Register	The Register will be maintained by the Transfer Agent in terms of the Terms and Conditions. The CSD's Nominee will be named in the Register as the registered holder of Notes held in the Central Depository. Each holder of Notes represented by an Individual Certificate will be named in the Register as the registered Noteholder of such Notes.
Risk Factors	Investing in the Notes involves certain risks (see the section of this Programme Memorandum headed " <i>Risk Factors</i> ").
Securities Transfer Tax	As at the Programme Date, no Securities Transfer Tax (as contemplated in the Securities Transfer Tax Act, 2007) is payable on the issue or on the transfer of Notes.
Selling Restrictions	The distribution of this Programme Memorandum and/or any Applicable Pricing Supplement and any offering or sale of or subscription for any Tranche of Notes may be restricted by law in certain jurisdictions, and is restricted by law in the United States of America, the United Kingdom, the European Economic Area, South Africa and certain other jurisdictions (see section headed " <i>Subscription and Sale</i> "). Any other or additional restrictions which are applicable and which may be required to be met in relation to an offering or sale of a particular Tranche of Notes will be included in the Applicable Pricing Supplement. Persons who come into possession of this Programme Memorandum and/or any Applicable Pricing Supplement must inform themselves about and observe all applicable selling restrictions.
Specified Currency	South African Rand or, subject to all Applicable Laws and, in the case of Notes listed on the JSE, the debt listings requirements of the JSE, such other currency as specified in the Applicable Pricing Supplement.
Status of Notes	Notes may be issued on a senior or subordinated basis, as specified in the Applicable Pricing Supplement.
Status of the Senior Notes	The Senior Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 6 (<i>Negative Pledge</i>)) unsecured obligations of the Issuer, all as described in Condition 5.1 (<i>Status of the Senior Notes</i>) and the Applicable Pricing Supplement.
Status of the Tier 2 Subordinated Notes	The Tier 2 Notes will constitute direct, unsecured and, in accordance with Condition 5.2.3 (<i>Subordination</i>), subordinated obligations of the Issuer and rank <i>pari passu</i> without any preference among themselves and (save for the claims of those creditors that have been accorded preferential rights by law) <i>pari passu</i> with all other subordinated obligations of the Issuer that are not Junior Obligations or Senior Obligations, all as described in Condition 5.2 (<i>Status of the Tier 2 Notes</i>) and the Applicable Pricing Supplement.
Status of other Subordinated Notes	Subordinated Notes that are not Tier 2 Notes will constitute direct, unsecured and subordinated obligations of the Issuer, all as described in the Applicable Pricing Supplement.
Non-Viability Loss Absorption for Tier 2 Notes	<p>Upon the occurrence of a Non-Viability Event, the Issuer will notify Tier 2 Noteholders and subsequently Write-down the Tier 2 Notes, in accordance with the Capital Rules, as described in Condition 5.4.</p> <p>If so specified in the Applicable Pricing Supplement, to the extent that a Statutory Loss Absorption Regime is implemented in South Africa, and the Tier 2 Notes are subject to such Statutory Loss Absorption Regime, the Issuer will, following consultation with the Relevant Regulator, dis-apply the Non-</p>

Viability Loss Absorption Condition referred to in Condition 5.4, provided that such disapplication would not result in a Capital Disqualification Event.

Taxation

A summary of the applicable tax legislation in respect of the Notes, as at the Programme Date, is set out in the section of this Programme Memorandum headed “*South African Taxation*”. The summary does not constitute tax advice. Potential investors in the Notes should consult their own professional advisers as to the potential tax consequences of, and their tax positions in respect of, an investment in the Notes.

Terms and Conditions

The Terms and Conditions of the Notes are set out in the section of this Programme Memorandum headed “*Terms and Conditions of the Notes*”.

Withholding Tax

As at the Programme Date 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 Applicable Law, then the Issuer will, subject to the Issuer’s rights to redeem Notes following a Tax Event and/or Change in Law pursuant to Condition 9.2 (*Redemption following the occurrence of a Tax Event and/or Change in Law*) (and subject to certain exceptions as provided in Condition 11 (*Taxation*) 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.

RISK FACTORS

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

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

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

Prospective investors should also read the detailed information set out elsewhere in this Programme Memorandum to reach their own views prior to making any investment decision. The information given below is as at the date of this Programme Memorandum.

Capitalised terms used herein and not otherwise defined shall bear the meanings ascribed to them in “Terms and Conditions of the Notes”.

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

Risks relating to the Issuer

The investments, business, profitability and results of operations of the Issuer may be adversely affected as a result of the difficult conditions in the global and South African financial markets.

Global conditions

Since the financial crisis in 2008, global economic outlook has strengthened, led by advanced economies. While the improved performance of advanced economies should support emerging markets, downside risks to developing and emerging economies (including South Africa) have grown. Downside risks potentially derive from, but are not limited to, the normalisation of US monetary policy, geopolitical risks, and slowing Chinese economic growth. US monetary policy normalisation could trigger periodic bouts of investor risk aversion and capital outflows from emerging markets, contributing to asset-price volatility, balance of payments stress and lower growth. Global economic activity and investor risk sentiment is also vulnerable to geopolitical risk such as that experienced in the Ukraine and neighbouring Russia during 2014, for example. A more rapid than anticipated deceleration in Chinese growth presents a material downside risk to overall global risk appetite, trade flows and economic performance. South Africa and relatively resource-dependent developing African markets (to which the Issuer has material risk exposures), would be comparatively vulnerable to a rapid Chinese growth deceleration given the potentially material adverse impact it may have on global commodity prices.

South African conditions

The Issuer's business is significantly focused on South Africa and therefore adverse changes affecting the South African economy are likely to have an adverse impact on the Issuer's financial condition and the results of its operations. No assurance can be given that a further economic downturn or financial crisis will not occur, or that the Issuer would be able to sustain its current performance levels if such events or circumstances affecting the South African economy were to occur.

South Africa's credit rating has been downgraded by rating agencies which cite labour unrest and uncertain policy decisions in key sectors of the economy as negatively impacting investor confidence. Other key risks the South African economy faces are slowing demand from developing economies, lower commodity prices and a reduction in domestic demand resulting from higher inflation, tighter monetary policy and limited fiscal stimulus.

The domestic market has shown limited signs of sustained recovery. The Issuer expects the trend of slow economic growth to continue. The volatility of the South African Rand is generally viewed as having a negative impact on both domestic and foreign investment.

South African conditions specific to the banking sector

The macroeconomic environment for South African banks remains difficult. Challenges include a subdued economy with weak immediate gross domestic product ("GDP") growth prospects, low interest rates relative to other emerging markets, ongoing constraints on investment by government, businesses and households, and intense competition. South African households remained burdened by high levels of debt, sluggish personal disposable income growth and rising inflation. Growth in spending has continued to slow in response to these adverse factors as well as to lower levels of unsecured lending to households as credit providers tightened their lending practices. Slow economic growth also constrained activity in the business banking environment. Lacklustre fixed investment growth and labour disruption contributed to a relatively subdued economic performance, with GDP growth reaching only 1.9 per cent. during 2013.¹

Failures in risk management

The Issuer, in common with other banks in South Africa and elsewhere, is exposed to commercial and market risks in its ordinary course of business, the most significant of which are credit risk, market risk, liquidity risk, interest rate risk and operational risk, with credit risk being the largest.

Whilst the Issuer believes that it has implemented appropriate policies, systems and processes to control and mitigate these risks, investors should note that any failure to control these risks adequately could have an adverse effect on the financial condition and reputation of the Issuer.

Credit Risk

The Issuer's businesses are subject to inherent risks regarding borrower credit quality and the recoverability of loans and amounts due from counterparties. Changes in the credit quality of the Issuer's borrowers and counterparties or arising from systemic risk in the financial systems could reduce the value of the Issuer's assets, and require increased provisions for bad and doubtful debts.

As at 31 December 2013, non-performing loans represented 4.7 per cent. of the Personal and Business Banking SA division's gross loans and advances (compared with 4.8 per cent. as at 31 December 2012). In addition, in the Issuer's Corporate and Investment Banking SA division, non-performing loans represented 1.4 per cent. of Corporate and Investment Banking SA's gross loans and advances (compared with 1.5 per cent. as at 31 December 2012). For the year ended 31 December 2013 the Issuer's credit impairment charges increased by 35 per cent. to R7.8 billion and the credit loss ratio increased to 1.11 per cent. (0.89 per cent. for the year ended 31 December 2012).

Continued deterioration within the personal unsecured, overdraft, revolving credit and business lending portfolios contributed to the above-mentioned increase, as customers continue to struggle to service debt. This was partly offset by lower credit impairments within mortgage lending following several management initiatives. Specific impairment charges were raised against several large exposures in investment banking and transactional products and services. This was partly offset by a lower portfolio impairment provision in Corporate and Investment Banking SA as a result of improved risk grades across the majority of industries and the non-recurrence of the increase in the prior year provision which was raised following the change in emergence period from six to 12 months for the assets that had been transferred from Standard Bank Plc onto the Standard Bank of South Africa Limited's balance sheet.

A significant proportion of the Issuer's core banking business has been, and is expected to continue to be, loans to retail customers. The performance of the Issuer's mortgage portfolio remained resilient despite economic pressure and the non-performing loan portion of the portfolio continued to reduce year-on-year. As at 31

¹ (Source SARB Quarterly No. 271, March 2014)

December 2013, the total value of the Issuer's home loan book was R295,9 billion (2012: R288,7 billion), of which 4.6 per cent. comprised of non-performing loans (compared to 5.3 per cent. as at 31 December 2012). As at 31 December 2013, 3.8 per cent. of the Issuer's loan portfolio consisted of card debtors, of which 4.6 per cent. were classified as non-performing (compared to 3.7 per cent. as at 31 December 2012).

Since 2010, the Issuer has grown its retail unsecured lending book, lending mainly to its own transactional banking customers, aiming to ensure that customers are able to manage their debt by pricing correctly for the loans, whilst at the same time having a strong collections capability. However, given the increased pressure on consumers during 2013, the Issuer scaled back its appetite for unsecured personal loans. As at 31 December 2013, 4.8 per cent. of the Issuer's loan portfolio consisted of personal unsecured loans (excluding card debtors), of which 9.6 per cent. were classified as non-performing (compared to 6.4 per cent. as at 31 December 2012).

Many factors affect the ability of the Issuer's customers to repay their loans. Some of these factors, including adverse changes in consumer confidence levels due to local, national and global factors, consumer spending, bankruptcy rates, and increased market volatility, might be difficult to anticipate and are completely outside of the Issuer's control. The Issuer conducts stress tests on its portfolios to identify the key factors driving change in the credit risk tendency, to anticipate possible future outcomes, and to implement necessary actions to constrain risk.

The Issuer continues to apply appropriate and responsible lending criteria to ensure prudent lending practices in line with anticipated economic conditions and risk appetite. If macroeconomic conditions in South Africa deteriorate, for example, to levels which existed in 2010, there can be no assurance that the rate of the Issuer's non-performing loans and credit impairments will not increase which, in turn, could have an adverse effect on the Issuer's financial condition or results of operations.

Market Risk

The Issuer's businesses are inherently subject to the risk of market fluctuations. In particular, the Issuer's activities are subject to interest rate, foreign exchange, bond price, equity price and commodity price risks. Changes in interest rate levels, yield curves and spreads may affect overall profitability, and rate and price movements in the financial markets may cause changes in the value of the Issuer's investment and trading portfolios. The Issuer has implemented risk management methods to mitigate and control these and other market risks to which the Issuer is exposed. Stress testing provides an indication of the potential losses that could occur under extreme market conditions and where longer holding periods may be required to exit positions. However, it is difficult to predict with accuracy changes in economic or market conditions and to anticipate the effects that such changes could have on the Issuer's financial performance.

Liquidity Risk

The Issuer's primary funding sources are in the form of deposits across a spectrum of retail and wholesale clients, as well as long-term capital and loan markets. The banking sector in South Africa is characterised by certain structural features, such as a low discretionary savings rate in general and a high percentage of these are captured by institutions such as pension funds, provident funds and providers of asset management services. A portion of these savings translates into institutional funding for the banking system that comprises wholesale funding from financial institutions across a range of deposits, loans and financial instruments. These deposits have a different liquidity profile to retail deposits. As a result, the Issuer, along with other banks in South Africa, has a higher reliance on wholesale funding than retail deposits, especially compared to peers in other emerging markets. According to the SARB BA 900 Filings as at 31 December 2013, retail deposits comprised 21 per cent. of the total funding-related liabilities of the Issuer.

Wholesale funding sourced by the Issuer is usually of a short-to-medium term on a contractual basis, is more expensive than retail deposits, and is sourced from a small number of depositors (principally fund managers). As at 31 December 2013, 84 per cent. of the Issuer's deposit and current accounts had a contractual maturity date of 12 months or less or were repayable on demand. As at 31 December 2013, the largest single depositor accounted for 2.7 per cent. of total deposits and the top 10 depositors accounted for 12.8 per cent. of total deposits.

If a substantial portion of the Issuer's depositors withdraw their demand deposits or do not roll over their term deposits upon maturity, the Issuer may need to seek more expensive sources of funding to meet its funding requirements, and no assurance can be made that the Issuer will be able to obtain additional funding on

commercially reasonable terms as and when required or at all. The Issuer's inability to refinance or replace such deposits with alternative funding could adversely affect the Issuer's liquidity and financial condition.

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

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

Operational Risk

The Issuer's businesses are subject to operational risk, and losses can result from (i) inadequate or failed internal processes, documentation, people, systems, and/or , equipment (ii) fraud, (iii) natural disasters and/or (iv) the failure of external systems, including those of the Issuer's suppliers and counterparties. The Issuer's systems, processes and internal controls are designed to ensure that the operational risks associated with its activities are appropriately monitored and controlled. In addition, business resumption and disaster recovery processes have been implemented to mitigate operational risks inherent in the Issuer's business. However, operational risk may have an adverse effect on the Issuer's financial condition and results of operations. Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that the Issuer will be unable to comply with its obligations as a company with securities listed on a Financial Exchange.

Concentration risk

Concentration risk is the risk of loss to the Issuer as a result of excessive build-up of exposure to a specific counterparty or counterparty group, an industry, market, product, financial instrument or type of security, a country or geography, or a maturity.

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

The Issuer currently holds the majority market share in South African home loans (Source: SARB BA900, 31 December 2013), and these exposures represent a credit concentration in the Issuer's portfolio. The Issuer manages this exposure within a clearly defined risk appetite framework and also stress tests the portfolio against various weaknesses in the economy which could negatively impact consumer credit-worthiness and the repayment of home loans.

Due to exchange control and other financial regulations in South Africa, individuals and corporates are restricted from making deposits outside of South Africa. This has led to large deposits in the banks in South Africa being made by corporates and in particular by South African fund managers. These fund managers are the largest depositors in the South African banking market, making deposits on behalf of their customers to benefit from higher interest rates available to wholesale depositors. The Issuer, in line with other South African banks, obtains a large percentage of its deposits from such fund managers. Legislation in South Africa restricts the exposure that fund managers can have to an individual bank, so fund managers are required to spread their deposits amongst the banks. Exchange controls promote depositor concentration risk and any failure by the Issuer to effectively manage risk concentrations could have an adverse effect on the Issuer's business, results of operations and financial condition.

The Issuer's risk management policies and procedures may not have identified or anticipated all potential risk exposures

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

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

The Issuer's credit ratings affect the cost and other terms upon which the Issuer is able to obtain funding. Rating agencies regularly evaluate the Issuer and their ratings of its long-term debt are based on a number of factors, including capital adequacy levels, quality of earnings, credit exposure, the risk management framework and funding diversification. These parameters and their possible impact on the Issuer's credit rating are monitored closely and incorporated into its liquidity risk management and contingency planning considerations.

As of the date of this Programme Memorandum, the Issuer's short and long-term foreign currency deposit rating was assessed by Moody's Investors Service Cyprus Limited as P-2 and Baa1, respectively, with a negative outlook and the Issuer's short and long-term foreign currency Issuer default rating was assessed by Fitch Ratings Limited as F3 and BBB, respectively, with a negative outlook.

A downgrade of the Issuer's credit ratings, or being placed on a negative ratings watch, may increase its cost of borrowing, limit its ability to raise capital and adversely affect its results of operations. A downgrade or potential downgrade of the South African sovereign rating or a change in rating agency methodologies relating to systemic support provided by the South African sovereign could also negatively affect the perception by rating agencies of the Issuer's rating.

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

The Issuer may suffer a failure or interruption in or breach of its information systems

The Issuer has a high dependency on its IT systems and operations infrastructure to conduct its business. The Issuer regards these systems as critical to improving productivity and maintaining the Bank's competitive edge.

Any failure, interruption or breach in security of these systems could result in failures or interruptions in its risk management, general ledger, deposit servicing, loan servicing, debt recovery, payment custody and/or other important systems. If the Issuer's information systems fail, even for a short period of time, it could be unable to serve some or all customers' needs on a timely basis which could result in a loss of business. In addition, a temporary shutdown of the Issuer's information systems could result in costs that are required for information retrieval and verification. The Issuer has developed business continuity management plans; however no guarantee can be given that failure in or interruptions to the business continuity processes will not occur.

The "Core Banking Transformation Programme" is an upgrade of the Issuer's core banking system, and is an investment which is intended to create a significant long-term competitive advantage. However, the dual operation of the legacy systems and the new systems during the migration phase could be a large contributor to operational risk. Deliberate action has been taken to minimise disruption to the business during the systems migration and to deliver predictable change for the Issuer's operations and customers.

The Issuer has a clear plan for implementation, and there have already been three successful releases on

schedule with an additional two releases scheduled during 2014.

The occurrence of any failures or interruptions in the Issuer's IT systems and operations infrastructure could have a materially adverse effect on the Issuer's business, financial condition and/or results of operations.

Competitive Landscape

The Issuer is subject to significant competition from other major banks operating in South Africa, including competitors such as international banks that may have greater financial and other resources, particularly in the corporate and investment banking market. Many of these banks operating in the Issuer's markets compete for substantially the same customers as the Issuer. The Issuer also faces competition from other non-bank entities that increasingly provide similar services to those offered by banks, including entities such as retailers, mobile telephone companies and entities in the shadow banking industry. Increased competition from non-bank entities in the money markets and capital markets could impact the Issuer's ability to attract funding. Competition may increase in some or all of the Issuer's principal markets and may have an adverse effect on its financial condition and results of operations.

The Issuer is subject to capital requirements that could affect its operations

The Issuer is subject to capital adequacy requirements specified by the South African Reserve Bank (the "SARB"), which provide for minimum common equity tier 1, tier 1 and total capital adequacy ratios.

The amended Regulations relating to Banks (the "**Regulations**") effective 1 January 2013 are based on the Basel III framework and provide the minimum risk based capital ratios. The SARB minimum ratios will be phased in for the period 2013 to 2019 in line with Basel III. The minimum common equity tier 1 ratio for 2014 is 5.5 per cent. increasing, to 8.50 per cent. in 2019. The minimum tier 1 ratio for 2014 is 7 per cent., increasing to 10.75 per cent. in 2019. The minimum 2014 total capital adequacy ratio is 10 per cent., increasing to 14 per cent. in 2019. These minimum ratios exclude the countercyclical buffer and confidential bank-specific pillar 2b capital requirement, but include the maximum potential domestic systemically important bank ("**D-SIB**") requirement, which is also bank-specific and therefore confidential.

The new Basel III capital buffers will make it more challenging for banks to comply with minimum capital ratios in future. Failure by the Issuer to meet certain of these buffers, for example the capital conservation and counter-cyclicality buffers could result in restrictions being placed on distributions, including dividends and discretionary payments, and any failure by the Issuer to maintain its capital ratios may result in action taken in respect of the Issuer, which may in turn impact on its ability to fulfil its obligations under the Notes.

The impact of any future change in law or regulation on the Issuer's business is uncertain

The pace and scale of regulatory change continues to be a major challenge, and the Issuer focuses on managing the costs and resource requirements of compliance as carefully as possible. In addition, a new unit called the Regulatory Advocacy Unit has been established that will facilitate a more proactive approach to monitoring and understanding regulatory developments, and will also be responsible for regulatory advocacy. A Regulatory Change Management Committee has been established to facilitate a more efficient approach to the implementation of regulatory change programmes across the organisation. Ongoing positive engagement with regulators has greatly facilitated the implementation of new regulations. Notable regulatory interventions in South Africa over the last few years have included the Competition Commission inquiry into the banking sector and numerous pieces of legislation such as the Financial Intelligence Centre Act, 2001 (which provides for anti-money laundering regulations); the Financial Advisory and Intermediary Services Act, 2002 (which regulates financial intermediary accreditation and discipline); and the National Credit Act, 2005 (the "**NCA**") which regulates the provision of consumer credit.

In 2013, the Issuer focused on preparing for new legislation that came into operation in 2013, including the Treating Customers Fairly market conduct regulatory regime, the Financial Markets Act, 2012 (the "**Financial Markets Act**"), and the Protection of Personal Information Act, 2013. The Issuer has also prioritised ensuring its readiness for the implementation of the US Foreign Account Tax Compliance Act ("**FATCA**").

The Issuer is preparing for the new regulatory framework for OTC derivatives now that the Financial Markets Act has been enacted. This Act modernises South Africa's securities services legislation in line with international best practice and regulatory principles and it provides an enabling framework for the regulation of

OTC derivatives and new provisions relating to market abuse. The first phase in regulating OTC derivatives will be the introduction of mandatory reporting of OTC derivatives trades to a trade repository, following which market participants will be consulted on mandatory central clearing for standardised OTC derivatives. A programme is in place to streamline the compliance with local regulations as well as the requirements of extra-territorial regulation which includes FATCA, the Dodd Frank Act and the European Market Infrastructure Regulation ("**EMIR**").

South Africa is implementing the "Twin Peaks" system of financial regulation which will see banks being supervised by two regulators: a Prudential Authority based in the SARB, and a new Market Conduct Authority which will replace the current Financial Services Board and have an expanded mandate. The Issuer is currently engaging with the authorities on the draft Financial Sector Regulation Bill, 2013 which will create the statutory Twin Peaks framework. Legislation implementing this system – similar to that which came into effect in the UK on 1 April 2013 – is expected to be tabled in Parliament towards the end of 2014.

To pave the way for the phasing-in of the "twin peaks" model, the Financial Services Laws General Amendment Act, 2013 (the "**Amendment Act**") has recently been enacted by Parliament. The Amendment Act took effect for the most part on 28 February 2014, with only particular provisions singled out for commencement at a later date. The Amendment Act contains a raft of amendments to eleven key pieces of financial sector legislation, and seeks to ensure that South Africa continues to have a sound and better-regulated financial services industry which promotes financial stability by strengthening the financial sector regulatory framework, enhancing the supervisory powers of the regulators and enhancing the powers of the South African Government to address potential risks to the financial system even during the transition to the twin peaks system. The memorandum published together with the Amendment Act makes it clear that the Amendment Act does not cover the more fundamental reforms envisaged in the shift towards a twin peaks model of financial regulation, but rather addresses the more urgent legislative gaps and the removal of inconsistencies in current legislation.

Consumer credit regulation has been tightened to provide stronger consumer protection. New Affordability Assessment Guidelines to be used when assessing applications for unsecured loans will be introduced later in 2014. A Credit Information Amnesty came into effect on 1 April 2014: this was a once-off removal of certain adverse credit information from credit records held by credit bureaus. The NCA was amended in March 2014. The combined impact of these reforms will be to increase the cost of credit for consumers as well as restrict access to credit from formal credit providers for the lower income market. The Issuer continues to engage with the relevant policy-makers on this issue.

The Issuer may not be able to detect money laundering and other illegal or improper activities fully or on a timely basis, which could expose it to additional liability and have a material adverse effect on it

The Issuer is required to comply with applicable anti-money laundering, anti-terrorism laws and other regulations in South Africa. These laws and regulations require the Issuer, among other things, to adopt and enforce "know your customer" policies and procedures and to report suspicious and large transactions to the applicable regulatory authorities – see the section titled "*Regulation - Anti-money laundering regulations*" on page 100. While the Issuer has adopted policies and procedures aimed at detecting and preventing the use of its banking network for money laundering activities by terrorists and terrorist-related organisations and individuals generally, such policies and procedures may not completely eliminate instances in which the Issuer may be used by other parties to engage in money laundering or other illegal or improper activities. To the extent the Issuer may fail to fully comply with applicable laws and regulations, the relevant government agencies to which it reports have the power and authority to impose fines and other penalties on the Issuer. In addition, the Issuer's business and reputation could suffer if customers use it for money laundering or illegal or improper purposes.

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

The Issuer's performance is dependent on the talents and efforts of key personnel, some of whom may have been employed by the Issuer for a substantial period of time and have developed with the business. The Issuer's continued ability to compete effectively and further develop its businesses also depends on its ability to attract new employees. In relation to the development and training of new staff, the Issuer is reliant on the continued development of the educational sector within South Africa, including access to facilities and educational programmes by its future employees.

Cyber-crime could have a negative impact on the Issuer's operations

The Issuer's operations are dependent on its own information technology systems and those of its third party service providers. The Issuer could be negatively impacted by cyber-attacks on any of these. As the Issuer moves banking to the digital and mobile world, the risk of cyber-crime increases, especially as infiltrating technology is becoming increasingly sophisticated and there can be no assurance that the Issuer will be able to prevent all threats.

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

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

Political, social and economic risks in South Africa or regionally may have an adverse effect on the Issuer's operations

The Issuer's operations are concentrated in South Africa with the majority of its revenues deriving from operations in South Africa. Operations in this market are subject to various risks, which include political, economic and social influences. Factors such as economic growth, inflation, interest rates, foreign exchange rates and currency controls could affect an investment in the Notes, and in a manner that may be difficult to predict.

Risk relating to Emerging Markets

South Africa is generally considered by international investors to be an emerging market. SBSA is fully integrated with the rest of the SBG Group and therefore also plays a key role in positioning SBG Group to capitalise on the growth in emerging markets in the rest of the continent. Investors in emerging markets such as South Africa should be aware that these markets may be subject to greater risk than more developed markets. These risks include economic instability as well as, in some cases, significant legal and political risks.

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

- labour unrest;
- policy uncertainty;
- widening of the current account deficit;
- currency volatility;
- falling commodity prices;
- capital inflows; and
- a decline in domestic demand.

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

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

Investors should also note that developing markets, such as South Africa, are subject to rapid change and that the information set out in this Programme Memorandum may become outdated relatively quickly.

Regulatory Environment

The Issuer is subject to government regulation in South Africa. Regulatory agencies have broad jurisdiction over many aspects of the Issuer's business, which may include capital adequacy, premium rates, marketing and selling practices, advertising, licensing agents, policy forms, terms of business and permitted investments.

Changes in government policy, legislation or regulatory interpretation applying to the financial services industry in the markets in which the Issuer operates may adversely affect the Issuer's product range, distribution channels, capital requirements and, consequently, reported results and financing requirements.

SBG's strategic focus is on Africa and other selected emerging economies. The Issuer is required by the SARB to limit its foreign currency lending exposure (the macro-prudential limit). Should the South African government (the "**Government**") reduce the macro-prudential limit, this would constrain the Issuer's ability to transact overseas with African and other selected emerging economies in line with its strategic focus.

Exchange Controls

Since 1995, certain exchange controls in South Africa have been relaxed. The extent to which Government may further relax such exchange controls cannot be predicted with certainty, although the Government has committed itself to a gradual approach of relaxation. Further relaxation or the abolition of exchange controls may precipitate a change in the capital flows to and from South Africa. If the net result of this were to cause large capital outflows, this could adversely affect the Issuer's business and it could have an adverse effect on the financial condition of the Issuer as a whole. In the event of the immediate abolition of exchange control there may be a sudden withdrawal of Rand from the South African market by investors. Because South Africa has a fully floating exchange rate and a flexible interest rate policy, this may result in a rapid depreciation of the Rand exchange rate and an increase in interest rates.

Risks relating to the Notes

There is no active trading market for the Notes

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. Although applications have been made or will be made for the Notes issued under the Programme to be listed on the Financial Exchange, there is no assurance that such applications will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes.

The Notes may be redeemed prior to maturity

Unless in the case of any particular Tranche of Notes the relevant Applicable Pricing Supplement specify 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 South Africa or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions.

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

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

Notes issued under the Programme will be uncertificated. Except in the circumstances described in Condition 14 (*Exchange of Beneficial Interests and Replacement of Individual Certificates*), investors will not be entitled to receive certificated Notes. The Central Depository will maintain records of the beneficial interests in the Uncertificated Notes. Investors of such Uncertificated Notes will be able to trade their beneficial interests only through the Central Depository.

The Issuer will discharge its payment obligations under the Uncertificated Notes by making payments to or to the order of the common depository for the Central Depository for distribution to their account holders. A holder of a Beneficial Interest in an Uncertificated Note must rely on the procedures of the Central Depository to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, Beneficial Interests in the Global Notes.

Holders of Beneficial Interests in the 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 Depository to appoint appropriate proxies.

Credit Rating

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

Exchange rate risks

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

Legal investment considerations may restrict certain investments

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

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

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

Risks relating to Tier 2 Notes

Notes may be subordinated to most of the Issuer's liabilities

The payment obligations of the Issuer under Tier 2 Notes will rank behind the claims of all the creditors in respect of Senior Obligations. See Condition 5.2 (*Status of the Tier 2 Notes*) for a full description of subordination and the payment obligations of the Issuer under Tier 2 Notes.

With regard to any Tier 2 Notes, in the event of the dissolution of the Issuer or if the Issuer is placed into liquidation, curatorship or wound-up or placed under business rescue, the Issuer will be required to pay or discharge the claims of all the creditors in respect of Senior Obligations in full before it can make any payments in respect of such Tier 2 Notes. If this occurs, the Issuer may not have enough assets remaining after these payments to pay amounts due under such Tier 2 Notes.

No Restrictions on the issuance of securities or indebtedness which ranks senior or pari passu to Tier 2 Notes

There is no restriction on the amount of securities or indebtedness which the Issuer may issue or incur which rank senior to, or *pari passu* with, the relevant Tier 2 Notes. The issue of any such securities or indebtedness may reduce the amount recoverable by Tier 2 Noteholders on a winding-up, liquidation or curatorship of the Issuer.

Winding-up, liquidation, curatorship, business rescue and limited rights of acceleration

If the Issuer is wound-up or put into liquidation or curatorship or placed under business rescue, voluntarily or involuntarily, Tier 2 Noteholders will not be entitled to any payments of principal or interest in respect of the Tier 2 Notes until the claims of all the creditors in respect of Senior Obligations which are admissible in any such winding-up, liquidation, business rescue or curatorship have been paid or discharged in full. If the Issuer does not have sufficient assets at the time of winding-up, liquidation or curatorship or business rescue to satisfy its Senior Obligations, then Tier 2 Noteholders will not receive any payment in respect of their Tier 2 Notes. There is no limitation on the ability to issue debt securities in the future that would rank equal or senior to the Tier 2 Notes in a winding-up, liquidation, business rescue or curatorship of the Issuer.

In addition, the rights of Tier 2 Noteholders are limited in certain respects. In particular, if the Issuer defaults on a payment of principal due on a Tier 2 Note for a period of 5 (five) days or more, or if the Issuer defaults on a payment of interest due on a Tier 2 Note for a period of 10 (ten) days or more, such Tier 2 Noteholder may only institute proceedings for the winding-up of the Issuer (and/or prove a claim in any winding-up of the Issuer) but take no other action in respect of that default. Only if an order of court is made or an effective resolution is passed for the winding-up of the Issuer (other than pursuant to a Solvent Reconstruction (as defined in Condition 2 (*Interpretation*))) shall the Tier 2 Noteholder be able to declare (upon written notice) such Tier 2 Note immediately due and payable.

Capital Rules

In order for the proceeds of the issuance of Tier 2 Notes to qualify as Tier 2 Capital, the Tier 2 Notes must comply with the applicable Capital Rules in respect of any Tranche of Tier 2 Notes.

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

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

Under the Basel III Non-Viability Requirements, the terms and conditions of all Additional Tier 1 and Tier 2 instruments issued by an internationally-active bank must have a provision that requires such instruments, at the option of the relevant authority, to either be written off or converted into common equity upon the occurrence of a trigger event (described below) unless:

- (a) the governing jurisdiction of the bank has in place laws that (i) require such Tier 1 and Tier 2

instruments to be written off upon such event, or (ii) otherwise require such instruments to fully absorb losses before tax payers are exposed to loss (a "**Statutory Loss Absorption Regime**" or "**SLAR**");

- (b) a peer group review confirms that the jurisdiction conforms with paragraph (a) above; and
- (c) it is disclosed by the relevant regulator and by the issuing bank, in issuance documents going forward, that such instruments are subject to loss under paragraph (a) above.

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

Regulation 38(14) of the Regulations Relating to Banks refers to the need for the Basel III Non-Viability Requirements to be reflected in the terms and conditions of a Tier 2 capital instrument ("**tier 2 instrument**") unless a duly enforceable SLAR is in place.

The SARB has provided clarity on the loss absorbency requirements contemplated in the Regulations Relating to Banks in Guidance Note 2 of 2012 (*Matters related to the implementation of Basel III*) ("**Guidance Note 2**") and Guidance Note 7 of 2013 (*Loss absorbency requirements for Additional Tier 1 and Tier 2 capital instruments*) ("**Guidance Note 7**"), and has indicated that it, together with National Treasury, is in the process of drafting legislation that will provide for a detailed SLAR. No official statement has however been made as to when the SLAR will be implemented in South Africa. The SARB has also provided guidance for its approach on bank recovery and outlined the phased-in approach to be followed in relation to the development of bank resolution plans in Guidance Note 4 of 2012 (*Further guidance on the development of recovery and resolution plans by South African banks*) ("**Guidance Note 4**"). These Guidance Notes are broadly drafted and require further refinement, and market participants continue to discuss the Regulations Relating to Banks and the Guidance Notes with the SARB. Paragraph 1.3 of Guidance Note 7 provides that the SARB will continue to monitor international developments around loss absorbency requirements, and if necessary, will issue further guidance.

Guidance Note 7 requires banks to indicate, in the contractual terms and conditions of any tier 2 instruments issued, whether such instruments would be either written-off or converted into the most subordinated form of equity of the bank and/or its controlling company (such conversion, "**Conversion**") at the occurrence of a trigger event determined in the Registrar of Bank's discretion, as envisaged in Regulation 38(14)(a)(i) of the Regulations Relating to Banks. To the extent that any tier 2 instruments are issued prior to the commencement of the SLAR, such tier 2 instruments will have to contractually provide for write-off or Conversion (at the discretion of the Relevant Regulator at the occurrence of a Trigger Event, as write-off and Conversion are understood and applied in terms of the regulatory framework applicable at the time of the issuance of such tier 2 instruments) in order to qualify as Tier 2 Capital.

Notwithstanding the requirement to provide for write off and/or Conversion in the contractual terms and conditions of a tier 2 instrument, paragraph 6.3 of Guidance Note 7 provides that banks have the option to elect, upon the commencement of the SLAR, to have the existing contractual Write Off/Conversion Provisions of any tier 2 instruments issued prior to the implementation of the SLAR replaced with the WriteOff/Conversion Provisions in the legislation and/or regulations which implement(s) the SLAR.

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

Despite the above, whether regulated by the contractual Write Off/Conversion Provisions or the Write Off/Conversion Provisions in the legislation and/or regulations which implement(s) the SLAR, clause 2.6 of Guidance Note 7 provides that write-off or Conversion of Tier 2 instruments will only occur to the extent deemed by the Relevant Regulator as necessary to ensure that the Bank is viable, as specified in writing by the Relevant Regulator. Accordingly, any write-off or Conversion of the Tier 2 Notes will generally be effected to

ensure compliance with these minimum requirements only.

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

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

Risks related to the structure of the particular issue of Notes

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

Notes subject to optional redemption by the Issuer

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

Index-Linked and Dual Currency Notes

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

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

Partly-paid Notes

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

Notes issued at a substantial discount or premium

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

Modification and waivers and substitution

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

Change of law

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

U.S. Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the U.S. Internal Revenue Code ("**FATCA**") impose a new reporting regime and potentially a 30 per cent. withholding tax with respect to certain payments to any non-U.S. financial institution (a foreign financial institution, or FFI (as defined by FATCA)). The new withholding regime will be phased in beginning 1 July 2014 for payments from sources within the United States and will apply to "foreign passthru payments" (a term not yet defined) no earlier than 1 January 2017.

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

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

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

Whilst the Notes are in global form and held within Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme (together, the "**ICSDs**"), in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the ICSDs (see *Taxation—U.S. Foreign Account Tax Compliance Act*). However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA), provide each custodian or intermediary with any information, forms, other documentation or consents that may be

necessary for such custodian or intermediary to make a payment free of FATCA withholding. The Issuer's obligations under the Notes are discharged once it has paid the common depository for the ICSDs (as bearer/registered holder of the Notes) and the Issuer has therefore no responsibility for any amount thereafter transmitted through hands of the ICSDs and custodians or intermediaries. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them.

PRESENTATION OF FINANCIAL INFORMATION

The financial information relating to the Issuer set out in this Programme Memorandum is consolidated financial information in respect of the Issuer and its subsidiaries (the **SBSA Group**) and has, unless otherwise indicated, been extracted from its audited consolidated financial statements as at and for the years ended 31 December 2013 (the **2013 Audited Financial Statements**) and 31 December 2012 (the **2012 Audited Financial Statements**), in each case prepared in accordance with International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**).

The information relating to the Issuer's largest single depositor and top 10 depositors set out in the section headed "*Risk Factors – Risk Management – Liquidity Risk*" has been extracted from the Issuer's 2013 Annual Report and is unaudited.

The information relating to the credit loss ratio of the Issuer in relation to mortgage loans, instalment sale and finance leases and card products set out in the section headed "*Business Description of The Standard Bank of South Africa Limited - Business of the Bank - Personal & Business Banking SA*" has been extracted from the management accounts of the Issuer as at 31 December 2013 and is unaudited.

The financial information relating to the Issuer's renegotiated loans and advances set out in the section headed "*Business Description of The Standard Bank of South Africa Limited - Loan Portfolio - Renegotiated Loans*" has been extracted from the Issuer's 2013 Annual Report and is unaudited.

Restatement of Income Statement for the year ended 31 December 2012

The Bank adopted certain changes to its financial statements in its 2013 Audited Financial Statements. As a result, certain line items relating to the comparative financial information as at and for the year ended 31 December 2012 were reclassified in the 2013 Audited Financial Statements in order to provide a consistent basis of presentation. Please refer to Annexure B of the 2013 Audited Financial Statements for further information.

Reclassification and restatement of Balance Sheet for year ended 31 December 2012

The Bank adopted certain changes to its financial statements in its 2013 Audited Financial Statements. As a result, certain line items relating to the comparative financial information as at and for the year ended 31 December 2012 were reclassified in the 2013 Audited Financial Statements in order to provide a consistent basis of presentation. Please refer to Annexure B of the 2013 Audited Financial Statements for further information.

Unless otherwise indicated, the financial information relating to the Bank for the year ended and as at 31 December 2012 contained in this Base Prospectus has been extracted from the 2013 Audited Financial Statements and is therefore provided on a restated and reclassified basis.

FORM OF THE NOTES

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

A Tranche of Notes may be issued in the form of listed or unlisted Registered Notes, Bearer Notes or Order Notes as specified in the Applicable Pricing Supplement.

The Notes may be listed on the JSE and/or a successor exchange to the JSE or such other or further exchange or exchanges as the Issuer may select in relation to an issue and specify in the Applicable Pricing Supplement.

Registered Notes

A Tranche of Registered Notes will be issued in certificated form or uncertificated form as specified in the Applicable Pricing Supplement. Each Tranche of Notes which is listed on the JSE will be issued in uncertificated form and held in the Central Depository in the name of, and for the account of, the CSD's Nominee. A Tranche of unlisted Notes may also be held in the Central Depository.

Notes issued in certificated form

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

Subject to the Applicable Laws, title to Registered Notes represented by Individual Certificates will pass upon registration of transfer in accordance with Condition 15.1 (*Transfer of Registered Notes*) of the Terms and Conditions.

The Issuer shall regard the Register as the conclusive record of title to the Registered Notes represented by Individual Certificates.

Payments of all amounts due and payable in respect of Registered Notes represented by Individual Certificates will be made in accordance with Condition 10 (*Payments*) of the Terms and Conditions to the Person reflected as the registered Noteholder of such Registered Notes in the Register at 17:00 (South African time) on the Last Day to Register, and the Issuer's obligations will be discharged by proper payment to or to the order of such registered holder in respect of each amount so paid.

Notes issued in uncertificated form

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

Registered Notes issued in uncertificated form will not be represented by any certificate or written instrument. A Tranche of Registered Notes issued in uncertificated form will be held by the Central Depository, and the CSD's Nominee will be named in the Register as the registered Noteholder of that Tranche of Notes.

Title to Registered Notes issued in uncertificated form will pass upon registration of transfer in accordance with Condition 15.1 (*Transfer of Registered Notes*) of the Terms and Conditions.

Payments of all amounts due and payable in respect of Registered Notes issued in uncertificated form will be made in accordance with Condition 10 (*Payments*) of the Terms and Conditions to the Person reflected as the registered Noteholder of such Registered Notes in the Register at 17:00 (South African time) on the Last Day to Register, and the Issuer will be discharged by proper payment to or to the order of such registered holder in respect of each amount so paid.

Beneficial Interests in Notes held in the Central Depository

A Tranche of Registered Notes which is listed on the JSE will be issued in uncertificated form and held in the Central Depository. A Tranche of unlisted Registered Notes may also be issued in uncertificated form and held in the Central Depository. While a Tranche of Registered Notes is held in the Central Depository, the CSD's Nominee will be named in the Register as the Noteholder of the Registered Notes in that Tranche.

The Central Depository will hold each Tranche of Registered Notes subject to the Financial Markets Act and the Applicable Procedures. All amounts to be paid and all rights to be exercised in respect of Registered Notes held in the Central Depository will be paid to and may be exercised only by the CSD's Nominee for the holders of Beneficial Interests in such Registered Notes.

The Central Depository maintains central securities accounts only for Participants. As at the Programme Date, the Participants are Citibank NA, Johannesburg branch, FirstRand Bank Limited (RMB Custody and Trustee Services), Link Investor Services, Nedbank Limited, The Standard Bank of South Africa Limited, Standard Chartered Bank, Johannesburg branch, Société Générale Johannesburg branch, and the SARB. Beneficial Interests which are held by Participants will be held directly through the Central Depository, and the Central Depository will hold such Beneficial Interests, on behalf of such Participants, through the central securities accounts maintained by the Central Depository for such Participants.

The Participants are in turn required to maintain securities accounts for their clients. Beneficial Interests which are held by clients of Participants will be held indirectly through such Participants, and such Participants will hold such Beneficial Interests, on behalf of such clients, through the securities accounts maintained by such Participants for such clients. The clients of Participants may include the holders of Beneficial Interests in the Notes or their custodians. The clients of Participants, as the holders of Beneficial Interests or as custodians for such holders, may exercise their rights in respect of the Notes held by them in the Central Depository only through their Participants. Euroclear Bank S.A./N.V. as operator of the Euroclear System (**Euroclear**) and Clearstream Banking, société anonyme, (Clearstream Luxembourg) (**Clearstream**) may hold Registered Notes through their Participant.

In relation to each Person shown in the records of the Central Depository or the relevant Participant, as the case may be, as the holder of a Beneficial Interest in a particular outstanding Nominal Amount of Registered Notes, a certificate or other document issued by the Central Depository or the relevant Participant, as the case may be, as to the outstanding Nominal Amount of such Registered Notes standing to the account of any Person shall be *prima facie* proof of such Beneficial Interest. The CSD's Nominee (as the registered Noteholder of such Notes named in the Register) will be treated by the Issuer, the Paying Agent, the Transfer Agent and the relevant Participant as the holder of that outstanding Nominal Amount of such Registered Notes for all purposes.

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

The holder of a Beneficial Interest will only be entitled to exchange such Beneficial Interest for Registered Notes represented by an Individual Certificate in accordance with Condition 14 (*Exchange of Beneficial Interests and Replacement of Individual Certificates*) of the Terms and Conditions.

Bearer and Order Notes

Bearer Notes issued in bearer form and Order Notes issued in order form and which are interest bearing may, if indicated in the Applicable Pricing Supplement, have interest coupons and, if indicated in the Applicable Pricing Supplement, Talons for further Coupons attached on issue. Notes repayable in instalments may have Receipts for the payment of the instalments of principal (other than the final instalment) attached on issue, as if indicated in the Applicable Pricing Supplement.

Title to Bearer Notes and/or Receipts, Coupons and Talons attached on issue to the Individual Certificate evidencing such Bearer Notes will pass by delivery of such Individual Certificate, Receipt, Coupon or Talon (as the case may be). Title to Order Notes and/or any Receipts, Coupons and Talons attached on issue to the Individual Certificate evidencing such Order Note, will pass by way of endorsement and delivery of such Individual Certificate, Receipt, Coupon or Talon (as the case may be).

PRO FORMA APPLICABLE PRICING SUPPLEMENT

Set out below is the form of Applicable Pricing Supplement that will be completed for each Tranche of Notes issued under the Programme:

Applicable Pricing Supplement dated [●]



The Standard Bank of South Africa Limited

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

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] due [Maturity Date]
Under its ZAR90 000 000 000 Domestic Medium Term 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 (the **Terms and Conditions**) set forth in the Programme Memorandum dated [●] 2014 (the **Programme Memorandum**), as updated and amended from time to time. This 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 Pricing Supplement and the Programme Memorandum, the provisions of this Pricing Supplement shall prevail.

DESCRIPTION OF THE NOTES

1. Issuer	The Standard Bank of South Africa Limited
2. Status of the Notes	[Senior/Subordinated] [Secured/Unsecured]
3. (a) Series Number	[●]
(b) Tranche Number	[●]
	<i>(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible.)</i>
4. Aggregate Nominal Amount	[●]
5. Redemption/Payment Basis	[Partly Paid/ Instalment/ Exchangeable/ Other]
6. Type of Notes	[Fixed Rate Notes] [Floating Rate Notes] [Indexed Notes] [Exchangeable Notes] [Partly Paid Notes] [Zero Coupon Notes] [Mixed Rate Notes] [Instalment Notes] [specify other]
7. Interest Payment Basis	[Fixed Rate/Floating Rate/Zero Coupon/Indexed Interest/Indexed Redemption Amount/Mixed Rate]
8. Form of Notes	[Registered Notes/ Bearer Notes/ Order Notes]
9. Automatic/Optional Conversion from one Interest/ Payment Basis to another	<i>[insert details including date for conversion]</i>
10. Issue Date/Settlement Date	[●]
11. Business Centre	[●]
12. Additional Business Centre	[●]
13. Specified Denomination	[●]
14. Calculation Amount	[●]

15. Issue Price	[●]
16. Interest Commencement Date	[●]
17. Maturity Date	[●]
18. Maturity Period	[●]
19. Specified Currency	[●]
20. Applicable Business Day Convention	[Floating Rate Business Day/ Following Business Day/ Modified Following Business Day/ Preceding Business Day/ other convention – <i>insert details</i>]
21. Calculation Agent	[●]
22. Paying Agent	[●]
23. Transfer Agent	[●]
24. Specified office of the Calculation Agent, Paying Agent and Transfer Agent	[●]
25. Final Redemption Amount	[●]
PARTLY PAID NOTES	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
26. Amount of each payment comprising the Issue Price	[●]
27. Date upon which each payment is to be made by Noteholder	[●]
28. Consequences (if any) of failure to make any such payment by Noteholder	[●]
29. Interest Rate to accrue on the first and subsequent instalments after the due date for payment of such instalments	[●] per cent.
INSTALMENT NOTES	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
30. Instalment Dates	[●]
31. Instalment Amounts (expressed as a percentage of the aggregate Nominal Amount of the Notes)	[●]
FIXED RATE NOTES	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
32. (a) Fixed Interest Rate(s)	[●] per cent. per annum [payable [annually/ semi- annually/quarterly/monthly/other (<i>specify</i>)] in arrear]
(b) Interest Payment Date(s)	[●] in each year [adjusted in accordance with [<i>specify</i> <i>Business Day Convention and any applicable Business</i> <i>Centre(s) for the definition of “Business Day”</i>]/[not adjusted]
(c) Fixed Coupon Amount[(s)]	[●] per Calculation Amount
(d) Initial Broken Amount	[●]
(e) Final Broken Amount	[●]

- (f) Any other terms relating to the particular method of calculating interest [Not Applicable/*give details*]

FLOATING RATE NOTES

[Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

33. (a) Interest Payment Date(s) [●], with the first Interest Payment Date being [●]
 (b) Interest Period(s) [●]
 (c) Definitions of Business Day (if different from that set out in Condition 1 (*Interpretation*)) [●]
 (d) Interest Rate(s) [●] per cent.
 (e) Minimum Interest Rate [●] per cent.
 (f) Maximum Interest Rate [●] per cent.
 (g) Other terms relating to the method of calculating interest (e.g. Day Count Fraction, rounding up provision, if different from Condition 7.2 (*Interest on Floating Rate Notes and Indexed Notes*)) [●]
34. Manner in which the Interest Rate is to be determined [ISDA Determination/ Screen Rate Determination/ other (*give details*)]
35. Margin [(+/-) [●] per cent. to be added to/ subtracted from the relevant (ISDA Rate/Reference Rate)]
36. If ISDA Determination:
 (a) Floating Rate [●]
 (b) Floating Rate Option [●]
 (c) Designated Maturity [●]
 (d) Reset Date(s) [●]
37. If Screen Rate Determination:
 (a) Reference Rate (including relevant period by reference to which the Interest Rate is to be calculated) [e.g. ZAR-JIBAR-SAFEX / Prime Rate]
 (b) Interest Determination Date(s) [The second day on which the TARGET system is open prior to the start of each Interest Period/The first day of each Interest Period/other (*give details*)]
 (c) Relevant Screen Page [●]
 (d) Relevant Time [●]
38. If Interest Rate to be calculated otherwise than by reference to 35 or 36 above
 (a) Margin [●]
 (b) Minimum Interest Rate [●]
 (c) Maximum Interest Rate [●]
 (d) Business Day Convention [●]

- (e) Day Count Fraction [●]
 - (f) Default Rate [●]
 - (g) Fall back provisions, rounding provisions and any other terms relating to the method of calculating interest for Floating Rate Notes [●]
39. If different from Calculation Agent, agent responsible for calculating amount of principal and interest [[Name] shall be the Calculation Agent (*no need to specify if the Calculation Agent is to perform this function*)]
- MIXED RATE NOTES** [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
40. Period(s) during which the interest rate for the Mixed Rate Notes will be (as applicable) for:
- (a) Fixed Rate Notes [●]
 - (b) Floating Rate Notes [●]
 - (c) Indexed Notes [●]
 - (d) Other [●]
- ZERO COUPON NOTES** [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
41. (a) Implied Yield [●] per cent. per annum
- (b) Reference Price [●]
- (c) Any other formula or basis for determining amount(s) payable [Consider whether it is necessary to specify a Day Count Fraction for the purposes of Condition 9.8(c) (*Early Redemption Amounts*)]
- INDEXED NOTES** [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
42. (a) Type of Indexed Notes [Indexed Interest Notes / Indexed Redemption Amount Notes]
- (b) Index/ Formula by reference to which Interest Amount/ Final Redemption Amount is to be determined [Give or annex details]
- (c) Manner in which the Interest Amount/ Final Redemption Amount is to be determined [●]
- (e) Interest Payment Date(s) [●], with the first Interest Payment Date being [●]
- (f) If different from the Calculation Agent, agent responsible for calculating amount of principal and interest [[Name] shall be the Calculation Agent (*no need to specify if the Calculation Agent is to perform this function*)]
- (g) Provisions where calculation by reference to index and/or formula is impossible or impracticable [●]

- (h) Minimum Interest Rate [●]
- (i) Maximum Interest Rate [●]
- (j) Other terms relating to the calculation of the Interest Rate [●]

EXCHANGEABLE NOTES

- 43. Mandatory Exchange applicable? [Yes/No]
- 44. Noteholders' Exchange Right applicable? [Yes/No]
- 45. Exchange Securities [●]
- 46. Manner of determining Exchange Price [●]
- 47. Exchange Period [●]
- 48. Other [●]

OTHER NOTES

- 49. If the Notes are not Partly Paid Notes, Instalment Notes, Fixed Rate Notes, Floating Rate Notes, Mixed Rate Notes, Zero Coupon Notes, Indexed Notes or Exchangeable Notes or if the Notes are a combination of any of the foregoing, set out the relevant description and any additional terms and conditions relating to such Notes. [●]

PROVISIONS REGARDING REDEMPTION/MATURITY

- 50. Redemption at the Option of the Issuer (Call Option): [Applicable/Not Applicable]
 - If applicable:
 - (a) Optional Redemption Date(s) (Call) [●]
 - (b) Optional Redemption Amount(s) (Call) and method, if any, of calculation of such amount(s) [●]
 - (c) Minimum period of notice (if different from Condition 9.4 (*Early Redemption at the option of the Issuer (Call Option)*)) [●]
 - (d) If redeemable in part: [●]
 - Minimum Redemption Amount(s) [●]
 - Higher Redemption Amount(s) [●]
 - (e) Other terms applicable on Redemption [●]
- 51. Redemption at the option of the Noteholders of Senior Notes (Put Option): [Applicable/Not Applicable]
 - If applicable:
 - (a) Optional Redemption Date(s) (Put) [●]
 - (b) Optional Redemption Amount(s) (Put) and method, if any, of [●]

calculation of such amount(s)	
(c) Minimum period of notice (if different to Condition 9.5 (<i>Early Redemption at the option of Noteholders of Senior Notes (Put Option)</i>))	[•]
(d) If redeemable in part:	
Minimum Redemption Amount(s)	[•]
Higher Redemption Amount(s)	[•]
(e) Other terms applicable on Redemption	[•]
(f) Attach <i>pro forma</i> Put Notice(s)	
52. Early Redemption Amount(s) payable on redemption pursuant to the provisions of Conditions 9.2 (<i>Redemption following the occurrence of a Tax Event and/or Change in Law</i>), 9.3 (<i>Early Redemption following the occurrence of a Capital Disqualification Event</i>) or Condition 13 (<i>Events of Default</i>) and/or the method of calculating same (if required or if different from that set out in Condition 9.8 (<i>Early Redemption Amounts</i>))	[•]
GENERAL	
53. Other terms or special conditions	[Not Applicable/ <i>give details</i>]
54. [Date [Board] approval for issuance of Notes obtained]	[•] <i>(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)</i>
55. Additional selling restrictions	[•]
56. (a) International Securities Numbering (ISIN)	[•]
(b) Stock Code	[•]
57. (a) Financial Exchange	[•]
(b) Relevant sub-market of the Financial Exchange	[•]
58. If syndicated, names of managers	[•]
59. Receipts attached? If yes, number of Receipts attached	[Yes/No] [•]
60. Coupons attached? If yes, number of Coupons attached	[Yes/No] [•]
61. Credit Rating assigned to the [Issuer]/[Programme]/[Notes]	[•]
62. Date of issue of Credit Rating and date of next review	[•]
63. Applicable Rating Agency	[•]
64. Stripping of Receipts and/or Coupons	[Yes/No]

prohibited as provided in Condition 15.4
(*Prohibition of Stripping*)?

- | | |
|--|---|
| 65. Governing law (if the laws of South Africa are not applicable) | [●] |
| 66. Other Banking Jurisdiction | [●] |
| 67. Last Day to Register, which shall mean that the “books closed period” (during which the Register will be closed) will be from each Last Day to Register to the applicable Payment Day until the date of redemption | [●] |
| 68. Books Closed Period | [●] |
| 69. Stabilisation Manager (if any) | [●] |
| 70. Method of distribution | [●] |
| 71. Authorised amount of the Programme | [●] |
| 72. Total Notes in issue (excluding Notes described in this Applicable Pricing Supplement) | [●] |
| 73. Right of cancellation | <p>The Notes will be delivered to investors on the Issue Date through the settlement system of the Central Depository provided that:</p> <ul style="list-style-type: none">(i) no event occurs prior to the settlement process being finalised on the Issue Date which the Dealers (in their sole discretion) consider to be a <i>force majeure</i> event; or(ii) no event occurs which the Dealers (in their sole discretion) consider may prejudice the issue, the Issuer, the Notes or the Dealers, <p>(each a Withdrawal Event).</p> <p>If the Dealers decide to terminate this transaction due to the occurrence of a Withdrawal Event, this transaction shall terminate and no party hereto shall have any claim against any other party as a result of such termination. In such event, the Notes, if listed, will immediately be de-listed.</p> |
| 74. Material Change | <p>Save as disclosed in the Programme Memorandum as read together with this Applicable Pricing Supplement, there has been no material change in the Issuer’s financial position since the date of the Issuer’s last audited financial statements.</p> |
| 75. Responsibility statement | <p>The Issuer certifies that to the best of its knowledge and belief, there are no facts that have been omitted which would make any statement in the Programme Memorandum, as read together with this Applicable Pricing Supplement, false or misleading and that all reasonable enquiries to ascertain such facts have been made, as well as that the Programme Memorandum as read together with this Applicable Pricing Supplement contains all information required by Applicable Laws and the JSE Listings Requirements. The Issuer accepts full responsibility for the accuracy of the information contained in the Programme Memorandum as read</p> |

together with this Applicable Pricing Supplement, except as otherwise stated therein or herein.

The Issuer confirms that the JSE takes no responsibility for the contents of the information contained in the Programme Memorandum as read together with this Applicable Pricing Supplement, makes no representation as to the accuracy or completeness of any of the foregoing documents and expressly disclaims any liability for any loss arising from or in reliance upon the whole or any part of the information contained in the Programme Memorandum as read together with this Applicable Pricing Supplement.

76. Statutory Loss Absorption Regime and Disapplication of contractual Non-Viability Loss Absorption in accordance with Condition 5.5. This applies to Tier 2 Notes only.

[Yes/No].

If Yes:

The Issuer may effect, without the consent of Noteholders, modifications to the Terms and Conditions to comply with the Statutory Loss Absorption Regime.

77. Other provisions

[•]

Application [is hereby]/[will not be] made to list this issue of Notes [on • ••••]. The Programme was registered with the JSE on [•].

SIGNED at _____ on this _____ day of _____ 2014

For and on behalf of
THE STANDARD BANK OF SOUTH AFRICA LIMITED
Issuer

Name:
Capacity: Director
Who warrants his/her authority hereto

Name:
Capacity: Director
Who warrants his/her authority hereto

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes to be issued by the Issuer pursuant to this Programme Memorandum. Notes will be issued in individual Tranches which, together with other Tranches, may form a Series of Notes. Before the Issuer issues any Tranche of Notes, the Issuer shall complete and sign the Applicable Pricing Supplement, based on the pro forma Pricing Supplement included in the Programme Memorandum, setting out details of such Notes. 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.

Any reference in this Programme Memorandum to any statute, regulation or other legislation shall be a reference to that statute, regulation or other legislation at the Programme Date, as amended or substituted from time to time.

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:

Additional Business Centre(s)	the city or cities specified as such in the Applicable Pricing Supplement;
Additional Conditions	in relation to any issue of Notes, the proceeds of which are intended by the Issuer to qualify as Tier 2 Capital, such conditions, in addition to the conditions specified in the applicable Capital Rules, as may be prescribed by the Relevant Regulator for the proceeds of the issue of such Notes to qualify as Tier 2 Capital, pursuant to the approval granted by the Relevant Regulator for the issue of such Notes, as specified in the Applicable Pricing Supplement;
Additional Tier 1 Capital	"Additional Tier 1 Capital" as defined in section 1(1) of the Banks Act;
Agency Agreement	the Amended and Restated Agency Agreement dated 25 November 2014 and made between the Issuer, the Transfer Agent, the Calculation Agent and the Paying Agent, as may be further supplemented and/or amended and/or restated from time to time;
Applicable Laws	in relation to a Party, means all and any – <ul style="list-style-type: none">(a) statutes and subordinate legislation and common law;(b) regulations;(c) ordinances and by-laws;(d) directives, codes of practice, circulars, guidance notices, judgments and decisions of any competent authority, or any governmental, intergovernmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation; and(e) other similar provisions, from time to time, compliance with which is mandatory for that Party;

Applicable Pricing Supplement	the Pricing Supplement relating to each Tranche of Notes;
Applicable Procedures	the rules, listing requirements and operating procedures from time to time of the Central Depository, Settlement Agents, JSE and/or any Financial Exchange, as the case may be;
Banks Act	the Banks Act, 1990;
Bearer	the bearer of an Individual Certificate evidencing a Bearer Note or of a Receipt or Coupon attached to such Individual Certificate on issue;
Bearer Note	a Note payable to the Bearer thereof, transferable by way of delivery in accordance with Condition 15.2 (<i>Transfer of Bearer Notes</i>) and the term “ <i>Bearer Note</i> ” shall include the rights to payment of any interest or principal represented by a Coupon or Receipt (if any) attached on issue to the Individual Certificate evidencing such Bearer Note;
Beneficial Interest	in relation to a Tranche of Notes which is held in the Central Depository, the beneficial interest as a co-owner of an undivided share of all of the Notes in that Tranche, as contemplated in section 37(1) of the Financial Markets Act, the nominal value of which beneficial interest, in relation to any number of Notes in that Tranche, is determined by reference to the portion that the aggregate Nominal Amount of such number of Notes Outstanding bears to the aggregate Nominal Amount of all of the Notes in that Tranche Outstanding, as provided in section 37(3) of the Financial Markets Act;
BESA Guarantee Fund Trust	the guarantee fund trust 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(1)(w) of the Financial Markets Act or any successor fund;
Books Closed Period	the period during which the Transfer Agent will not record any transfer of Notes in the Register, as specified in the Applicable Pricing Supplement;
Business Day	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 save that if the Specified Currency is not ZAR, “Business Day” shall mean a day (other than a Saturday or Sunday) which is a day on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the Specified Currency and in each (if any) Additional Business Centre, save further that if the Applicable Pricing Supplement so provides, “Business Day” shall include a Saturday;
Calculation Agent	the Issuer, unless the Issuer elects to appoint, in relation to a particular Tranche or Series of Notes, another entity as Calculation Agent in accordance with the Agency Agreement, in which event that other entity shall act as a calculation agent in respect of that Tranche or Series of Notes;
Calculation Amount	has the meaning ascribed thereto in the Applicable Pricing Supplement;

Call Option	if specified as applicable in the Applicable Pricing Supplement, the option of the Issuer to early redeem the Notes in that Tranche of Notes in whole or, if so specified in the Applicable Pricing Supplement, in part at the Optional Redemption Amount(s) on the Optional Redemption Date(s) in accordance with Condition 9.4 (<i>Early Redemption at the option of the Issuer (Call Option)</i>);
Capital Rules	at any time, any capital adequacy rules, legislation, regulations, requirements, guidance notes and policies relating to capital adequacy then in effect in South Africa in relation to banks registered under the Banks Act and licensed to conduct the business of a bank in South Africa (and where relevant, the rules applicable specifically to the Issuer) as applied by the Relevant Regulator;
Capital Disqualification Event	is an event which will be deemed to have occurred with respect to the Tier 2 Notes of any Series if, as a result of a Regulatory Change, the Tier 2 Notes of that Series are fully, or to the extent permitted by the Capital Rules, partially, excluded from Tier 2 Capital of the Issuer on a solo and/or consolidated basis (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital and any amortisation of recognition as Tier 2 Capital under the Capital Rules in the final five years prior to maturity);
Central Depository	Strate Proprietary Limited (Registration Number 1998/022242/07), or its nominee, a private company registered as a central securities depository in terms of the Financial Markets Act (or any successor legislation thereto), or any additional or alternate depository approved by the Issuer;
Change in Law	on, or after the Issue Date of the first Tranche of Notes in any Series of Notes, (a) due to the adoption of or any change in any Applicable Law or regulation (including, without limitation, any tax law), or (b) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any Applicable Law or regulation (including any action taken by a taxing authority), the Issuer determines in good faith that it will incur a materially increased cost in performing its obligations under such Notes (including, without limitation, due to any tax liability, decrease in tax benefit or other adverse effect on its tax position);
Class of Noteholders	the holders of a Series of Notes or, where appropriate, the holders of different Series of Notes;
Common Equity Tier 1 Capital	Common Equity Tier 1 Capital" as defined in section 1(1) of the Banks Act;
Companies Act	the Companies Act, 2008;
Coupon	an interest coupon evidencing title to an interest payment in respect of an interest bearing Note which is a Bearer Note or an Order Note, attached on issue to the Individual Certificate evidencing such interest bearing Note and any reference to a Coupon shall, unless the context otherwise requires, be deemed to include a reference to a Talon;

CSD's Nominee

a Wholly Owned Subsidiary of the Central Depository approved by the Registrar of Financial Markets in terms of the Financial Markets Act, and any reference to "CSD's Nominee" shall, whenever the context permits, be deemed to include any successor nominee operating in terms of the Financial Markets Act;

Day Count Fraction

in respect of the calculation of an amount for any period of time (the **Calculation Period**), such day count fraction as may be specified in these Terms and Conditions or the Applicable Pricing Supplement:

- (a) if **Actual/Actual (ICMA)** is so specified, means:
 - (i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (ii) where the Calculation Period is longer than one Regular Period, the sum of:
 - (1) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (2) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
- (b) if **Actual/365** or **Actual/Actual (ISDA)** is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non leap year divided by 365);
- (c) if **Actual/365 (Fixed)** is so specified, means the actual number of days in the Calculation Period divided by 365;
- (d) **Actual/360** is so specified, means the number of days in the Calculation Period divided by 360;
- (e) if **30/360** is so specified, means the number of days in the Calculation Period 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 Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that included the last day shall not be considered to be shortened to a 30 day month, or (ii) the last day of the Calculation 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)); and

- (f) if **30E/360** or **Eurobond Basis** is so specified means, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30 day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of the final Calculation Period, the date of final maturity 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;

Dealer

The Standard Bank of South Africa Limited (acting through its Corporate and Investment Banking Division), Deutsche Bank AG, Johannesburg Branch, J.P. Morgan Securities South Africa Proprietary Limited and any other additional Dealer appointed under the Programme from time to time, which appointment may be for a specific issue or on an ongoing basis, subject to the Issuer's right to terminate the appointment of any Dealer;

Early Redemption Amount

the amount at which the Notes will be redeemed by the Issuer pursuant to the provisions of Conditions 9.2 (*Redemption following the occurrence of a Tax Event and/or Change in Law*), 9.3 (*Early Redemption following the occurrence of a Capital Disqualification Event*) and/or Condition 13 (*Events of Default*), determined in accordance with Condition 9.8 (*Early Redemption Amounts*) or as set out in the Applicable Pricing Supplement;

Encumbrance

any mortgage, pledge, lien, hypothecation, assignment, cession-in-securitatem debiti, deposit by way of security or any other agreement or arrangement (whether conditional or not and whether relating to existing or to future assets), having the effect of providing a security interest to a creditor or any agreement or arrangement to give any form of security to a creditor but excluding any Permitted Encumbrance;

Endorsement

an "indorsement", *mutatis mutandis*, within the meaning of the Bills of Exchange Act, 1964;

Endorsement in Blank

an Endorsement which specifies no named Payee;

Event of Default

an event of default by the Issuer as set out in Condition 13 (*Events of Default*);

Exchangeable Notes

Notes which may be redeemed by the Issuer in the manner specified in the Applicable Pricing Supplement by the delivery to the Noteholders of cash or of so many of the Exchange Securities as are determined in accordance with the Applicable Pricing Supplement;

Exchange Period

in respect of Exchangeable Notes to which the Noteholders' Exchange Right applies (as specified in the Applicable Pricing Supplement), the period specified in the Applicable Pricing Supplement during which such right may be exercised;

Exchange Price

the value specified 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;

Exchange Securities	the securities specified in the Applicable Pricing Supplement which may be delivered by the Issuer in redemption of Exchangeable Notes to the value of the Exchange Price;
Extraordinary Resolution	a resolution passed at a meeting (duly convened) of the Noteholders by a majority consisting of not less than 66.67 per cent. of the persons voting thereat upon a show of hands or if a poll be duly demanded, then by a majority consisting of not less than 66.67 per cent. of the votes given on such poll;
Financial Indebtedness	<p>any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:</p> <ul style="list-style-type: none"> (a) amounts raised by acceptance under any acceptance credit facility; (b) amount raised under any note purchase facility; (c) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with the Applicable Law and generally accepted accounting principles, be treated as finance and capital leases; (d) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 90 (ninety) days; and (e) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;
Financial Exchange	the JSE and/or such other or further financial exchange(s) as may be selected by the Issuer and the relevant Dealer, subject to Applicable Laws;
Financial Markets Act	the Financial Markets Act, 2012;
Final Redemption Amount	the amount of principal payable in respect of each Note upon final redemption thereof, as specified in the Applicable Pricing Supplement;
Fixed Coupon Amount	has the meaning ascribed thereto in the Applicable Pricing Supplement;
Fixed Interest Rate	the rate or rates of interest applicable to Fixed Rate Notes, as specified in the Applicable Pricing Supplement;
Fixed Rate Notes	Notes which will bear interest at the Fixed Interest Rate, as specified in the Applicable Pricing Supplement and more fully described in Condition 7.1 (<i>Interest on Fixed Rate Notes</i>);
Floating Rate Notes	Notes which will bear interest as specified in the Applicable Pricing Supplement and more fully described in Condition 7.2 (<i>Interest on Floating Rate Notes and Indexed Notes</i>);
Guarantee	in relation to any Financial Indebtedness of any Person, any obligation of another Person to pay such Financial Indebtedness including (without limitation):

- (a) any obligation to purchase such Financial Indebtedness;
- (b) any obligation to lend money, to purchase or subscribe for shares or other securities or to purchase assets or services in order to provide funds for the payment of such Financial Indebtedness;
- (c) any indemnity against the consequences of a default in the payment of such Financial Indebtedness; and
- (d) any other agreement to be responsible for such Financial Indebtedness;

Income Tax Act

the Income Tax Act, 1962;

Implied Yield

the yield accruing on the Issue Price of Zero Coupon Notes, as specified in the Applicable Pricing Supplement;

Indexed Interest Notes

Notes in respect of which the Interest Amount is calculated by reference to such index and/or formula as specified in the Applicable Pricing Supplement;

Indexed Notes

an Indexed Interest Note and/or an Indexed Redemption Amount Note, as applicable;

Indexed Redemption Amount Notes

Notes in respect of which the Final Redemption Amount is calculated by reference to an index and/or a formula as specified in the Applicable Pricing Supplement;

Individual Certificate

- (a) *in respect of Registered Notes*: a Note in the definitive registered form of a single certificate and, in respect of Registered Notes, being a certificate exchanged for a Beneficial Interest in accordance with Condition 14 (*Exchange of Beneficial Interests and Replacement of Individual Certificates*) and any further certificate issued in consequence of a transfer thereof;
- (b) *in respect of Bearer Notes*: a Note in the definitive bearer form of a single certificate together with Coupons and/or Receipts, if applicable;
- (c) *in respect of Order Notes*: a Note in the definitive order form of a single certificate together with Coupons and/or Receipts, if applicable;

Instalment Amount

the amount expressed as a percentage of the Nominal Amount of an Instalment Note, being an instalment of principal (other than the final instalment) on an Instalment Note;

Instalment Notes

Notes redeemable in Instalment Amounts by the Issuer on an amortised basis on different Instalment Dates, as specified in the Applicable Pricing Supplement;

Interest Amount

in relation to a Tranche of Notes and an Interest Period, the amount of interest payable in respect of that Tranche of Notes for that Interest Period;

Interest Commencement Date	the first date from which interest on the Notes, other than Zero Coupon Notes, will accrue, as specified in the Applicable Pricing Supplement;
Interest Determination Date	has the meaning ascribed thereto in the Applicable Pricing Supplement;
Interest Payment Date	if applicable in relation to a Tranche of Notes, the date(s) specified in the Applicable Pricing Supplement or if no such date(s) is/are specified in the Applicable Pricing Supplement, the last day of each Interest Period as may be adjusted in accordance with the relevant Business Day Convention (as specified in the Applicable Pricing Supplement);
Interest Period	each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;
Interest Rate	the rate or rates of interest applicable to Notes other than Zero Coupon Notes, as indicated in the Applicable Pricing Supplement;
ISDA	International Swaps and Derivatives Association, Inc.;
ISDA Definitions	the ISDA Definitions as published by ISDA (as amended, supplemented, revised or republished from time to time) as specified in the Applicable Pricing Supplement;
Issue Date	has the meaning ascribed thereto in the Applicable Pricing Supplement;
Issuer	The Standard Bank of South Africa Limited (Registration Number 1962/000738/06), a public company incorporated in accordance with the laws of South Africa;
JSE	JSE Limited (Registration Number 2005/022939/06), a public company incorporated in accordance with the laws of South Africa, licensed as an exchange under the Financial Markets Act;
JSE Debt Sponsor	The Standard Bank of South Africa Limited (acting through its Corporate & Investment Banking division) (Registration Number 1962/000738/06), a public company incorporated in accordance with the laws of South Africa;
JSE Guarantee Fund	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(1)(w) of the South African Financial Markets Act or such other fund of any successor exchange, as the case may be;
Junior Obligations	all unsecured, subordinated, direct or indirect obligations of the Issuer that rank, or are expressed to rank, junior to the Issuer's obligations under the Tier 2 Notes (including Additional Tier 1 Notes and all other classes of share capital of the Issuer);
Last Day to Register	with respect to a particular Series of Notes (as specified 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 and in the case of Notes listed on the JSE, shall mean “Last Day to Trade” as set out in the Listings Requirements of the JSE;

Mandatory Exchange	if specified in the Applicable Pricing Supplement, the obligation of the Issuer to redeem Exchangeable Notes on the Maturity Date by delivery of Exchange Securities to the relevant Noteholders of Exchangeable Notes;
Margin	has the meaning ascribed thereto in the Applicable Pricing Supplement;
Maturity Date	has the meaning ascribed thereto in the Applicable Pricing Supplement;
Maturity Period	shall be the period referred to in the Applicable Pricing Supplement;
Maximum Redemption Amount	has the meaning ascribed thereto in the Applicable Pricing Supplement;
Minimum Redemption Amount	has the meaning ascribed thereto in the Applicable Pricing Supplement;
Mixed Rate Notes	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 specified in the Applicable Pricing Supplement and as more fully described in Condition 7.3 (<i>Interest on Mixed Rate Notes</i>);
Nominal Amount	in relation to any Note, the total amount, excluding interest owing by the Issuer under the Note, as specified in the Applicable Pricing Supplement;
Non-Viability Event	the Relevant Regulator has given notice and determined that a "trigger event" as specified in the Capital Rules applicable to the Issuer from time to time has occurred;
Noteholders	the holders of the Registered Notes (as recorded in the Register) and/or the Bearers of the Bearer Notes and/or the Payees of the Order Notes;
Noteholders' Exchange Right	if specified in the Applicable Pricing Supplement, the right of Noteholders of Exchangeable Notes to elect to receive delivery of the Exchange Securities in lieu of cash from the Issuer upon redemption of such Notes;
Notes	the notes issued or to be issued by the Issuer under the Programme and represented by a Certificate (if any), together with Receipts and/or Coupons (if any) or Uncertificated Notes;
Optional Redemption Amount (Call)	in respect of any Note, its Nominal Amount or such other amount as may be specified in, or determined in accordance with, the Applicable Pricing Supplement;
Optional Redemption Amount (Put)	in respect of any Note, its Nominal Amount or such other amount as may be specified in, or determined in accordance with, the Applicable Pricing Supplement;

Optional Redemption Date(s) (Call)

the date(s) specified as such in the Applicable Pricing Supplement in relation to a Tranche of Notes pursuant to which the Issuer is specified as having an option to redeem in accordance with Condition 9.4 (*Early Redemption at the option of the Issuer (Call Option)*). If no such date(s) is/are specified in the Applicable Pricing Supplement, the Optional Redemption Date(s) (Call) shall be the Interest Payment Date(s) (in the case of interest-bearing Notes) or, such other date(s) (in the case of non interest-bearing Notes) stipulated as the date(s) for redemption of such Tranche of Notes or the relevant portion of such Tranche of Notes, as the case may be, in the notice delivered by the Issuer pursuant to Condition 9.4 (*Early Redemption at the option of the Issuer (Call Option)*);

Optional Redemption Date(s) (Put)

the date(s) specified as such in the Applicable Pricing Supplement in relation to a Tranche of Senior Notes pursuant to which the Senior Noteholders are specified as having an option to redeem in accordance with Condition 9.5.3 (*Early Redemption at the option of the Noteholders of Senior Notes (Put Option)*). If no such date(s) is/are specified in the Applicable Pricing Supplement, the Optional Redemption Date(s) (Put Option) shall be the Interest Payment Date(s) (in the case of interest-bearing Notes) or such other date(s) (in the case of non interest-bearing Notes) stipulated as the date(s) for redemption of such Tranche of Senior Notes or the relevant portion of such Tranche of Senior Notes, as the case may be, in the Put Notice;

Order Note

a Note payable to the Payee thereof, transferable by way of Endorsement and delivery in accordance with Condition 15.3 (*Transfer of Order Notes*) and the term “*Order Note*” shall include the rights to interest or principal represented by a Coupon or Receipt (if any) attached on issue to the Individual Certificate evidencing such Order Note;

Outstanding

in relation to the Notes, all the Notes issued other than:

- (a) those which have been redeemed in full;
- (b) those in respect of which the date for redemption in accordance with the Terms and Conditions has occurred and the redemption moneys wherefor (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 Individual Certificates;
- (c) those which have been purchased and cancelled as provided in Condition 9.13 (*Cancellation*);
- (d) those which have become prescribed under Condition 12 (*Prescription*);
- (e) Notes represented by those mutilated or defaced Individual Certificates which have been surrendered in exchange for replacement Individual Certificates pursuant to Condition 14 (*Exchange of Beneficial Interests and Replacement of Individual Certificates*);
- (f) (for the purpose only of determining how many Notes are Outstanding and without prejudice to their status for any

other purpose), those Notes represented by Individual Certificates alleged to have been lost, stolen or destroyed and in respect of which replacement Individual Certificates have been issued pursuant to Condition 14 (*Exchange of Beneficial Interests and Replacement of Individual Certificates*),

provided that for each of the following purposes, namely:

- (1) the right to attend and vote at any meeting of the Noteholders; and
- (2) the determination of how many and which Notes are for the time being Outstanding for the purposes of Conditions 19 (*Meetings of Noteholders*) and 20 (*Modification*), all:

- (i) 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); and

- (ii) Receipts and Coupons,

shall be deemed not to be Outstanding;

Participants

depository institutions accepted by the Central Depository as participants in terms of the Financial Markets Act and approved by the JSE;

Partly Paid Notes

Notes which are issued with the Issue Price partly paid and which Issue Price is paid up fully by the Noteholder in instalments (as specified in the Applicable Pricing Supplement);

Payee

a Person reflected (either as the subscriber or by way of Endorsement) as the payee on an Individual Certificate evidencing an Order Note or a Receipt or Coupon, attached thereto on issue, and to whom such Individual Certificate, Receipt or Coupon (as the case may be) has been delivered;

Paying Agent

the Issuer, 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 particular Tranche or Series of Notes;

Payment Day

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

Permitted Encumbrance

any Security Interest arising out of:

- (a) any statutory preferences;
- (b) by operation of law or which is incidental to the conduct of the business of the Issuer;
- (c) any Encumbrance on or with respect to the receivables of the Issuer which is created pursuant to any securitisation scheme, asset-backed financing or like arrangement in accordance with normal market practice; or

- (d) any Encumbrance created over any asset acquired, developed or constructed by the Issuer provided that the asset so secured shall not exceed the *bona fide* arm's length market value of such asset or the cost of such acquisition, development or construction (including all interest and other finance charges, any adjustments due to changes in circumstances and other charges reasonably incidental to such cost, whether contingent or otherwise) and where such market value or cost both apply, the higher of the two;
- (e) any Encumbrance over deposit accounts securing a loan to a relevant entity of funds equal to the amounts standing to the credit of such deposit accounts, including any cash management system;
- (f) any Encumbrance of the Issuer created in the ordinary course of business;
- (g) any Encumbrance securing in the aggregate not more than ZAR500 000 000 (Five Hundred Million Rand), calculated on a cumulative basis during a given financial year;

Person	any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;
Previous Programme Memoranda	the programme memorandum dated 7 June 2002, as amended and restated on 11 September 2003, 14 October 2004, 6 December 2006, 29 October 2008, 1 December 2010, 20 August 2012 and 19 September 2013;
Prime Rate	the publicly quoted basic rate of interest (per cent., per annum, compounded monthly in arrear and calculated on a 365 (three hundred and sixty-five) day year (irrespective of whether or not the year is a leap year)) from time to time published by the SB Group as being its prime overdraft rate as certified by any authorised official of such bank, whose appointment, designation or authority need not be proved;
Programme	The Standard Bank of South Africa Limited ZAR90 000 000 000 Domestic Medium Term Note Programme;
Programme Amount	the maximum aggregate Nominal Amount of all Notes Outstanding that may be issued under the Programme at any one point in time being as at the Programme Date, ZAR90 000 000 000 (or its equivalent in other currencies) or such increased amount as is determined by the Issuer from time to time, subject to the Applicable Procedures, Applicable Law and the Programme Agreement, as set out in the section of this Programme Memorandum headed " <i>General Description of the Programme</i> ";
Programme Date	the date of this Programme Memorandum being 25 November 2014;
Programme Memorandum	this programme memorandum dated 25 November 2014 which will apply to all Notes issued under the Programme on or after the Programme Date and which in respect of such Notes, supersedes and replaces the Previous Programme Memoranda in

	their entirety;
Put Option	if specified as applicable in the Applicable Pricing Supplement, the option of a Noteholder of Senior Notes to require the Issuer to redeem the Senior Notes in that Tranche of Notes held by the Noteholder, in whole or in part at the Optional Redemption Amount on the Optional Redemption Date in terms of Condition 9.6 (<i>Early Redemption at the Option of Noteholders of Senior Notes (Put Option)</i>);
Put Notice	a notice which must be delivered to the Paying Agent by any Noteholder wanting to exercise the Put Option;
Receipt	a receipt evidencing title to payment of an Instalment Amount payable on an Instalment Note which is a Bearer Note or an Order Note, attached upon issue to the Individual Certificate evidencing such Instalment Note;
Redemption Amount	the Final Redemption Amount, the Optional Redemption Amount, the Early Redemption Amount or such other amount in the nature of a redemption amount, as appropriate, as may be specified in, or determined in accordance with the provisions of, the relevant Applicable Pricing Supplement;
Reference Price	has the meaning ascribed thereto in the Applicable Pricing Supplement;
Reference Banks	has the meaning ascribed thereto in the Applicable Pricing Supplement;
Reference Rate	has the meaning ascribed thereto in the Applicable Pricing Supplement;
Register	the register of Noteholders maintained by the Transfer Agent in terms of Condition 16 (<i>Register</i>);
Registered Note	a Note issued in registered form and transferable in accordance with Condition 15.1 (<i>Transfer of Registered Notes</i>) and which may include Uncertificated Notes;
Regular Period	<p>(a) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;</p> <p>(b) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date, where “<i>Regular Date</i>” means the day and month (but not the year) on which any Interest Payment Date falls; and</p> <p>(c) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date to but excluding the next Regular Date, where “<i>Regular Date</i>” means the day and the month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the</p>

	end of the irregular Interest Period;
Regulations Relating to Banks	the Regulations Relating to Banks published under Government Notice R3 in Government Gazette 30629 of 1 January 2008, issued under section 90 of the Banks Act;
Regulatory Change	a change in, or amendment to, the Capital Rules or any change in the application of or official or generally published guidance or interpretation of the Capital Rules, which change or amendment becomes, or would become, effective on or after the Issue Date of the relevant Tranche of Notes;
Relevant Date	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 Depository in accordance with these Terms and Conditions, it means the first date on which: <ul style="list-style-type: none"> (a) the full amount of such monies have been received by the Central Depository; (b) such monies are available for payment to the holders of Beneficial Interests; and (c) notice to that effect has been duly given to such holders in accordance with the Applicable Procedures;
Relevant Debt	any present or future indebtedness of the Issuer in the form of, or represented by any bond, note or debenture issued by the Issuer and listed on a financial or stock exchange but excluding: <ul style="list-style-type: none"> (a) any indebtedness incurred pursuant to any securitisation scheme or like arrangement; or (b) any option or warrant in respect of any share or index; or (c) any written acknowledgement of indebtedness issued by the Issuer to the SARB;
Relevant Screen Page	the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the Applicable Pricing Supplement, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;
Relevant Time	has the meaning ascribed thereto in the Applicable Pricing Supplement;
Relevant Regulator	the Registrar of Banks in terms of the Banks Act and any successor or replacement thereto, or other authority having primary responsibility for the prudential oversight and supervision of the Issuer;
Representative	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 (all 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;
SARB	the South African Reserve Bank;
SB Group	Standard Bank Group Limited and any of its Subsidiaries;
Security Interest	any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;
Senior Notes	Notes issued with the status and characteristics set out in Condition 5.1 (<i>Status of Senior Notes</i>) as specified in the Applicable Pricing Supplement;
Senior Obligations	means: <ul style="list-style-type: none"> (a) all unsubordinated obligations of the Issuer; and (b) all subordinated obligations of the Issuer that rank, or are expressed to rank, senior to the Issuer's obligations under the Tier 2 Notes;
Series	a Tranche of Notes together with any further Tranche or Tranches of Notes which are: (i) expressed to be consolidated and form a single series; and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices;
Settlement Agent	a Participant, approved by the JSE or any other Financial Exchange to perform electronic net settlement of both funds and scrip on behalf of market participants;
Solvent Reconstruction	the event where an order is made or an effective resolution is passed for the winding-up of the Issuer, other than under or in connection with a scheme of amalgamation or reconstruction involving a bankruptcy or insolvency where the obligations of the Issuer in relation to the outstanding Notes are assumed by the successor entity to which all, or substantially all, of the property, assets and undertaking of the Issuer are transferred or where an arrangement with similar effect not involving bankruptcy or insolvency is implemented;
South Africa	the Republic of South Africa;
Specified Currency	has the meaning ascribed thereto in the Applicable Pricing Supplement;
Specified Denomination	has the meaning ascribed thereto in the Applicable Pricing Supplement;
Specified Office	the registered address of the Issuer as specified in the Applicable Pricing Supplement or such other address as the Issuer may specify by notice to the Noteholders which change of address shall in each case be notified to the Noteholders in accordance with Condition 18 (<i>Notices</i>);
Statutory Loss Absorption Regime	any legal, statutory or regulatory regime or requirement implemented in South Africa which provides the Relevant Regulator with the power to implement principal loss absorption measures in respect of capital instruments (such as Additional

Tier 1 Capital and Tier 2 Capital), including, but not limited to, any such regime or requirement which is implemented pursuant to Basel III;

Subordinated Indebtedness

any Financial Indebtedness of the Issuer, including any guarantee by the Issuer, 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 the rights of all unsubordinated creditors of the Issuer in the event of the dissolution, winding up or placing into business rescue proceedings or liquidation of the Issuer;

Subordinated Notes

Tier 2 Notes specified as such in the Applicable Pricing Supplement and any other Notes issued under the Programme constituting Subordinated Indebtedness of the Issuer;

Subsidiary

in relation to any Person (the **first Person**) at any particular time, any other Person (the **second Person**) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; where “**control**” means the power to (a) cast, or control the casting of, more than one-half of the maximum number of votes that might be cast at a general meeting of the second Person; (b) appoint or remove all, or the majority, of the directors or equivalent officers of the second Person; or (c) give directions with respect to the operating and financial policies of the second Person which the directors or other equivalent officers of the second Person are obliged to comply with;

Talon

a talon entitling the holder to receive further Coupons in relation to an interest bearing Bearer Note or Order Note, if specified in the Applicable Pricing Supplement, attached to the Individual Certificate evidencing such interest bearing Note;

Tax Event

an event where, as a result of a Tax Law Change, (a) the Issuer has paid or will or would on the next Interest Payment Date be required to pay additional amounts as provided or referred to in Condition 11 (*Taxation*); or (b) in respect of the Issuer’s obligation to make any payment of interest on the next following Interest Payment Date or any subsequent Interest Payment Date, the Issuer would not be entitled to claim a deduction in respect of computing its taxation liabilities in South Africa, or such entitlement is, in the opinion of the Issuer, materially reduced, and in each case the Issuer cannot avoid the foregoing in connection with the Notes by taking measures reasonably available to it (such reasonable measures to exclude any requirement to instigate litigation in respect of any decision or determination of the South African Revenue Service that any such interest does not constitute a tax deductible expense);

Tax Law Change

a change or proposed change in, or amendment or proposed amendment to, the tax laws or regulations of South Africa, 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 tax laws or regulations (including a holding by a court of competent jurisdiction), which actual or proposed change or amendment becomes effective on or after the date of issue of the Notes;

Tier 2 Capital	"Tier 2 Capital" as defined in section 1(1) of the Banks Act;
Tier 2 Capital Rules	Regulation 38(14) of the " <i>Regulations Relating to Banks</i> " promulgated under the Banks Act and such other provisions of the Capital Rules with which Tier 2 Notes must comply in order for the proceeds of the issue of such Notes to qualify as Tier 2 Capital;
Tier 2 Noteholder	a holder of a Tier 2 Note;
Tier 2 Notes	Notes specified as such in the Applicable Pricing Supplement and complying with the Tier 2 Capital Rules;
Tranche	in relation to any particular Series, all Notes which are identical in all respects (including as to listing);
Transfer Agent	the Issuer, unless the Issuer elects to appoint, in relation to a particular Tranche or Series of Notes, another entity as Transfer Agent, in which event that other entity shall act as a Transfer Agent in respect of that particular Tranche or Series of Notes;
Transfer Form	the written form for the transfer of a Registered Note, in the form approved by the Transfer Agent, and signed by the transferor and transferee;
Uncertificated Note	a Note that is an uncertificated security as contemplated in the Financial Markets Act;
Wholly Owned Subsidiary	a wholly owned subsidiary as defined in section 3(1)(b) of the Companies Act;
Write-down	means, in respect of Tier 2 Notes: <ul style="list-style-type: none"> (a) the Tier 2 Notes shall be cancelled (in the case of a Write-down in whole) or written-down in part on a pro rata basis (in the case of a Write-down in part), in accordance with the Capital Rules and as determined by the Relevant Regulator; and (b) all rights of any Tier 2 Noteholder for payment of any amounts under or in respect of the Tier 2 Notes (including, without limitation, any amounts arising as a result of, or due and payable upon the occurrence of, an Event of Default) shall, as the case may be, be cancelled or written-down pro rata among the Tier 2 Noteholders and, in each case, not restored under any circumstances, irrespective of whether such amounts have become due and payable prior to the date of the Non-Viability Event Notice and even if the Non-Viability Event has ceased;
ZAR	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 12h00, 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 Nominal Amount or at par and will not bear interest other than in

In the Terms and Conditions, unless inconsistent with the context, any reference to:

the case of late payment.

one gender include a reference to the others;

the singular includes the plural and *vice versa*;

natural persons include juristic persons and vice versa;

a **subsidiary** or **holding company** shall be interpreted in accordance with section 1 of the Companies Act;

any agreement or instrument is a reference to that agreement or instrument as amended, supplemented, varied, novated, restated or replaced from time to time, and **amended** or **amendment** will be construed accordingly;

a provision of law is a reference to that provision as amended or re-enacted, and includes any subordinate legislation;

a **regulation** includes any regulation, rule, official directive, request or guideline (whether or not having the force of law but, if not having the force of law, being of a type with which any person to which it applies is accustomed to comply) of any governmental, inter-governmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;

assets includes present and future properties, revenues and rights of every description;

disposal means a sale, transfer, grant, lease or other disposal (whether voluntary or involuntary);

indebtedness includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;

an **authorisation** includes an authorisation, consent, approval, resolution, licence, exemption, filing, registration or notarisation;

a Party or any other person includes that person's permitted successor, transferee, cessionary and/or delegate; and

a time of day is a reference to South African time.

2. ISSUE

- 2.1 Notes may be issued by the Issuer 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, provided that the aggregate Nominal Amount of all Notes Outstanding under the Programme at any one point in time does not exceed the Programme Amount.
- 2.2 The Applicable Pricing Supplement for each Tranche of Notes is (to the extent relevant) incorporated herein for the purposes of those Notes and supplements these 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 these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of those Notes.

3. FORM

3.1 General

3.1.1 A Tranche of Notes may be issued in the form of listed or unlisted Registered Notes, Bearer Notes or Order Notes as specified in the Applicable Pricing Supplement.

3.1.2 A Tranche of Notes may be listed on the JSE or on such other or further Financial Exchange(s) as may be determined by the Issuer, subject to any Applicable Laws. Unlisted Notes may also be issued under the Programme. Unlisted Notes are not regulated by the JSE. The Applicable Pricing Supplement will specify whether or not a Tranche of Notes will be listed, on which Financial Exchange(s) they are to be listed (if applicable) and, if such Tranche of Notes is to be listed on the JSE, the relevant platform or sub-market of the JSE such Tranche of Notes is to be listed.

3.2 Registered Notes

A Tranche of Registered Notes will be issued in certificated form, as contemplated in Condition 3.2.1 (*Notes issued in certificated form*), or in uncertificated form, as contemplated in Condition 3.2.2 (*Notes issued in uncertificated form*), as specified in the Applicable Pricing Supplement. Each Tranche of Notes which is listed on the JSE and issued in uncertificated form, will be held in the Central Depository, as contemplated in Condition 3.2.2 (*Notes issued in uncertificated form*). A Tranche of unlisted Notes may also be held in the Central Depository, as contemplated in Condition 3.2.3 (*Beneficial Interests of Notes held in the Central Depository*).

3.2.1 *Notes issued in certificated form*

Each Tranche of Registered Notes which is not listed on the JSE and/or held in the Central Depository will, subject to Applicable Laws and the Applicable Procedures, be issued in certificated form represented by an Individual Certificate.

3.2.2 *Notes issued in uncertificated form*

A Tranche of Registered Notes which is listed on the JSE will, subject to Applicable Laws and Applicable Procedures, be issued in uncertificated form in terms of section 33 of the Financial Markets Act. Registered Notes issued in uncertificated form will be held in the Central Depository. Registered Notes issued in uncertificated form will not be represented by any certificate or written instrument. A Registered Note which is represented by an Individual Certificate may be replaced by uncertificated securities in terms of section 33 of the Financial Markets Act.

3.2.3 *Beneficial Interests in Notes held in the Central Depository*

The Central Depository will hold Registered Notes issued in uncertificated form, subject to the Financial Markets Act and the Applicable Procedures.

All amounts to be paid and all rights to be exercised in respect of Registered Notes held in the Central Depository will be paid to and may be exercised only by the CSD's Nominee for the holders of Beneficial Interests in such Registered Notes.

A holder of a Beneficial Interest shall only be entitled to exchange such Beneficial Interest for Registered Notes represented by an Individual Certificate in accordance with Condition 14 (*Exchange of Beneficial Interests and Replacement of Individual Certificates*).

3.2.4 *Bearer Notes and Order Notes*

Bearer Notes and Order Notes will be issued in certificated form and will be evidenced by Individual Certificates. Bearer Notes or Order Notes, other than Zero Coupon Notes, may have Coupons (as indicated in the Applicable Pricing Supplement) attached to the Certificate on issue. Instalment Notes which are Bearer Notes or Order Notes may have Receipts (as indicated in the Applicable Pricing Supplement) attached to the Individual Certificate on issue.

3.2.5 *Denomination*

The Aggregate Nominal Amount, Specified Currency and Specified Denomination of a Tranche of Notes will be specified in the Applicable Pricing Supplement.

3.2.6 *Recourse to the BESA Guarantee Fund Trust and/or the JSE Guarantee Fund*

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

4. **TITLE**

4.1 **Registered Notes**

4.1.1 *Registered Notes issued in certificated form*

Each holder of Registered Notes represented by an Individual Certificate will be named in the Register as the registered holder of such Registered Notes.

Title to Registered Notes represented by an Individual Certificate will pass upon registration of transfer in the Register in accordance with Condition 15.1 (*Transfer of Registered Notes*).

The Issuer, the Transfer Agent and the Paying Agent shall recognise a holder of Registered Notes represented by an Individual Certificate as the sole and absolute owner of the Registered Notes registered in that Noteholder's name in the Register (notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) 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 Registered Note may be subject.

4.1.2 *Registered Notes issued in uncertificated form*

The CSD's Nominee will be named in the Register as the registered holder of each Tranche of Registered Notes which is issued in uncertificated form.

Title to Registered Notes issued in uncertificated form will pass upon registration of transfer in the Register in accordance with Condition 15.1 (*Transfer of Registered Notes*).

The CSD's Nominee (as the registered holder of such Registered Uncertificated Notes named in the Register) will be treated by the Issuer, the Paying Agent, the Transfer Agent and the relevant Participant as the holder of that aggregate Nominal Amount of such Registered Uncertificated Notes for all purposes.

4.1.3 *Beneficial Interests in Registered Notes held in the Central Depository*

Beneficial Interests which are held by clients of Participants will be held indirectly through such Participants, and such Participants will hold such Beneficial Interests, on behalf of such clients, through the securities accounts maintained by such Participants for such clients. The clients of Participants may include the holders of Beneficial Interests or their custodians. The clients of Participants, as the holders of Beneficial Interests or as custodians for such holders, may exercise their rights in respect of the Notes held by them in the Central Depository only through their Participants.

In relation to each Person shown in the records of the Central Depository or the relevant Participant, as the case may be, as the holder of a Beneficial Interest in a particular Nominal Amount of Registered Notes, a certificate or other document issued by the Central Depository or the relevant Participant, as the case may be, as to the aggregate Nominal Amount of such Registered Notes standing to the account of such Person shall be *prima facie* proof of such Beneficial Interest. Transfer of Beneficial Interests in Registered Notes will not be recorded in the Register and the CSD's Nominee will continue to be reflected in the Register as the registered holder of such Registered Notes, notwithstanding such transfers.

Any reference in the Terms and Conditions to the relevant Participant shall, in respect of a Beneficial Interest, be a reference to the Participant appointed to act as such by the holder of such Beneficial Interest.

4.2 **Bearer Notes**

Title to Bearer Notes (including rights to Instalment Amounts and/or interest thereon, as applicable) will pass by delivery of the Individual Certificate evidencing such Note or of the Receipt and/or Coupon relating thereto, as the case may be, in accordance with Condition 15.2 (*Transfer of Bearer Notes*). The Issuer, the Transfer Agent and the Paying Agent may deem and treat the Bearer of any such Individual Certificate, Receipt or Coupon as the absolute owner thereof (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.

The disposal or acquisition of or dealing in Bearer Notes is subject to the prior written approval of the Minister of Finance (or a Person authorised by the Minister of Finance) in accordance with Regulation 15 of the Exchange Control Regulations.

4.3 **Order Notes**

Title to Order Notes (including rights to Instalment Amounts and/or interest thereof, as applicable) will initially pass by Endorsement and delivery of the Individual Certificate evidencing such Note or of the Receipt and/or Coupon relating thereto, as the case may be, in accordance with Condition 15.3 (*Transfer of Order Notes*). Any Individual Certificate evidencing an Order Note or such Receipt or Coupon upon which the last Endorsement is an Endorsement in Blank shall be treated as a Bearer Note, for so long as not subject to further Endorsement. The Issuer, the Transfer Agent and the Paying Agent may deem and treat the Person who from the face of the Individual Certificate, Receipt or Coupon relating to an Order Note appears to be the Payee thereto as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or notice of any previous loss or theft thereof) for all purposes and payment to such Person or their Representative shall discharge the Issuer from all liability to the Payee in relation to such Individual Certificate, Receipt or Coupon, as the case may be, even if such Endorsement has been forged or made without authority. Provided the Issuer pays any amount due upon presentation and surrender of an Individual Certificate evidencing an Order Note, or any Receipt or Coupon attached thereto on issue, in good faith, it shall not be incumbent upon the Issuer or the Transfer Agent to determine or prove that the Endorsement of the Payee making such Endorsement was made by or under the authority of the Person whose Endorsement it purports to be.

5. **STATUS OF NOTES**

5.1 **Status of Senior Notes**

5.1.1 *Application:* This Condition 5.1 applies only to Senior Notes.

5.1.2 *Status of the Senior Notes:* Unless otherwise specified in the Applicable Pricing Supplement, the Senior Notes constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 6 (*Negative Pledge*)) unsecured obligations of the Issuer which will at all times rank *pari passu* without preference or priority among themselves and, subject to Condition 6 (*Negative Pledge*), rank at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer from time to time owing, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

5.2 **Status of Tier 2 Notes**

5.2.1 *Application:* This Condition 5.2 applies only to Tier 2 Notes.

5.2.2 *Status of the Tier 2 Notes:* The Tier 2 Notes constitute direct, unsecured and, in accordance with Condition 5.2.3 (*Subordination*) below, subordinated obligations of the Issuer and rank *pari passu* without any preference among themselves and (save for the claims of those creditors that have been accorded preferential rights by law) *pari passu* with all other subordinated obligations of the Issuer that are not Junior Obligations or Senior Obligations.

5.2.3 *Subordination:* The claims of Tier 2 Noteholders entitled to be paid amounts due in respect of the Tier 2 Notes are subordinated to the claims of all the creditors in respect of Senior Obligations and, accordingly, in the event of the dissolution of the Issuer or if the Issuer is placed into liquidation or is wound-up or placed under business rescue or curatorship (in each case other than pursuant to a Solvent Reconstruction):

- (a) no Tier 2 Noteholder shall be entitled to prove or tender to prove a claim for any amount in respect of the Tier 2 Notes, in the event of the dissolution of the Issuer or if the Issuer is placed into liquidation or is wound-up or placed under business rescue or curatorship, to the extent that the claims of any creditors in respect of Senior Obligations which are admissible in any such dissolution, liquidation, winding-up, business rescue or curatorship would not be paid or discharged in full as a result of such proof;
- (b) no amount due under the Tier 2 Notes shall be eligible for set-off, counterclaim, abatement or other similar remedy which a Tier 2 Noteholder might otherwise have under the laws of any jurisdiction in respect of the Tier 2 Notes nor shall any amount due under the Tier 2 Notes be payable to any Tier 2 Noteholder, until the claims of all creditors in respect of Senior Obligations which are admissible in any such dissolution, liquidation, winding-up, business rescue or curatorship have been paid or discharged in full; and
- (c) subject to Applicable Law, a Tier 2 Noteholder may not exercise or claim any right of set-off in respect of any amount of the principal of and/or interest on the Tier 2 Notes owed to it by the Issuer and each Tier 2 Noteholder shall, by virtue of its subscription, purchase or holding of any Tier 2 Notes, be deemed to have waived all such rights of set-off and, to the extent that any set-off takes place, whether by operation of law or otherwise, between: (aa) any amount in respect of the principal and/or interest on the Tier 2 Notes owed by the Issuer to a Tier 2 Noteholder; and (bb) any amount owed to the Issuer by such Tier 2 Noteholder, such Tier 2 Noteholder will immediately transfer such amount which is set-off to the Issuer or, in the event of its dissolution, winding-up, liquidation, business rescue or curatorship (as the case may be), the liquidator, administrator or other relevant insolvency official of the Issuer, to be held in trust for all the creditors in respect of Senior Obligations, until the claims of all creditors in respect of Senior Obligations which are admissible in any such dissolution, liquidation, winding-up, business rescue or curatorship have been paid or discharged in full.

5.3 **Status of Subordinated Notes that are not Tier 2 Notes**

- 5.3.1 *Application:* This Condition 5.3 applies only to Subordinated Notes that are not Tier 2 Notes.
- 5.3.2 *Status of the Subordinated Notes that are not Tier 2 Notes:* Subordinated Notes that are not Tier 2 Notes constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* without any preference among themselves and (save for the claims of those creditors that have been accorded preferential rights by law) at least *pari passu* with all other Subordinated Indebtedness.
- 5.3.3 *Subordination:* Subject to Applicable Law, in the event of the dissolution of the Issuer or if the Issuer is placed into liquidation or wound-up, the claims of the persons entitled to be paid amounts due in respect of Subordinated Notes that are not Tier 2 Notes shall be subordinated to all other claims in respect of any other indebtedness of the Issuer except for other Subordinated Indebtedness. Accordingly, in any such event, and provided as aforesaid, no holder of a Subordinated Note shall be entitled to prove or tender to prove a claim in respect of such Subordinated Notes, to the extent that any other indebtedness of the Issuer which is admissible in any such dissolution, insolvency or winding-up (other than Subordinated Indebtedness) would not be paid or discharged in full as a result of such proof, and 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 such Subordinated 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 or winding-up (other than Subordinated Indebtedness) has been paid or discharged in full.

5.4 **Non-Viability Loss Absorption**

- 5.4.1 This Condition 5.4 applies only to Tier 2 Notes.
- 5.4.2 Upon the occurrence of a Non-Viability Event, the Issuer will notify Tier 2 Noteholders (a "**Non-Viability Event Notice**") and subsequently Write-down the Tier 2 Notes, in accordance with the Capital Rules.

- 5.4.3 For the avoidance of doubt, following any Write-down of the Tier 2 Notes (in accordance with these terms) the Issuer shall not be obliged to pay compensation in any form to the Tier 2 Noteholders.
- 5.4.4 Any Write-down of the Tier 2 Notes upon the occurrence of a Non-Viability Event will not constitute an Event of Default or any other breach of the Issuer's obligations under the Terms and Conditions of any Notes.

The Trigger Event in the Capital Rules on the Programme Date is described as being, as a minimum, the earlier of:

- (a) *a decision that a write off, without which the Issuer would become non-viable, is necessary, as determined and notified by the Relevant Regulator; or*
- (b) *a decision to make a public sector injection of capital, or equivalent support, without which the Issuer would have become non-viable, as determined and notified by the Relevant Regulator.*

5.5 **Disapplication of Non-Viability Loss Absorption**

- 5.5.1 This Condition 5.5 applies only to Tier 2 Notes.
- 5.5.2 If so specified in the Applicable Pricing Supplement, to the extent that a Statutory Loss Absorption Regime is implemented in South Africa, and the Tier 2 Notes are subject to such Statutory Loss Absorption Regime, the Issuer will, following consultation with the Relevant Regulator, dis-apply the Non-Viability Loss Absorption Condition referred to in Condition 5.4, provided that such disapplication would not result in a Capital Disqualification Event.
- 5.5.3 For the avoidance of doubt, if a Non-Viability Event occurs on or after such date on which the Non-Viability Loss Absorption Condition referred to in Condition 5.4 is dis-applied, the Relevant Regulator or the Issuer following instructions from the Relevant Regulator, may take such action in respect of the Tier 2 Notes as is required or permitted by such Statutory Loss Absorption Regime.

5.6 **Capital Rules and Additional Conditions**

In order for the proceeds of the issuance of any Tranche of Notes to qualify as Tier 2 Capital, Subordinated Notes must comply with the applicable Capital Rules (including the Additional Conditions (if any) prescribed by the Relevant Regulator in respect of a particular Tranche of Subordinated Notes). The Issuer will specify in the Applicable Pricing Supplement whether any issue of Notes is an issue of Tier 2 Notes the proceeds of which are intended to qualify as Tier 2 Capital. The Additional Conditions (if any) prescribed by the Relevant Regulator in respect of Subordinated Notes will be specified in the Applicable Pricing Supplement or a supplement to the Programme Memorandum.

6. **NEGATIVE PLEDGE**

For as long as any Senior Notes remain Outstanding, and unless approved by an Extraordinary Resolution of the holders of Senior Notes, the Issuer undertakes not to create or permit the creation of any Encumbrance over any of its present or future assets or revenues to secure any present or future Relevant Debt without at the same time securing all Senior Notes equally and rateably with such Relevant Debt or providing such other security as may be approved by Extraordinary Resolution of the holders of those Senior Notes. The Issuer shall be entitled but not obliged, to form, or procure the formation of, a trust or trusts or appoint, or procure the appointment of, an agent or agents to hold any such rights of security for the benefit or on behalf of such Noteholders.

7. **INTEREST**

If the Applicable Pricing Supplement so specifies, the Notes of any Tranche will bear interest from the Interest Commencement Date at the Interest Rate(s) specified in, or determined in accordance with, the Applicable Pricing Supplement and such interest will be payable in respect of each Interest Period on the Interest Payment Date(s) specified in the Applicable Pricing Supplement. The interest payable on the Notes of any Tranche for a period other than a full Interest Period shall be determined in accordance with the Applicable Pricing Supplement.

7.1 **Interest on Fixed Rate Notes**

Unless otherwise specified in the Applicable Pricing Supplement, interest on Fixed Rate Notes will be paid on a six-monthly basis on the Interest Payment Dates.

7.1.1 *Accrual of Interest*

The Notes bear interest from the Interest Commencement Date at the Interest Rate payable in arrear on each Interest Payment Date, subject as provided in Condition 10 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 10 (*Payments*) (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is 7 (seven) days after the Paying Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

7.1.2 *Fixed Coupon Amount*

The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

7.1.4 *Calculation of Interest Amount*

The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Interest Rate to the Calculation Amount, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount, provided that:

- (a) 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
- (b) if a Final Broken Amount is specified in the Applicable Pricing Supplement, then the final Interest Amount shall equal the Final Broken Amount specified in the Applicable Pricing Supplement.

7.2 **Interest on Floating Rate Notes and Indexed Notes**

7.2.1 *Accrual of Interest*

The Notes bear interest from the Interest Commencement Date at the Interest Rate payable in arrear on each Interest Payment Day, subject as provided in Condition 10 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 7.2 (*Interest on Floating Notes and Indexed Notes*) (as well as after as before judgement) until whichever is the earlier of (i) the day on which all sums due in respect of such Notes to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is 7 (seven) days after the Paying Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent there is subsequent default in payment).

7.2.2 *Floating Interest Rate*

The Floating Interest Rate which is applicable to a Tranche of Floating Rate Notes for an Interest Period will be determined on the basis of Screen Rate Determination or on the basis of ISDA Determination or on such other basis as may be determined by the Issuer and specified in the Applicable Pricing Supplement.

7.2.3 *ISDA Determination including fallback provisions*

If ISDA Determination is specified in the Applicable Pricing Supplement as the manner in which the Interest Rate(s) is/are to be determined, the Interest Rate applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where “**ISDA Rate**” for

an Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if that Calculation Agent were acting as Calculation Agent for that interest rate 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 ZAR- JIBAR-SAFEX, 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 expressions in the ISDA Definitions and **JIBAR** means the average mid-market yield rate per annum for a period of the Designated Maturity which appears on the Reuters Screen SAFEX page at or about 11h00 (Johannesburg time) on the relevant date (or any successor rate).

7.2.4 *Screen Rate Determination including fallback provisions*

If 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 applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:

- (a) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date; or
- (b) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (c) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
 - (A) request the principal Johannesburg office of each of the Reference Banks to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately 12h00 (Johannesburg time) on the Interest Determination Date in question; and
 - (B) determine the arithmetic mean of such quotations; and
- (d) if fewer than 3 (three) such offered quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Johannesburg inter-bank market, selected by the Calculation Agent, at approximately 12h00 (Johannesburg time) on the first day of the relevant Interest Period for loans in the Specified Currency to leading banks in the Johannesburg inter-bank market for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time;

(and the Interest Rate for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; *provided, however, that* if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Interest Rate applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

7.2.5 *Indexed Interest*

If the Indexed Interest Note provisions are specified in the Applicable Pricing Supplement as being applicable, the Interest Rate(s) applicable to the Notes for each Interest Period will be determined in accordance with the manner specified in the Applicable Pricing Supplement.

7.2.6 *Maximum and/or Minimum Interest Rate*

If the Applicable Pricing Supplement specifies a Maximum Interest Rate for any Interest Period, then the Interest Rate for such Interest Period shall in no event be greater than such Maximum Interest Rate and/or if it specifies a Minimum Interest Rate for any Interest Period, then the Interest Rate for such Interest Period shall in no event be less than such Minimum Interest Rate.

7.2.7 *Determination of Floating Interest Rate and Calculation of Interest Amount*

The Calculation Agent, in the case of Floating Rate Notes will, at or as soon as practicable after each time at which the Interest Rate is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Interest Rate for such Interest Period to the Calculation Amount and multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount.

7.2.8 *Calculation of Other Amounts*

If the Applicable Pricing Supplement specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the Applicable Pricing Supplement.

7.2.9 *Publication*

The Calculation Agent will cause each Interest Rate and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it, together with any relevant payment date(s) to be notified to the Issuer, the Paying Agent, the Transfer Agent, the Noteholders in respect of any Floating Rate Notes which are Bearer Notes or Order Notes, any Financial Exchange on which the relevant Floating Rate Notes are for the time being listed and any central securities depository in which Individual Certificates in respect of the Notes are immobilised, as soon as possible after their determination but (in the case of each Interest Rate, Interest Amount and Interest Payment Date) in any event not later than 3 (three) Business Days after the Interest Determination Date (in the case of the determination of Floating Interest Rate applicable to a Tranche of Floating Rate Notes) and no later than 3 (three) Business Days before the Interest Payment Date (in the case of the determination of the Interest Amount). Notice thereof shall also promptly be given to the Noteholders in accordance with Condition 18 (*Notices*).

The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. Any such amendment will be promptly notified to the Issuer and to the Noteholders in accordance with Condition 18 (*Notices*) and, if the relevant Tranche of Notes is listed on the JSE, the JSE and the Central Depository. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and Interest Amount in respect of a Note having the minimum Specified Denomination.

7.2.10 *Notifications etc. to be final*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the Condition 7.2 (*Interest on Floating Notes and Indexed Notes*) by the Calculation Agent will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Paying Agent and the Noteholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non exercise by it of its powers, duties and discretions for such purposes.

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 and to the extent 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 Partly Paid Notes**

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue on the paid-up Nominal Amount of such Notes and otherwise as specified in the Applicable Pricing Supplement.

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 accrue at the SAFEX Overnight Deposit Rate (to be found on the Reuters Screen SAFEY page as at 12h00 (Johannesburg time) on the presentation date, or any successor rate) until the earlier of:

7.6.1 the date on which all amounts due in respect of such Note have been paid; or

7.6.2 in respect of Uncertificated Notes, the date on which the full amount of the moneys payable has been received by the Paying Agent and notice to that effect has been given to Noteholders in accordance with Condition 18 (*Notices*).

In the event that the SAFEX Overnight Deposit Rate is not ascertainable from the relevant screen page at the time contemplated above, the Calculation Agent shall follow the procedure contemplated in Condition 7.2.2 to ascertain a rate.

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 in any case where Interest Periods are specified in accordance with Condition 7.2, be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar 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 calendar 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. **EXCHANGE OF TALONS**

On or after the Interest Payment Date on which the final Coupon (being the Coupon in respect of the relevant Individual Certificate relating to the latest Interest Payment Date in respect of that series of Coupons) matures, but not later than the date of prescription (in accordance with Condition 12 (*Prescription*)) of the Talon which may be exchanged for the respective Coupons, the Talon (if any) attached to the relevant Individual Certificate upon issue may be surrendered at the specified office of the Transfer Agent in exchange for further Coupons, including (if such further Coupons do not include Coupons

up to, and including, the final date for the payment of interest due in respect of the Notes to which they pertain) a further Talon, subject to the provisions of Condition 12 (*Prescription*). Each Talon shall for the purposes of these Terms and Conditions, mature on the Interest Payment Date on which the final Coupon issued pursuant to such Talon matures.

9. REDEMPTION AND PURCHASE

A Tranche of Notes will, subject to Condition 9.5 (*Conditions to Redemption or Modification of Tier 2 Notes*) or as otherwise specified in the Terms and Conditions, be redeemed on the Maturity Date in accordance with Condition 9.1 (*Scheduled Redemption*). If the “*Early Redemption at the option of the Issuer (Call Option)*” and/or “*Early Redemption at the option of the Noteholders of Senior Notes (Put Option)*” and/or “*Early Redemption following the occurrence of a Tax Event and/or Change in Law*” and/or “*Early Redemption following the occurrence of a Capital Disqualification Event*” is specified as applicable in the Applicable Pricing Supplement, then, subject to Condition 9.5 (*Conditions to Redemption or Modification of Tier 2 Notes*), a Tranche of Notes may be, or upon the occurrence of an Event of Default as set out in Condition 13 (*Events of Default*) will be, redeemed prior to its Maturity Date in accordance with this Condition 9 (*Redemption and Purchase*).

9.1 Scheduled Redemption

Unless previously redeemed or purchased and cancelled as specified below, the Notes will be redeemed at the Final Redemption Amount on the Maturity Date (if any), to the provisions contained in Condition 10 (*Payments*).

9.2 Early Redemption following the occurrence of a Tax Event and/or Change in Law

The Issuer may redeem the Notes of any Tranche of Notes in whole, but not in part:

- (a) at any time (if neither the Floating Rate Note provisions nor the Indexed Note provisions are specified in the Applicable Pricing Supplement as being applicable or, if they are, such provisions are not applicable at the time of redemption); or
- (b) on any Interest Payment Date (if the Floating Rate Note Provisions or the Indexed Note provisions are specified in the Applicable Pricing Supplement as being applicable and are applicable at the time of redemption),

on giving not less than 30 (thirty) nor more than 60 (sixty) days’ notice to the Noteholders and to the Transfer Agent and the Paying Agent (which notice shall be irrevocable in accordance with Condition 18 (*Notices*), at their Early Redemption Amount, following the occurrence of a Tax Event and/or Change in Law, provided, however, that no such notice of redemption shall be given earlier than:

- (i) where the Notes may be redeemed at any time, 90 (ninety) days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts or would be entitled (as such entitlement is materially reduced) to claim a deduction in respect of computing its taxation liabilities; or
- (ii) where the Notes may be redeemed only on an Interest Payment Date, 60 (sixty) days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts or would not be entitled (or such entitlement is materially reduced) to claim a deduction in respect of computing its taxation liabilities.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Transfer Agent and the Paying Agent (A) a certificate signed by two authorised officers 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 (B) an opinion of independent legal advisers of recognised standing to the effect that a Tax Event and/or Change in Law has occurred. Upon the expiry of any such notice as is referred to in this Condition 9.2 (*Redemption following the occurrence of a Tax Event and/or Change in Law*), the Issuer shall be bound to redeem the Notes in accordance with this Condition 9.2 (*Redemption following the occurrence of a Tax Event and/or Change in Law*).

9.3 **Early Redemption following the occurrence of a Capital Disqualification Event**

This Condition 9.3 applies only to Tier 2 Notes.

The Issuer may redeem the Notes of any Tranche of Notes in whole, but not in part:

- (a) at any time (if neither the Floating Rate Note provisions nor the Indexed Note provisions are specified in the Applicable Pricing Supplement as being applicable or, if they are, such provisions are not applicable at the time of redemption); or
- (b) on any Interest Payment Date (if the Floating Rate Note Provisions or the Indexed Note provisions are specified in the Applicable Pricing Supplement as being applicable and are applicable at the time of redemption),

on giving not less than 30 (thirty) nor more than 60 (sixty) days' notice to the Noteholders and to the Transfer Agent and the Paying Agent (which notice shall be irrevocable in accordance with Condition 18 (*Notices*), at their Early Redemption Amount, following the occurrence of a Capital Disqualification Event.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Transfer Agent and the Paying Agent (A) a certificate signed by two authorised officers 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 (B) unless the Relevant Regulator has confirmed to the Issuer that a Capital Disqualification Event applies to the relevant Notes, an opinion of independent legal advisers of recognised standing to the effect that a Capital Disqualification Event applies. Upon the expiry of any such notice as is referred to in this Condition 9.3 (*Early Redemption following the occurrence of a Capital Disqualification Event*), the Issuer shall be bound to redeem the Notes in accordance with this Condition 9.3 (*Early Redemption following the occurrence of a Capital Disqualification Event*).

9.4 **Early Redemption at the option of the Issuer (Call Option)**

If the Issuer is specified in the Applicable Pricing Supplement as having an option to redeem all or some of the Notes of any Tranche of Notes then Outstanding, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the Applicable Pricing Supplement, in part upon the Issuer having given:

- (a) not less than 30 (thirty) and not more than 60 (sixty) days' notice to the Noteholders in accordance with Condition 18 (*Notices*); and
- (b) not less than 7 (seven) days before giving the notice referred to in (a) above, notice to the Transfer Agent,

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

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 specified in the Applicable Pricing Supplement, if applicable. In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemable Notes**) will be selected:

- (a) in the case of Redeemable Notes represented by Individual Certificates, individually by lot; and
- (b) 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**).

A list of the serial numbers of the Individual Certificates (and in the case of Redeemable Notes which are Bearer Notes or Order Notes, the relevant Receipts and/or Coupons) will be published in accordance with Condition 18 (*Notices*) not less than 15 (fifteen) days prior to the date fixed for redemption. The aggregate Nominal Amount of Redeemed Notes represented by Individual Certificates shall bear the same proportion to the aggregate Nominal Amount of all Redeemed Notes as the aggregate Nominal Amount of Individual Certificates outstanding bears to the aggregate Nominal Amount of the Notes Outstanding, in each case on the Selection Date, provided that such

first mentioned Nominal Amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination and the aggregate Nominal Amount of Redeemed Notes issued in uncertificated form shall be equal to the balance of the Redeemed Notes. No exchange of Beneficial Interests in Uncertificated Notes 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 9.4 (*Early Redemption at the option of the Issuer (Call Option)*) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 18 (*Notices*) at least 5 (five) days prior to the Selection Date.

Holders of Redeemable Notes shall surrender the Individual Certificates, together with Receipts and Coupons (if any) relating to 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 Individual Certificates, Receipts and Coupons (as applicable) are redeemed, the Transfer Agent shall deliver new Individual Certificates, Receipts and Coupons (as applicable) to such Noteholders in respect of the balance of the Notes.

9.5 **Conditions to Redemption or Modification of Tier 2 Notes**

9.5.1 Subject to the applicable Capital Rules, Tier 2 Notes may have a minimum Maturity Period determined in accordance with the Capital Rules relating to such Tier 2 Notes as set out in the Applicable Pricing Supplement.

9.5.2 Notwithstanding the foregoing provisions of this Condition, for so long as the applicable Capital Rules so require, Tier 2 Notes may be redeemed, purchased or modified (in whole or in part), prior to the Maturity Date, only at the option of the Issuer, and only if:

- (a) the Issuer has notified the Relevant Regulator of, and the Relevant Regulator has consented in writing to, such redemption, purchase, or modification (as applicable), subject to such conditions (if any) as the Relevant Regulator may deem appropriate (in any case, only if and to the extent such a notification or consent is required by the Capital Rules); and
- (b) the redemption, purchase or modification of the Tier 2 Notes is not prohibited by the Capital Rules.

It is anticipated under the Capital Rules that the Issuer may not exercise any option to redeem Tier 2 Notes unless the Issuer:

- (a) *concurrently replaces the called instrument with capital of similar or better quality and the replacement of capital is done at conditions that are sustainable for/with the income capacity of the Issuer; or*
- (b) *demonstrates to the satisfaction of the Relevant Regulator that the Issuer's capital position shall be well above the relevant specified minimum capital requirements after the call option is exercised.*

In the case of any redemption prior to the fifth anniversary of the Issue Date of any Tier 2 Notes due to the occurrence of a Change in Law, a Tax Event, or a Capital Disqualification Event, as applicable, the Issuer may be required to demonstrate to the Relevant Regulator that the relevant event was not reasonably foreseeable at the Issue Date of such Tier 2 Notes, prior to giving notice to investors in respect of any such redemption.

9.5.3 In the event that any option of the Issuer to redeem the Tier 2 Notes prior to the fifth anniversary of the Issue Date of such Tier 2 Notes upon the occurrence of a Change in Law Event, Tax Event or a Regulatory Event would at any time prevent the Notes from being treated under the Capital Rules as Tier 2 Capital, the Tier 2 Notes shall automatically be amended so as to exclude the relevant option(s) until the fifth anniversary of the Issue Date of such Tier 2 Notes.

9.6 **Early Redemption at the option of Noteholders of Senior Notes (Put Option)**

If the Noteholders of Senior Notes are specified in the Applicable Pricing Supplement as having an option to put any Senior Notes, the Issuer shall, at the option of each Noteholder of Notes in such Tranche of Senior Notes, redeem the Senior Notes on the Optional Redemption Date(s) (Put) specified in the relevant Put Notice or in the Applicable Pricing Supplement, as the case may be, at the relevant Optional Redemption Amount together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 9.6 (*Early Redemption at the option of Noteholders of Senior*

Notes (Put Option)), the Noteholders of such Senior Notes must, not less than 30 (thirty) nor more than 60 (sixty) days before the relevant Optional Redemption Date(s) (Put), surrender the Individual Certificates (if any) relating to such Senior Notes with the Paying Agent in accordance with Condition 18 (*Notices*), together with a duly completed Put Notice. The redemption amount specified in such Put Notice in respect of any such Note must be of a nominal amount equal to or greater than the Minimum Redemption Amount or equal to or less than the Higher Redemption Amount, each as specified in the Applicable Pricing Supplement, if applicable.

The redemption of Senior Notes issued in uncertificated form shall take place in accordance with the Applicable Procedures.

Where a Noteholder puts Senior Notes represented by an Individual Certificate, such Noteholder shall deliver the Individual Certificate, together with Receipts and/or Coupons (if any), to the Transfer Agent for cancellation by attaching it to a Put Notice. A holder of an Individual Certificate shall specify its payment details in the Put Notice for the purposes of payment of the Optional Redemption Amount.

The delivery of Put Notices shall be required to take place during normal office hours of the Transfer Agent. Pro forma Put Notices shall be available from the Specified Office of the Issuer.

Any Put Notice given by a holder of any Senior Note pursuant to this Condition 9.6 (*Early Redemption at the option of Noteholders of Senior Notes (Put Option)*) shall be irrevocable except where after giving the notice, but prior to the due date of redemption, an Event of Default shall have occurred and be continuing in which event such Noteholder, at its option, may elect by notice to the Issuer and the Transfer Agent to withdraw the notice given pursuant to this paragraph and instead to declare such Senior Note forthwith due and payable pursuant to Condition 13 (*Events of Default*).

9.7 **Early Redemption upon the occurrence of an Event of Default**

Upon the occurrence of an Event of Default and receipt by the Issuer of a written notice declaring Notes held by the relevant Noteholder to be forthwith due and payable in accordance with Condition 13 (*Events of Default*), such Notes shall become forthwith due and payable at the Early Redemption Amount in the manner set out in Condition 9.8 (*Early Redemption Amounts*), together with interest (if any) to the date of payment, in accordance with Condition 13 (*Events of Default*).

9.8 **Early Redemption Amounts**

For the purpose of Condition 9.2 (*Redemption following the occurrence of a Tax Event and/or Change in Law*), Condition 9.3 (*Early Redemption following the occurrence of a Capital Disqualification Event*) and Condition 13 (*Events of Default*) (and otherwise as stated herein), the Notes will be redeemed at the Early Redemption Amount calculated as follows:

- (a) in the case of Notes with a Final Redemption Amount equal to the Nominal Amount, at the Final Redemption Amount thereof; or
- (b) 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 Issue Price (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 Nominal Amount; or
- (c) 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 up 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 specified in the Applicable Pricing Supplement.

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.

9.9 **Instalment Notes**

Instalment Notes will be redeemed at the Instalment Amounts and on the Instalment Dates. In the case of early redemption in accordance with Conditions 9.2 (*Redemption following the occurrence of a Tax Event and/or Change in Law*) or Condition 9.3 (*Early Redemption following the occurrence of a*

Capital Disqualification Event) or 9.8 (*Early Redemption Amounts*), the Early Redemption Amount will be determined pursuant to Condition or 9.8 (*Early Redemption Amounts*).

9.10 **Partly Paid Notes**

If the Notes are Partly Paid Notes, they will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition 9 (*Redemption and Purchase*) and the Applicable Pricing Supplement.

9.11 **Exchangeable Notes**

If the Notes are Exchangeable Notes, they will be redeemed, whether at maturity, early redemption or otherwise in the manner specified in the Applicable Pricing Supplement. Exchangeable Notes, in respect of which Mandatory Exchange is specified in the Applicable Pricing Supplement as applying, or upon the exercise by the Noteholder of the Noteholder's 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 specified in the Applicable Pricing Supplement shall constitute the *in specie* redemption in full of such Notes.

9.12 **Purchases**

Subject to the applicable Capital Rules, the Issuer or any of its Subsidiaries may at any time purchase Notes (including all unmatured Coupons and Receipts) at any price in the open market or otherwise.

9.13 **Cancellation**

All Notes which are redeemed or purchased by the Issuer or any of its Subsidiaries may, at its option be cancelled and may, if cancelled, not be reissued or resold. Where only a portion of Notes represented by an Individual Certificate are cancelled, the Transfer Agent shall deliver a Certificate to such Noteholder in respect of the balance of the Notes.

9.14 **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 9 (*Redemption and Purchase*) or upon its becoming due and repayable as provided in Condition 13 (*Events of Default*), 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 9.8(c) (*Early Redemption Amounts*), 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 Depository, and notice to that effect has been given to the Noteholders in accordance with Condition 18 (*Notices*).

10. **PAYMENTS**

10.1 **General**

Only Noteholders named in the Register at 17h00 (Johannesburg time) on the relevant Last Day to Register shall be entitled to payment of amounts due and payable in respect of Registered Notes.

All payments of all amounts (whether in respect of principal, interest or otherwise) due and payable in respect of any Notes shall be made by the Issuer (where the Issuer itself acts as Paying Agent) or the Paying Agent on behalf of the Issuer (where the Issuer has appointed a third party to act as Paying Agent), as the case may be, on the terms and conditions of the Agency Agreement (if any) and this Condition 10 (*Payments*).

All references in this Condition 10 to "*Paying Agent*" shall be construed as references to the Issuer (where the Issuer itself acts as Paying Agent) or the Paying Agent on behalf of the Issuer (where the Issuer has appointed a third party entity to act as Paying Agent), as the case may be.

Payments will be subject in all cases to any fiscal or other laws, directives and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 11 (*Taxation*).

10.2 **Payments – Registered Notes/Certificated and Uncertificated**

10.2.1 *Method of payment*

The Paying Agent shall pay all amounts due and payable in respect of any Registered Notes:

10.2.1.1 In the case of Notes which are held in the Central Depository, in immediately available and freely transferable funds, in the Specified Currency, by electronic funds transfer to the bank account of the CSD's Nominee, as the registered Noteholder of such Notes, which in turn will transfer such funds, via the Participants, to the holders of Beneficial Interests in such Notes; and

10.2.1.2 In the case of Note(s) which are represented by an Individual Certificate, in immediately available and freely transferable funds, in the Specified Currency, by electronic funds transfer, to the bank account of the Person named as the registered Noteholder of such Notes in the Register or, in the case of joint registered Noteholders, the bank account of the first one of them named in the Register in respect of such Notes; provided that if several Persons are entered into the Register as joint registered Noteholders of such Notes then, without affecting the previous provisions of this Condition 10, payment to any one of them shall be an effective and complete discharge by the Issuer of the amount so paid, notwithstanding any notice (express or otherwise) which the Paying Agent and/or the Issuer may have of the right, title, interest or claim of any other Person to or in any such Notes.

Neither the Issuer nor the Paying Agent shall be responsible for the loss in transmission of any such funds, and payment of any amount into the bank accounts referred to above, in accordance with this Condition 10.2.1, shall be satisfaction *pro tanto*, to the extent of such amount, of the Issuer's obligations to the Noteholders under the relevant Registered Notes and the applicable Terms and Conditions.

10.2.2 *Beneficial Interest*

Following payment to the CSD's Nominee of amounts due and payable in respect of Notes which are held in the Central Depository, the relevant funds will be transferred by the CSD's Nominee, via the Participants, to the holders of Beneficial Interest in such Notes.

Each of the Persons reflected in the records of the Central Depository or the relevant Participant, as the case may be, as the holders of Beneficial Interests in Notes, will look solely to the Central Depository or the relevant Participants, as the case may be, for such Person's share of each payment so made by the Paying Agent, on behalf of the Issuer, to or for the order of the CSD's Nominee, as the registered Noteholder of such Notes.

Neither the Paying Agent nor the Issuer will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, Beneficial Interests or for maintaining, supervising or reviewing any records relating to Beneficial Interests.

Payments of amounts due and payable in respect of Beneficial Interests in Notes will be recorded by the CSD's Nominee, as the registered holder of such Notes, distinguishing between interest and principal, and such record of payments by the CSD's Nominee, as the registered Noteholder of such Notes, will be *prima facie* proof of such payments.

10.2.3 *Surrender of Individual Certificates*

Payments of principal in respect of any Registered Note(s) which is/are represented by Individual Certificate(s) shall be made to the Noteholder(s) of such Registered Note(s) only if, prior to the date on which the relevant Tranche of Notes are redeemed, such Individual Certificate(s) shall have been surrendered to the Transfer Agent at its Specified Office.

If the relevant Individual Certificate is not surrendered to the Transfer Agent at its Specified Office in accordance with this Condition 10.2.3, the amount of principal payable to the Noteholder of the Registered Note(s) represented by that Individual Certificate shall be retained by the Paying Agent for such Noteholder, at the latter's risk, until that Individual Certificate shall have been surrendered to the Transfer Agent at its Specified Office, and such Noteholder will not be entitled to any interest and/or other payments in respect of any delay in payment occasioned as a result of such failure to surrender such Individual Certificate.

10.3 **Payments – Bearer Notes**

Payments of interest in respect of Bearer Notes will be made to the Bearer only against presentation and surrender by the Bearer or its Representative of the relevant Coupon or (in respect of interest bearing Bearer Notes issued without Coupons) only against presentation by the Bearer or its Representative of the relevant Individual Certificate to the Paying Agent at its Specified Office.

Payments of Instalment Amounts in respect of Bearer Notes will be made to the Bearer only following presentation and surrender by the Bearer or its Representative of the relevant Receipt to the Paying Agent at its Specified Office. Payments of the final instalment of principal in respect of Bearer Notes which are Instalment Notes, or of the principal of all other Bearer Notes, will be made to the Bearer only following presentation and surrender by the Bearer or its Representative of the Individual Certificate evidencing such Bearer Notes to the Paying Agent at its Specified Office.

Upon presentation and/or surrender as aforesaid, the Bearer or its Representative shall be required to nominate in writing to the Paying Agent a bank account within South Africa (or any other banking jurisdiction specified in the Applicable Pricing Supplement) into which the relevant payment must be made and provide details of its address (being an address within South Africa or any other banking jurisdiction specified in the Applicable Pricing Supplement).

10.4 **Payments – Order Notes**

Payments of interest in respect of Order Notes will be made to the Payee only following presentation and surrender by the Payee or its Representative of the relevant Coupon or (in respect of interest bearing Order Notes issued without Coupons) only against presentation by the Payee or its Representative of the relevant Individual Certificate to the Paying Agent at its Specified Office.

Payments of Instalment Amounts in respect of Order Notes will be made to the Noteholder only following presentation and surrender by the Payee or its Representative of the relevant Receipt to the Paying Agent at its Specified Office. Payments of the final instalment of principal in respect of Order Notes which are Instalment Notes, or of the principal of all other Order Notes, will be made to the Payee only following presentation and surrender by the Payee or its Representative of the Individual Certificate evidencing such Order Notes.

Upon presentation and/or surrender as aforesaid, the Payee or its Representative shall be required to nominate in writing to the Paying Agent a bank account within South Africa (or any other banking jurisdiction specified in the Applicable Pricing Supplement) into which the relevant payment must be made and provide details of its address (being an address within South Africa or any other banking jurisdiction specified in the Applicable Pricing Supplement).

10.5 **Method of Payment**

Payments of interest and principal will be made in the Specified Currency by electronic funds transfer.

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 (or by such number of cheques as may be required in accordance with applicable banking law and practice) of any such amounts. Such payments by cheque shall be sent by post to:

- (a) the address of the Noteholder of Registered Notes as set forth in the Register or, in the case of joint Noteholders of Registered Notes, the address set forth in the Register of that one of them who is first named in the Register in respect of that Note; or
- (b) the address nominated by the Bearer or the Payee in respect of Bearer Notes or Order Notes, as the case may be, upon presentation and surrender in accordance with Condition 10.3 (*Payments – Bearer Notes*) or Condition 10.4 (*Payments – Order Notes*), as the case may be.

Each such cheque shall be made payable to the relevant Noteholder or, in the case of joint Noteholders of Registered 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 10.5 (*Method of Payment*).

In the case of joint Noteholders of Registered Notes 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.

Payments will be subject in all cases to any taxation or other laws, directives and regulations applicable thereto in the place of payment, but subject to the provisions of Condition 11 (*Taxation*).

10.6 **Surrender of Individual Certificates, Receipts and Coupons**

No payment in respect of the final redemption of a Registered Note shall be made until 10 (ten) days after the date on which the Individual Certificate in respect of the Note to be redeemed has been surrendered to the Paying Agent.

Payments of interest in respect of Bearer Notes or Order Notes shall be made in accordance with Condition 10.5 (*Method of Payment*) only following presentation and surrender of the relevant Coupon (if any) to the Paying Agent.

Payments of Instalment Amounts in respect of Instalment Notes which are Bearer Notes or Order Notes shall be made by the Issuer in accordance with Condition 10.5 (*Method of Payment*) only following presentation and surrender of the relevant Receipt to the Paying Agent.

No payment in respect of the final redemption of a Bearer Note or Order Note shall be made until the later of:

- (a) the Relevant Date; and
- (b) the date on which the Individual Certificate in respect of the Note to be redeemed has been presented and surrendered to the Paying Agent.

Upon final redemption as aforesaid, all unmatured Coupons relating to Bearer Notes or Order Notes, as the case may be, (whether or not surrendered with the relevant Individual Certificate) shall become void and no payment shall be made thereafter in respect of them.

Documents required to be presented and/or surrendered to the Paying Agent in accordance with these Terms and Conditions shall be so presented and/or surrendered at the office of the Paying Agent specified in the Applicable Pricing Supplement.

Holders of Uncertificated Notes are not required to present and/or surrender any documents of title.

10.7 **Payment Day**

If the date for payment of any amount in respect of any Note is not a Business Day and is not subject to adjustment in accordance with a Business Day Convention, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place for payment and shall not be entitled to further interest or other payment in respect of any such delay.

10.8 **Interpretation of principal and interest**

Any reference in these Terms and Conditions to principal in respect of the Notes shall include, as applicable:

- (a) any additional amounts which may be payable with respect to principal under Condition 10.5 (*Method of Payment*);
- (b) the Final Redemption Amount of the Notes or the Early Redemption Amount of the Notes, as the case may be;
- (c) the Optional Redemption Amount(s) (if any) of the Notes;
- (d) in relation to Instalment Notes, the Instalment Amounts;
- (e) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined under Condition 9.8 (*Early Redemption Amounts*)); and
- (f) 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 include, as applicable, any additional amounts which may be payable with respect to interest under Condition 11 (*Taxation*).

11. TAXATION

- 11.1 A Noteholder whose Notes are redeemed shall pay all taxes payable in connection with the payment of the Interest Amount, or the redemption of such Notes and/or the payment of the Final Redemption Amount and/or the Optional Redemption Amount and/or the Early Redemption Amount as a result of such redemption. The Issuer is not liable for or otherwise obliged to pay any taxes that may arise as a result of the ownership, transfer, redemption or enforcement of any Note.
- 11.2 All payments of principal and interest in respect of the Notes by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of South Africa or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law.
- 11.3 In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes 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:
- 11.3.1 held by or on behalf of a Noteholder, who is liable for such taxes or duties in respect of such Note by reason of his having some connection with South Africa other than the mere holding of such Note or the receipt of principal or interest in respect thereof; or
- 11.3.2 presented for payment by or on behalf of, or held by, a Noteholder who could lawfully avoid (but has not so avoided) such withholding or deduction by complying with any statutory requirements in force at the present time or in the future by making a declaration of non-residency or other similar claim or filing for exemption to which it is entitled to the relevant tax authority or the Paying Agent (the effect of which is not to require the disclosure of the identity of the relevant Noteholder); or
- 11.3.3 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 (as defined in section 1 of the Income Tax Act) or taxable capital gain (as defined in paragraph 1 of Schedule 8 to the Income Tax Act) of any Noteholder; or
- 11.3.4 where (in the case of payment of principal and/or interest which is conditional on surrender and/or presentation of the relevant Individual Certificate in accordance with the Terms and Conditions) the relevant Individual Certificate is surrendered and/or presented more than 30 (thirty) days after the Relevant Date except to the extent that the Noteholder thereof would have been entitled to an additional amount on presenting the same for payment on such 30th (thirtieth day); or
- 11.3.5 if such withholding or deduction arises through the exercise by revenue authorities of special powers in respect of disputers or alleged tax defaulters.
- 11.4 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.
- 11.5 *FATCA withholding:* Notwithstanding any other provision in these Terms and Conditions, the Issuer, and the Paying Agents, shall be permitted to withhold or deduct any amounts required by the rules of U.S. Internal Revenue Code Sections 1471 through 1474 (or any amended or successor provisions), pursuant to any inter-governmental agreement, or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the US IRS ("**FATCA withholding**"). The Issuer will have no obligations to pay additional amounts or otherwise indemnify a holder for any FATCA withholding deducted or withheld by the Issuer, a Paying Agent or any other party as a result of any person (other than an agent of the Issuer) not being entitled to receive payments free of FATCA withholding.
- 11.6 *Taxing jurisdiction:* If the Issuer becomes subject at any time to any taxing jurisdiction other than South Africa, references in these Terms and Conditions to South Africa shall be construed as references to South Africa and/or such other jurisdiction.

12. PRESCRIPTION

The Notes, Receipts and Coupons will become prescribed unless presented for payment of principal and interest within a period of 3 years after the Relevant Date therefor save that any relevant Individual Certificate, Receipt or Coupon constituting a “*bill of exchange or other negotiable instrument*” in accordance with section 11 of the Prescription Act, 1969 will become prescribed unless presented for payment of principal and interest within a period of 6 years from the Relevant Date thereof.

13. EVENTS OF DEFAULT

13.1 Events of Default relating to Senior Notes

An Event of Default in relation to Senior Notes shall arise if any one or more of the following events shall have occurred and be continuing:

13.1.1 *Non-payment*: the failure by the Issuer to pay within 7 (seven) Business Days from the due date any amount due in respect of any of the Notes; or

13.1.2 *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes and such default remains unremedied for 30 (thirty) days after written notice thereof has been delivered by any Noteholder to the Issuer or to the Specified Office of the Transfer Agent (addressed to the Issuer); or

13.1.3 *Cross default of Issuer*:

(i) any Financial Indebtedness of the Issuer is not paid when due or (as the case may be) within any originally applicable grace period; or

(ii) any such Financial Indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Issuer or (provided that no event of default, howsoever described, has occurred) any Person entitled to such Financial Indebtedness; or

(iii) the Issuer fails to pay when due any amount payable by it under any Guarantee of Financial Indebtedness;

provided that the amount of Financial Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any Guarantee referred to in sub-paragraph (iii) above individually or in the aggregate exceeds ZAR500 000 000 (Five Hundred Million Rand) (or its equivalent in any other currency or currencies); or

13.1.4 *Insolvency, winding-up etc*: the granting of an order by any competent court or authority for the liquidation, curatorship, winding-up, dissolution or commencement of business rescue proceedings of the Issuer, whether provisionally (and not dismissed or withdrawn within 30 (thirty) days thereof) or finally, or the placing of the Issuer under voluntary liquidation or curatorship, provided that no liquidation, curatorship, winding-up, dissolution or commencement of business rescue proceedings shall constitute an event of default if: (i) the liquidation, curatorship, winding-up, dissolution or commencement of business rescue proceedings is for purposes of effecting an amalgamation, merger, demerger, consolidation, reorganisation or other similar arrangement within the SB Group; or (ii) in the case of the Issuer, in respect of a Solvent Reconstruction; or (iii) the liquidation, curatorship, winding-up, dissolution or commencement of business rescue proceedings is for purposes of effecting an amalgamation, merger, demerger, consolidation, reorganisation or other similar arrangement, the terms of which were approved by Extraordinary Resolution of Noteholders before the date of the liquidation, curatorship, winding-up, dissolution or commencement of business rescue proceedings; or

13.1.5 *Failure to take action*: any action, condition or thing (including the obtaining of any consent, licence, approval or authorisation) now or hereafter necessary to enable the Issuer to comply with its obligations under the Programme for the issuance of the Notes is not taken, fulfilled or done, or any such consent, licence, approval or authorisation shall be revoked, modified, withdrawn or withheld or shall cease to remain in full force and effect, resulting in the Issuer being unable to perform any of its payment or other obligations in terms of the Notes or the Programme for the issuance of the Notes,

If the Issuer becomes aware of the occurrence of any Event of Default, the Issuer shall forthwith notify all Noteholders and, in respect of listed Notes, shall forthwith notify the Central Depository, the JSE and/or such other Financial Exchange upon which such Notes are listed, as the case may be.

Upon the happening of an Event of Default, any holder of Senior Notes may, 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 shall become forthwith due and payable at the Early Redemption Amount, together with accrued interest (if any) to the date of payment.

13.2 **Events of Default relating to Subordinated Notes**

An Event of Default in relation to Subordinated Notes shall arise if any one or more of the following events occurs and is continuing:

13.2.1 *Non payment:* subject to Condition 7.1.1, if applicable, the failure by the Issuer to pay within 7 (seven) days from the due date any amount due in respect of the Subordinated Notes; or

13.2.2 *Insolvency, winding-up etc:* the granting of an order by any competent court or authority for the liquidation, curatorship, winding-up, dissolution or commencement of business rescue proceedings of the Issuer, whether provisionally (and not dismissed or withdrawn within 30 (thirty) days thereof) or finally, or the placing of the Issuer under voluntary liquidation or curatorship, provided that no liquidation, curatorship, winding-up, dissolution or commencement of business rescue proceedings shall constitute an event of default if: (i) the liquidation, curatorship, winding-up, dissolution or commencement of business rescue proceedings is for purposes of effecting an amalgamation, merger, demerger, consolidation, reorganisation or other similar arrangement within the SB Group; or (ii) in the case of the Issuer, in respect of a Solvent Reconstruction; or (iii) the liquidation, curatorship, winding-up, dissolution or commencement of business rescue proceedings is for purposes of effecting an amalgamation, merger, demerger, consolidation, reorganisation or other similar arrangement, the terms of which were approved by Extraordinary Resolution of Noteholders before the date of the liquidation, curatorship, winding-up, dissolution or commencement of business rescue proceedings.

If the Issuer becomes aware of the occurrence of any Event of Default, the Issuer shall forthwith notify all Noteholders of the Class and, in respect of listed Notes, shall forthwith notify the Central Depository, the JSE and/or such other Financial Exchange upon which such Notes are listed, as the case may be.

Upon the happening of an Event of Default referred to in Condition 13.2.1 (*Non-payment*), any holder of Subordinated Notes of the Class may, subject to Condition 5.2.3 (*Subordination*) in the case of Tier 2 Notes or Condition 5.3.3 (*Subordination*) in the case of other Subordinated Notes, and subject as provided below, at its discretion and without further notice, institute proceedings for the winding-up of the Issuer and/or prove in any winding-up of the Issuer, but take no other action in respect of that default.

Upon the happening of an Event of Default referred to in Condition 13.2.2 (*Insolvency, winding-up etc*), any holder of Subordinated Notes of the Series may, by written notice to the Issuer at its registered office, effective upon the date of receipt thereof by the Issuer, declare the Notes of the Series held by such Noteholder to be forthwith due and payable. Upon receipt of that notice, such Notes shall, subject to Condition 5.2.3 (*Subordination*) in the case of Tier 2 Notes or Condition 5.3.3 (*Subordination*) in the case of other Subordinated Notes, become forthwith due and payable at the Early Redemption Amount, together with accrued interest (if any) to the date of payment.

Without prejudice to the preceding Conditions, if the Issuer breaches any of its obligations under the Subordinated Notes of the Series (other than any obligation in respect of the payment of principal or interest on such Notes), then any holder of Tier 2 Notes of the Series may, at its discretion and without further notice, bring such proceedings as it may think fit to enforce the obligation in question, provided that the Issuer shall not, as a result of the bringing of any such proceedings, be obliged to pay any sum representing or measured by reference to principal or interest on or satisfy any other payment obligation in relation to such Subordinated Notes sooner than the same would otherwise have been payable by it.

14. **EXCHANGE OF BENEFICIAL INTERESTS AND REPLACEMENT OF INDIVIDUAL CERTIFICATES**

14.1 **Exchange of Beneficial Interests**

14.1.1 The holder of a Beneficial Interest in Notes may, in terms of the Applicable Procedures and in

accordance with section 34(e) of the Financial Markets Act, read together with section 54 of the Companies Act, by written notice to the holder's nominated Participant (or, if such holder is a Participant, the Central Depository), request that such Beneficial Interest be exchanged for Notes in definitive form represented by an Individual Certificate (the **Exchange Notice**). The Exchange Notice shall specify (a) the name, address and bank account details of the holder of the Beneficial Interest and (b) the day on which such Beneficial Interest is to be exchanged for an Individual Certificate; provided that such day shall be a Business Day and shall fall not less than 30 (thirty) days after the day on which such Exchange Notice is given.

- 14.1.2 The holder's nominated Participant will, following receipt of the Exchange Notice, through the Central Depository, notify the Transfer Agent that it is required to exchange such Beneficial Interest for Notes represented by an Individual Certificate. The Transfer Agent will, as soon as is practicable but within 14 (fourteen) days after receiving such notice, in accordance with the Applicable Procedures, procure that an Individual Certificate is prepared, authenticated and made available for delivery, on a Business Day falling within the aforementioned 14 (fourteen) day period, to the Participant acting on behalf of the holder of the Beneficial Interest in respect of the conversion at the Specified Office of the Transfer Agent; provided that joint holders of a Beneficial Interest shall be entitled to receive only one Individual Certificate in respect of that joint holding, and the delivery to one of those joint holders shall be delivery to all of them.
- 14.1.3 In the case of the exchange of a Beneficial Interest in Notes issued in uncertificated form:
- 14.1.4.1 the CSD's Nominee shall, prior to the Exchange Date, surrender (through the Central Depository system) such uncertificated Notes to the Transfer Agent at its Specified Office;
- 14.1.4.2 the Transfer Agent will obtain the release of such uncertificated Notes from the Central Depository in accordance with the Applicable Procedures.
- 14.1.4 An Individual Certificate shall, in relation to a Beneficial Interest in any number of Notes issued in uncertificated form of a particular aggregate Nominal Amount standing to the account of the holder thereof, represent that number of Notes of that aggregate Nominal Amount, and shall otherwise be in such form as may be agreed between the Issuer and the Transfer Agent; provided that if such aggregate Nominal Amount is equivalent to a fraction of the Specified Denomination or a fraction of any multiple thereof, such Individual Certificate shall be issued in accordance with, and be governed by, the Applicable Procedures.

14.2 **Replacement**

If any Individual Certificate, Receipt or Coupon is worn-out, mutilated, defaced, stolen, destroyed or lost, it may be replaced at the Specified Office of the Transfer Agent, on payment by the claimant of such costs and expenses as may be incurred in connection therewith and the provision of such indemnity as the Issuer and the Transfer Agent may reasonably require. Worn-out, mutilated or defaced Individual Certificates, Receipts or Coupons must be surrendered at the Specified Office of the Transfer Agent before replacements will be issued.

14.3 **Death and sequestration or liquidation of Noteholder**

Any Person becoming entitled to Registered Notes in consequence of the death, sequestration or liquidation of the holder of such Notes may, upon producing evidence to the satisfaction of the Issuer that he holds the position in respect of which he proposes to act under this Condition 14.3 (*Death and Sequestration or liquidation of Noteholder*) 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 Applicable Procedures, this Condition 14.3 (*Death and Sequestration or liquidation of Noteholder*) and Condition 15.1 (*Transfer of Registered Notes*), may transfer such Notes. The Issuer and (if applicable) the Central Depository and the relevant Participant 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.

14.4 **Costs**

The costs and expenses of the printing, issue and delivery of each Individual Certificate and all taxes and any and all governmental charges or insurance charges that may be imposed in relation to such Individual Certificate shall be borne by the holder of the Notes represented by that Individual Certificate. Separate costs and expenses relating to the provision of Individual Certificates and/or the transfer of Notes may be levied by other Persons, such as a Participant, under the Applicable Procedures, and such costs and expenses shall not be borne by the Issuer. The costs and expenses of

the printing, issue and delivery of Bearer Notes and Order Notes, and any Coupons, shall be borne by the Issuer, save as otherwise provided in the Applicable Pricing Supplement.

15. TRANSFER OF NOTES

15.1 Transfer of Registered Notes

15.1.1 *Transfer of Beneficial Interests in Registered Notes (including Uncertificated Notes) held in the Central Depository*

15.1.1.1 Beneficial Interests may be transferred only in accordance with the Applicable Procedures through the Central Depository.

15.1.1.2 Transfers of Beneficial Interests to and from clients of Participants occur by way of electronic book entry in the securities accounts maintained by the Participants for their clients, in accordance with the Applicable Procedures.

15.1.1.3 Transfers of Beneficial Interests among Participants occur through electronic book entry in the central securities accounts maintained by the Central Depository for the Participants, in accordance with the Applicable Procedures.

15.1.1.4 Transfers of Beneficial Interests in Registered Notes will not be recorded in the Register and the CSD's Nominee will continue to be reflected in the Register as the Noteholder of such Notes notwithstanding such transfers.

15.1.2 *Transfer of Registered Notes represented by Individual Certificates*

15.1.2.1 In order for any transfer of Registered Notes represented by an Individual Certificate to be recorded in the Register, and for such transfer to be recognised by the Issuer:

15.1.2.1.1 the transfer of such Registered Notes must be embodied in a Transfer Form;

15.1.2.1.2 the Transfer Form must be signed by the registered Noteholder of such Registered Notes and the transferee, or any authorised representatives of that registered Noteholder or transferee; and

15.1.2.1.3 the Transfer Form must be delivered to the Transfer Agent at its specified office together with the Individual Certificate representing such Registered Notes for cancellation.

15.1.2.2 Registered Notes represented by an Individual Certificate may only be transferred, in whole or in part, in amounts of not less than the Specified Denomination (or any multiple thereof).

15.1.2.3 Subject to this Condition 15.1.2 (*Transfer of Registered Notes represented by Individual Certificates*), the Transfer Agent will, within 10 (ten) Business Days of receipt by it of a valid Transfer Form (or such longer period as may be required to comply with any Applicable Laws and/or Applicable Procedures), record the transfer of Registered Notes represented by an Individual Certificate (or the relevant portion of such Registered Notes) in the Register, and authenticate and deliver to the transferee at the Transfer Agent's specified office or, at the risk of the transferee, send by mail to such address as the transferee may request, a new Individual Certificate in respect of the Registered Notes transferred reflecting the Nominal Amount Outstanding of the Registered Notes transferred.

15.1.2.4 Where a Noteholder has transferred a portion only of Registered Notes represented by an Individual Certificate, the Transfer Agent will authenticate and deliver to such Noteholder at the Transfer Agent's Specified Office or, at the risk of such Noteholder, send by mail to such address as such Noteholder may request, a new Individual Certificate representing the balance of the Registered Notes held by such Noteholder.

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

15.1.2.6 Before any transfer of Registered Notes represented by an Individual Certificate is registered in the Register, all relevant transfer taxes (if any) must have been paid by the transferor and/or the transferee and such evidence must be furnished as the Issuer and the

Transfer Agent may reasonably require as to the identity and title of the transferor and the transferee.

- 15.1.2.7 No transfer of any Registered Notes represented by an Individual Certificate will be registered whilst the Register is closed as contemplated in Condition 16 (*Register*).
- 15.1.2.8 If a transfer of any Registered Notes represented by an Individual Certificate is registered in the Register, the Transfer Form and cancelled Individual Certificate will be retained by the Transfer Agent.
- 15.1.2.9 In the event of a partial redemption of Notes under Condition 9.4 (*Early Redemption at the Option of the Issuer (Call Option)*), the Transfer Agent shall not be required in terms of Condition 9.4 (*Early Redemption at the option of the Issuer (Call Option)*), to register the transfer of any Notes during the period beginning on the 10th (tenth) day before the date of the partial redemption and ending on the date of the partial redemption (both inclusive).

15.2 **Transfer of Bearer Notes**

Bearer Notes (including rights to Instalment Amounts and/or interest thereon, as applicable) may be transferred by the delivery of the Individual Certificate evidencing such Bearer Note or the relevant Receipt or Coupon relating thereto, as the case may be. Where the last Endorsement on an Individual Certificate evidencing an Order Note or a Receipt or Coupon relating thereto is an Endorsement in Blank, then such Individual Certificate, Receipt or Coupon, as the case may be, shall be treated as evidencing a Bearer Note.

15.3 **Transfer of Order Notes**

Order Notes (including rights to Instalment Amounts and/or interest thereon, as applicable) may be transferred by the Endorsement of the Individual Certificate evidencing such Order Note or Receipt or Coupon relating thereto, as the case may be, by the old Payee and the delivery of such Individual Certificate, Receipt or Coupon to the new Payee.

15.4 **Prohibition on Stripping**

Where so specified in the Applicable Pricing Supplement, Bearer Notes or Order Notes which are issued with Receipts and/or Coupons attached and which are redeemable at the option of the Issuer and/or Noteholders shall be issued subject to the condition that the relevant Notes (including rights to Instalment Amounts and/or interest thereon, as applicable) may only be transferred to a single transferee at a time and accordingly that the various rights in respect of such Notes may not be stripped and transferred to various transferees at different times. Stripping of Receipts and/or Coupons is otherwise permitted.

16. **REGISTER**

- 16.1 The Register shall be kept at the Specified Offices of the Transfer Agent. The Register shall reflect the number of Registered Notes issued and Outstanding, the date upon which each of the Noteholders was registered as such and whether they are Registered Notes, Bearer Notes or Order Notes. The Register shall contain the name, address, and bank account details of the Noteholders of Registered Notes. The Register shall set out the Nominal Amount of the Notes issued to such Noteholders and shall show the date of such issue. The Register shall show the serial number of Individual Certificates issued in respect of any Notes. The Register shall be open for inspection during the normal business hours of the Issuer to any Noteholder or any person authorised in writing by any Noteholder. The Transfer Agent shall not be obliged to record any transfer while the Register is closed. The Transfer Agent shall not be bound to enter any trust into the Register or to take notice of any or to accede to any trust executed, whether express or implied, to which any Note may be subject. The Register shall be closed from the Last Day to Register until each payment date of principal and interest in respect of the Notes, as the case may be.
- 16.2 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 any Registered Notes of which it is notified in accordance with these Terms and Conditions.
- 16.3 Except as provided for in these Conditions or as required by law, in respect of Registered Notes, the Issuer will only recognise a Noteholder as the owner of the Notes registered in that Noteholder's name as per the Register.

17. TRANSFER AGENT, CALCULATION AGENT AND PAYING AGENT

- 17.1 Any third party appointed by the Issuer as Calculation Agent, Paying Agent and/or Transfer Agent shall act solely as the agent of the Issuer and does not assume any obligation towards or relationship of agency or trust for or with any Noteholders.
- 17.2 If the Issuer elects to appoint another entity (not being the Issuer) as Calculation Agent, Paying Agent and/or Transfer Agent, that other entity, on execution of an appropriate Agency Agreement or an appropriate accession letter to the Agency Agreement, as the case may be, shall serve in that capacity in respect of the Notes. The Issuer shall notify the Noteholders in the manner set out in Condition 18 (*Notices*) of any such appointment and, if any Notes are listed on the JSE, the Issuer shall notify the JSE of any such appointment.
- 17.3 The Issuer is entitled to vary or terminate the appointment of the Transfer Agent, the Calculation Agent and the Paying Agent and/or appoint additional or other agents and/or approve any change in the specified office through which any such agent acts on the terms of the Agency Agreement, provided that there will at all times be a Transfer Agent, Calculation Agent and a 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.
- 17.4 To the extent that the Issuer acts as the Transfer Agent, Calculation Agent or Paying Agent, all references in these Terms and Conditions to:
- 17.4.1 any action, conduct or functions in such role shall be understood to mean that the Issuer shall perform such action, conduct or function itself; and
- 17.4.2 requirements for consultation, indemnification by or of, payment by or to, delivery by or to, notice by or to, consent by or to or agreement between the Issuer and such Transfer Agent, Calculation Agent or Paying Agent (as the case may be) shall be disregarded to the extent that the Issuer performs such role.

18. NOTICES

18.1 Notice by the Issuer

- 18.1.1 All notices to Noteholders in respect of Registered Notes shall be sent by registered mail or delivered by hand to their addresses appearing in the Register. Any such notice shall be deemed to have been given on the 7th (seventh) day after the day on which it is mailed and on the day of delivery if delivered.
- 18.1.2 In the event of there being any Individual Certificates (whether evidencing Registered Notes, Bearer Notes or Order Notes) in issue, notices to such Noteholders shall be published:
- (a) in an English language daily newspaper of general circulation in South Africa; and
- (b) for so long as the Notes are listed on the JSE or such other Financial Exchange, a daily newspaper of general circulation in the city in which the JSE or such other Financial Exchange is situated or any electronic news service of general distribution,
- and any such notices shall be deemed to have been given on the date of first publication
- 18.1.3 For as long as all the Notes in a Tranche are issued in uncertificated form and held in their entirety in the Central Depository, all notices in respect of such Notes shall be by way of delivery by the Issuer via the relevant Participant of the relevant notice to the CSD's Nominee (as the registered holder of such Notes) and the JSE or such other Financial Exchange on which the Notes are listed for communication by them to holders of Beneficial Interests in such Notes. Each such notice will be deemed to have been received by the holders of Beneficial Interests on the day of delivery of such notice to the CSD's Nominee.

18.2 **Notice by the Noteholders**

A notice to be given by any Noteholder to the Issuer shall be in writing and given by lodging (either by hand delivery or posting by registered mail) that notice, together with a certified copy of the relevant Individual Certificate, Coupon or Receipt at the office of the Transfer Agent specified in the Applicable Pricing Supplement. For so long as any of the Notes are uncertificated, notice may be given by any holder of a Beneficial Interest in such 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 second Business Day after being hand delivered, or, if sent by registered mail, 7 (seven) days after posting.

18.3 **Notice in relation to Notes listed on the JSE**

For so long as any Notes are listed on the JSE, notwithstanding Conditions 18.1 and 18.2, all notices in respect of such JSE-listed Notes, shall be made by way of an announcement on the Stock Exchange News Service.

19. **MEETINGS OF NOTEHOLDERS**

19.1 **Convening of meetings**

The Issuer may at any time convene a meeting of all Noteholders or holders of any Class of Notes, and shall be obliged to do so upon the request in writing of Noteholders holding not less than 10 per cent. of the aggregate Nominal Amount of all Notes or Notes in that Class, as the case may be, for the time being Outstanding. Should the Issuer fail to requisition a meeting within 7 (seven) days of such a request being delivered to the Specified Office of the Issuer, the Noteholders requesting such a meeting may convene such meeting by written notice to the Issuer and the relevant Noteholders to which such meeting applies in accordance with Condition 18 (*Notices*). A meeting so convened will be convened as nearly as possible in the same manner as that in which meetings may be convened by the Issuer.

19.2 **Notice**

At least 21 (twenty one) days' prior written notice (exclusive of the day on which the notice is given and of the day on which the relevant meeting is to be held) specifying the date, time and place of the meeting shall be given to the Noteholders and the Transfer Agent (with a copy to the Issuer). Every such meeting shall be held at such time and place as the Transfer Agent may approve. The notice shall set out the nature of the business for which the meeting is to be held, the full text of any resolutions to be proposed and shall state that a Noteholder may appoint a proxy (as defined below) by delivering a form of proxy (as defined below) to the Specified Officers of the Transfer Agent by no later than 24 hours before the time fixed for the meeting.

A requisition notice by Noteholders requesting a meeting of Noteholders pursuant to Condition 19.1 above may consist of several documents in like form, each signed by one or more requisitioning Noteholders. Such a requisition notice will be delivered to the Specified Offices of the Issuer.

19.3 **Proxy**

A Noteholder may by an instrument in writing (a **form of proxy**) signed by the holder 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**) to act on his or its behalf in connection with any meeting or proposed meeting of the Noteholders.

Any Noteholder which is a corporation may by resolution of its directors or other governing body authorise any Person to act as its Representative in connection with any meeting or proposed meeting of the Noteholders.

Any proxy or Representative appointed shall, so long as the appointment remains in force, be deemed for all purposes in connection with any meeting or proposed meeting of the Noteholder specified in the appointment, to be the holder of the Notes to which the appointment relates and the holder of the Notes shall be deemed for such purposes not to be the holder.

19.4 **Chairperson**

The chairperson (who may, but need not, be a Noteholder) of the meeting shall be appointed by the Issuer. The procedures to be followed at the meeting shall be as determined by the chairperson subject to the remaining provisions of this Condition 19. Should the Noteholder requisition a meeting, and the Issuer fails to call such a meeting within 7 (seven) days of the requisition, then the chairperson of the meeting held at the instance of the Noteholders shall be selected by a majority of Noteholders present in Person, by Representative or by proxy. The chairman of an adjourned meeting need not be the same Person as was chairman of the original meeting.

19.5 **Quorum**

At any such meeting one or more Noteholders present in Person, by Representative or by proxy, holding in aggregate not less than 30 (thirty) per cent. of the Nominal Amount of Notes for the time being Outstanding shall form a quorum for the transaction 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 Nominal Amount of the Notes held by the applicable Class for the time being Outstanding. At any meeting the business of which includes any of the following matters (**Reserved Matters**), shall only be capable of being effected after having been approved by Extraordinary Resolution namely -

- (a) modification of the Maturity Date of any Notes or reduction or cancellation of the Nominal Amount payable upon; or
- (b) 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
- (c) reduction or increase of any Minimum Interest Rate and/or Maximum Interest Rate specified in the Applicable Pricing Supplement of any Note; or
- (d) modification of the currency in which payments under the Notes are to be made; or
- (e) modification of the majority required to pass an Extraordinary Resolution; or
- (f) the sanctioning of any such scheme or proposal as is described in Condition 19.13(g) below; or
- (g) alteration of this proviso or the proviso to Condition 19.7(c) below.

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 66.67 per cent. in Nominal 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. No amendment to or modification of the Conditions may be effected without the written agreement of the Issuer.

19.6 **Adjournment of meetings**

The Chairperson may, with the consent of (and shall if directed by) any Noteholders, adjourn a meeting of Noteholders or a Class of Noteholders from time to time and from place to place.

If within thirty minutes after the time fixed for any such meeting a quorum is not present, then:

- 19.6.1 in the case of a meeting requested by Noteholders, it shall be dissolved; or
- 19.6.2 in the case of any other meeting, it shall be adjourned for such period (which shall be not less than 14 (fourteen) days and not more than 21 (twenty-one) days) and to such time and place as the Chairperson determines and approved by the Transfer Agent; provided, however, that:
 - (a) the meeting shall be dissolved if the Issuer so decides; and
 - (b) no meeting may be adjourned more than once for want of a quorum subject to as provided in Condition 19.7(c) below.

No business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which adjournment took place.

19.7 **Notice following adjournment**

Condition 19.2 above shall apply to any meeting which is to be resumed after adjournment for want of a quorum save that:

- (a) 14 (fourteen) days notice (exclusive of the day on which the notice is given and of the day on which the relevant meeting is to be held) shall be sufficient; and
- (b) the notice shall state that (except in the circumstances where sub-paragraph (c) below applies) that one or more Noteholders present in Person, by Representative or by proxy whatever the Nominal Amount of the Notes held or represented by them will form a quorum;
- (c) in relation to any adjourned meeting the business of which includes any of Reserved Matter, the quorum shall be one or more Noteholders present in Person, by Representative or by proxy holding or representing not less than one third in aggregate Nominal Amount of the Notes for the time being Outstanding.

It shall not be necessary to give notice of the resumption of a meeting which has been adjourned for any other reason.

19.8 **Participation**

The following may attend and speak at a meeting:

- (a) Noteholders present, by Representative or by proxy provided that no such Person shall be entitled to attend and speak (or vote) unless he provides proof acceptable to the Issuer that he is a Noteholder, its Representative or proxy if so required by the Issuer to do so;
- (b) any officer or duly appointed representative of the Issuer and every other Person authorised in writing by the provided that such Person shall not be entitled to vote, other than as a proxy or Representative;
- (c) the legal counsel to the Issuer;
- (d) the Transfer Agent;
- (e) any other Person approved by the Noteholders at such meeting; and
- (f) every director or duly appointed representative of the Issuer and every other Person authorised in writing by the Issuer may attend and speak at a meeting of Noteholders, but shall not be entitled to vote, other than as a proxy or Representative.

19.9 **Show of hands**

Except where otherwise provided, every resolution proposed to be passed at a meeting shall be decided in the first instance by a show of hands. Unless a poll is validly demanded before or at the time that the result is declared, the Chairperson's declaration that on a show of hands a resolution has been passed, passed by a particular majority, rejected or rejected by a particular majority shall be conclusive, without proof of the number of votes cast for, or against, the resolution.

19.10 **Poll**

A demand for a poll shall be valid if it is made by the Chairperson, the Issuer or one or more Noteholders present, by Representative or by proxy (whatever the Nominal Amount of Notes held or represented by them). The poll may be taken immediately or after such adjournment as the Chairperson directs, but any poll demanded on the election of the Chairperson or on any question of adjournment shall be taken at the meeting without adjournment. A valid demand for a poll shall not prevent the continuation of the relevant meeting for any other business as the Chairperson directs.

19.11 **Votes**

Every Noteholder present in Person, by Representative or by proxy and who provided proof acceptable to the Issuer of his entitlement to vote, if so required by the Issuer, shall have one vote per Specified Denomination (or the nearest rounded off multiple thereof) of the relevant Class of Notes Outstanding held or represented by him. For the avoidance of doubt, the holders of Coupons or Receipts shall be entitled to receive notice of and to attend and speak at any meeting in respect of which they fall within the Series of Noteholders but no such Person shall have rights to vote at such meetings.

Notwithstanding any other provision contained in this Condition 19, the CSD's Nominee shall vote on behalf of holders of Beneficial Interests of Uncertificated Notes in accordance with the Applicable Procedures.

In the case of a voting tie, the Chairperson shall have a casting vote.

Unless the form of proxy states otherwise, a Representative or proxy shall not be obliged to exercise all the votes which he is entitled or cast all the votes which he exercises in the same way.

A majority shall be required to ordinarily pass a resolution of Noteholders.

Notwithstanding anything to the contrary contained herein, any Noteholder that is the Issuer or any of its Subsidiaries shall not be entitled to vote.

19.12 **Validity of votes by proxies**

Any vote by a proxy in accordance with the form of proxy shall be valid even if such form of proxy or any instruction pursuant to which it was given has been amended or revoked, provided that the Transfer Agent or the Issuer at its Specified Office has not been notified in writing of such amendment or revocation by the time which is 24 hours before the time fixed for the relevant meeting. Unless revoked, any appointment of a proxy under a form of proxy in relation to a meeting shall remain in force in relation to any resumption of such meeting following an adjournment.

19.13 **Powers**

A meeting of Noteholders will have power (exercisable by Extraordinary Resolution), without prejudice to any other powers conferred on it or any other Person:

- (a) power to sanction any compromise or arrangement proposed to be made between the Issuer and the Class of Noteholders or any of them;
- (b) power to approve the substitution of any entity for the Issuer which shall be proposed by the Issuer;
- (c) power to sanction any abrogation, modification, compromise or arrangement in respect of the rights of the Class of Noteholders against the Issuer or against any of its property whether such rights shall arise under the Notes or otherwise;
- (d) power to assent to any modification of the provisions contained in the Terms and Conditions which shall be proposed by the Issuer;
- (e) power to give any authority or sanction which under the Terms and Conditions is required to be given by Extraordinary Resolution;
- (f) power to appoint any persons (whether Noteholders or not) as a committee or committees to represent the interests of the Noteholders of that Class and to confer upon such committee or committees any powers or discretions which the Noteholders could themselves exercise by Extraordinary Resolution;
- (g) power to sanction any scheme or proposal for the exchange or sale of the Notes for, or the conversion of the Notes into or the cancellation of the Notes in consideration of, shares, stocks, notes, bonds, debentures, debenture stock and/or other obligations and/or securities of the Issuer or any entity (corporate or otherwise) formed or to be formed, or for or into or in consideration of cash, or partly for or into or in consideration of such shares, stock, notes, bonds, debentures, debenture stock and/or other obligations and/or securities as aforesaid and partly for or into or in consideration for cash.

19.14 **Binding effect of resolutions**

Any resolution passed at a meeting of a Class of Noteholders duly convened shall be binding upon all Noteholders of that Class whether or not present at such meeting and whether or not voting, and each Noteholder of that Class shall be bound to give effect to it accordingly.

An Extraordinary Resolution shall be binding upon all Noteholders whether or not present at such meeting and whether or not voting, and each of the Noteholders shall be bound to give effect to it accordingly.

19.15 **Notice of the result of voting on any resolution**

Notice of the result of the voting on any resolution (including any Extraordinary Resolution) duly

considered by the Noteholders shall be given to the Noteholders within 14 (fourteen) days of the conclusion of the meeting in accordance with Condition 18 (*Notices*). Non-publication shall not invalidate any such resolution.

19.16 **Minutes**

Minutes shall be made of all resolutions and proceedings of meetings by the company secretary of the Issuer and duly entered in books to be provided by the Issuer for that purpose. The Chairperson shall sign the minutes, which shall be *prima facie* evidence of the proceedings recorded therein. Unless and until the contrary is proved, every such meeting in respect of which minutes have been summarised and signed shall be deemed to have been duly convened and held and all resolutions passed thereat, or proceedings held, to have been duly passed and held.

20. **MODIFICATION**

20.1 The Issuer may effect, without the consent of the relevant Class of Noteholders, 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 and to the relevant Financial Exchange in accordance with Condition 18 (*Notices*) as soon as practicable thereafter. For the avoidance of doubt, the provision of any rights of security to or for the benefit of any Class of Noteholders in accordance with Condition 6 (*Negative Pledge*) or the exercise by the Issuer of its rights under Condition 17 (*Transfer Agent, Calculation Agent and Paying Agent*) shall not constitute a modification of these Terms and Conditions.

20.2 No amendment or modification to the Terms and Conditions (or applicable Terms and Conditions) may be effected unless such amendment or modification complies with the applicable provisions of the debt listings requirements of the JSE or such other Financial Exchange, as the case may be.

20.3 Save as provided in Condition 20.1, no modification of these Terms and Conditions may be effected unless:

- (a) 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 per cent. in Nominal Amount, of the Notes in that Class for the time being Outstanding; or
- (b) sanctioned by an Extraordinary Resolution of the relevant Class of Noteholders.

21. **FURTHER ISSUES**

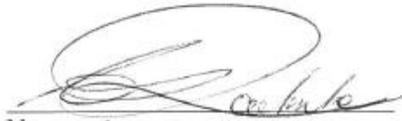
The Issuer shall be at liberty from time to time without the consent of the Noteholders to create and issue further Notes (the **Additional Notes**) having terms and conditions which are identical as any of the other Notes already issued under the Programme (the **Existing Notes**) or the same in all respects save for their respective Issue Prices, Issue Dates and aggregate Nominal Amounts, so that the Additional Notes shall be (i) consolidated to form a single Series with the Existing Notes and (ii) rank *pari passu* in all respects with the Existing Notes.

22. **GOVERNING LAW**

Unless otherwise specified in the Applicable Pricing Supplement, the provisions of the Programme Memorandum, the applicable Terms and Conditions and the Notes are governed by, and shall be construed in accordance with, the laws of South Africa.

SIGNED at Rosebank on this day of 25 November 2014.

For and on behalf of
THE STANDARD BANK OF SOUTH AFRICA LIMITED
Issuer



Name: **A. DAEHNKE**
Capacity: Authorised Signatory
Who warrants his/her authority hereto



Name:
Capacity: Authorised Signatory
Who warrants his/her authority hereto

Jan Brits

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes or as may otherwise be described in the Applicable Pricing Supplement.

DESCRIPTION OF THE STANDARD BANK OF SOUTH AFRICA LIMITED

OVERVIEW

The Standard Bank of South Africa Limited ("**SBSA**" or the "**Bank**") is the largest bank in South Africa (measured by both assets and earnings) as at 31 December 2013 and is a wholly-owned subsidiary of Standard Bank Group Limited ("**SBG**"). The Bank is a universal bank providing retail, corporate, commercial and investment banking services to individuals and companies across South Africa. The Bank considers itself to be both a strong domestic bank, and a cross-border bank, integrated within SBG's operations and business. SBSA is fully integrated with the rest of SBG and plays a fundamental role in positioning the Standard Bank group to capitalise on the pace of growth in the rest of Africa. The South African operation is the head office for Standard Bank group's African focus and provides the springboard for SBG's strategy: the capacities developed in the domestic operation provide the foundation of knowledge and experience required in markets in sub-Saharan Africa. As SBG's largest operating entity, SBSA provides balance sheet capacity on which to book deals executed in support of SBG's African strategy, using the macro prudential limit. All references herein to "**SBSA Group**" are to SBSA and its subsidiaries and all references to the "**SBG Group**" are to SBG and its subsidiaries.

As at 31 December 2013, SBSA Group had total assets of R1,015,877 million (compared to R980,152 million as at 31 December 2012) and had profit attributable to the ordinary shareholder of R10,537 million for the year ended 31 December 2013 (R11,884 million for the year ended 31 December 2012).

Originally founded in 1862, the Bank was a member of Standard Chartered Bank group ("**Standard Chartered**") until 1987. Since that time, the Bank has focused on consolidating its position as the premier universal bank in South Africa, while its parent company, SBG, has expanded into other markets across Africa, Asia, Europe and the Americas. SBG's strategy is to build a leading African financial services organisation using its competitive advantage to the full.

The SBG Group offers a range of banking and related financial services, operating in 20 countries on the African continent as well as in selected emerging markets. SBG was listed on the Johannesburg Stock Exchange, operated by JSE Limited (the "**JSE**") in 1970 and owns a controlling stake in the South African-listed, wealth management group, Liberty Holdings Limited. SBG operates as three business units: (1) Personal & Business Banking, (2) Corporate & Investment Banking and (3) Liberty. The Bank is the largest business entity within the SBG Group and represents nearly all of SBG's South African operations in Personal & Business Banking and Corporate & Investment Banking.

SBSA operates through two principal business units:

- (1) Personal & Business Banking SA; and
- (2) Corporate & Investment Banking SA.

Personal & Business Banking SA provides banking and other financial services to individual customers and small-to-medium sized enterprises, in particular, mortgage lending, instalment sale and finance leases, card products, transactional and lending products and bancassurance. SBSA also provides mobile phone and internet banking services. For the year ended 31 December 2013, Personal & Business Banking SA recorded profits attributable to the ordinary shareholder of R7,939 million, constituting 75.3 per cent. of SBSA group's total profit attributable to the ordinary shareholder (compared to R6,936 million and 58.4 per cent., respectively, for the year ended 31 December 2012). As at 31 December 2013, assets attributable to Personal & Business Banking SA constituted 45.4 per cent. of SBSA Group's total assets (44.4 per cent. as at 31 December 2012).

Corporate & Investment Banking SA provides corporate and investment banking services to governments, parastatals, larger corporate, financial institutions and international counterparties and includes global markets, transactional products and services, investment banking and real estate. Corporate & Investment Banking SA contributed 34.9 per cent. of SBSA group's profit attributable to the ordinary shareholder for the year ended 31 December 2013 (43.1 per cent. for the year ended

31 December 2012)² and constituted 51.3 per cent. of its total assets as at 31 December 2013 (52.6 per cent. as at 31 December 2012). The Bank is incorporated in South Africa as a limited liability company and operates under South African law. The Bank's registered address is 9th Floor, Standard Bank Centre, 5 Simmonds Street, Johannesburg, PO Box 7725, Johannesburg 2000, South Africa (telephone number: + 27 11 636 9111).

HISTORY

SBSA is one of the oldest banks in South Africa having originally been incorporated in London as The Standard Bank of British South Africa Limited in 1862. The word "British" was dropped from the Bank's name in 1883. SBSA commenced operations in Port Elizabeth in 1863 and gradually expanded its geographic area of operation to include the whole of South Africa. In 1962, SBSA was formed and registered as a South African company, operating as a subsidiary of Standard Bank in London (subsequently to become Standard Chartered Bank plc).

SBSA is a wholly-owned subsidiary of SBG, formerly known as Standard Bank Investment Corporation Limited, which was established in 1969 as the holding company for SBSA. SBG continued as a member of Standard Chartered until 1987 when Standard Chartered plc sold its 39 per cent. ownership of SBG to Liberty Group Limited ("**Liberty**"), transferring complete ownership of the holding company to South Africa. In July 1978, SBG accepted an offer of a 25 per cent. shareholding in a new insurance company, Liblife Controlling Corporation (Proprietary) Limited ("**LCC**"), which was formed to acquire a controlling interest in the Liberty group's Liberty Holdings. SBG's equity interest in LCC was increased from 25 per cent. to 50 per cent. in July 1983. The acquisition ensured joint control of the Liberty group with Liberty Investments. In February 1999 Standard Bank agreed to purchase Liberty Investments' 50 per cent. interest in LCC.

Liberty now operates as a subsidiary of SBG and is therefore an affiliate of SBSA (see "**Corporate Structure**" below).

Effective 3 March 2008, SBG concluded a strategic partnership which resulted in the Industrial and Commercial Bank of China Limited ("**ICBC**") becoming a supportive, non-controlling 20.1 per cent. minority shareholder in SBG.

CORPORATE STRUCTURE

Share capital and ownership

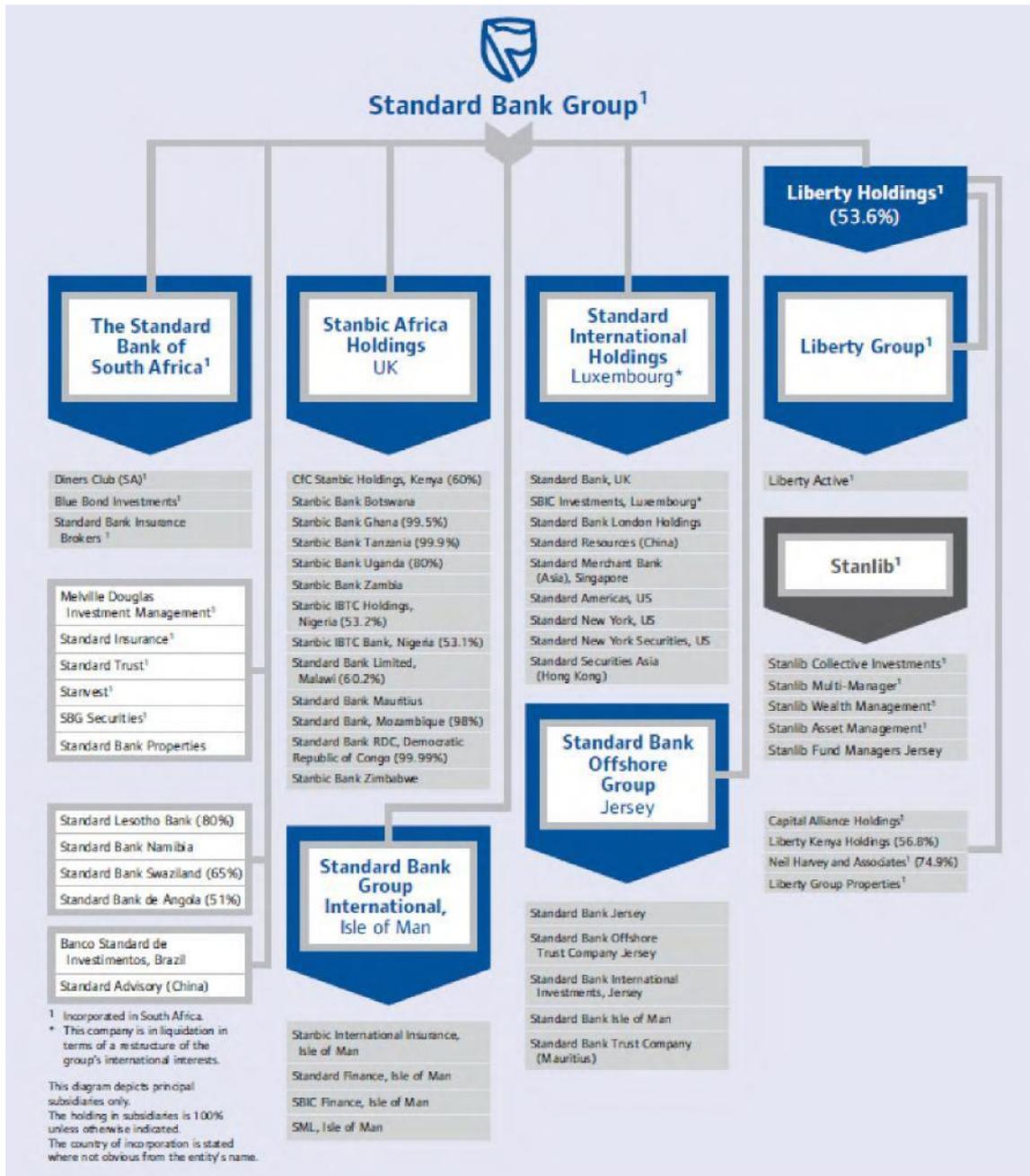
SBSA's authorised share capital is 80,000,000 ordinary shares with a par value of R1 each and 1,000,000,000 non-redeemable, non-cumulative, non-participating preference shares of R0.01 each. As at 31 December 2013, the Bank had issued share capital of 59,997,127 ordinary shares of R1 each, all of which are owned by SBG.

² These figures do not reflect indirect support costs which are borne by Other Services SA. Other Services SA provides centralised support and back office functions to the principal business units. The direct costs of the various support functions are re-charged to the relevant business unit

The chart below presents SBG's corporate structure:

Standard Bank Group Limited

Corporate structure as at 31 December 2013



Recent Developments

SBG has entered into an agreement with ICBC in terms of which ICBC will acquire a controlling interest in its global markets business outside Africa, focusing on commodities, fixed income, currencies, credit and equities products. In partnership with ICBC, SBG intends to create a new and larger commodity and financial markets platform and expand the strategic emphasis for the global markets business outside Africa to include a focus on China. Shareholders have approved the transaction. Subject to Regulatory approval, completion of the transaction is expected towards the end of 2014.

As at 31 December 2013, the ten largest shareholders in SBG beneficially held 49.4 per cent. of SBG's ordinary shares. The table sets out the ten largest shareholders of SBG as at 31 December 2013 and 31 December 2012.

	2013		¹ 2012	
	Number of shares		Number of shares	
	(million)	% holding	(million)	% holding
Industrial and Commercial Bank of China	325.0	20.1	322.0	20.0
Public Investment Corporation	222.8	13.8	233.7	14.6
Tutuwa participants	88.2	5.5	88.2	5.4
– Staff	34.5	2.2	34.5	2.1
– Strategic partners	35.8	2.2	35.8	2.2
– Communities and regional businesses	17.9	1.1	17.9	1.1
Dodge & Cox	28.2	1.7	25.9	1.6
Investment Solutions	23.7	1.5	25.2	1.6
Vanguard Emerging Markets Fund	23.5	1.5	23.9	1.5
Allan Gray Balanced Fund	23.4	1.4	12.3	0.8
Government Singapore Investment Corp	22.4	1.4	14.9	0.9
Allan Gray Equity Fund	21.7	1.3	14.1	0.9
Old Mutual Life Assurance	20.5	1.2	38.6	2.4
	799.4	49.4	798.8	49.7

¹ Comparative information has been restated to align with current year representation.

SBSA's subsidiaries and affiliates

The table below sets out the principal subsidiaries of SBSA together with the effective holding in each of them as of December 2013 and 31 December 2012:

Subsidiaries	Nature of operation	Issued share capital	Effective holdings		Book value of shares		Net indebtedness	
			2013	2012	2013	2012	2013	2012
			Rm	(%)	(%)	Rm	Rm	Rm
Blue Bond Investments Ltd.....	Participation mortgage bond finance	*	100	100	**	**	65	81
Blue Granite Investments No. 1 (RF) Limited	Securitisation vehicle						505	588
Blue Granite Investments No. 2 (RF) Limited	Securitisation vehicle						336	330
Blue Granite Investments No. 3 (RF) Limited	Securitisation vehicle						607	675
Blue Granite Investments No. 4 (RF) Limited	Securitisation vehicle						395	516
Blue Titanium Conduit Limited	Asset-backed commercial paper conduit						263	288
Diners Club (SA) Proprietary Ltd.....	Travel and entertainment card	*	100	100	**	**	756	643
Out of the Blue Originator (RF) Proprietary Limited	Securitisation vehicle							
¹ Siyaka Fund (RF) Ltd ..	Securitisation vehicle						651	-354
Standard Bank Insurance Brokers Proprietary Ltd	Insurance broking							
Proprietary Limited	Rapvest Investments	*	100	100	***	***	-184	-309
Proprietary Limited	Financing company						3,409	1,233

Subsidiaries	Nature of operation	Issued share capital	Effective holdings		Book value of shares		Net indebtedness	
			2013	2012	2013	2012	2013	2012
		Rm	(%)	(%)	Rm	Rm	Rm	Rm
Miscellaneous	Finance companies		****	****	85	85	23	36
Total Investment in subsidiaries.....			85				85	6,826

The table only provides information in respect of subsidiaries which are material to the financial position of the SBSA Group.

All subsidiaries are incorporated within South Africa.

† Structured entity, no shareholding.

* Issued share capital less than R1 million.

** Book value less than R1 million.

*** Held indirectly.

**** Various Holdings.

STRATEGY

SBG divides its business structure into three business pillars: (1) Personal & Business Banking, (2) Corporate & Investment Banking, and (3) Liberty. SBSA represents nearly all of SBG's South African operations in both Personal & Business Banking and Corporate & Investment Banking and is the largest business entity within the SBG Group.

SBG's strategic focus is on Africa. SBG regards the Bank's business in South Africa as its core operation, from which SBG develops strategic focus in Africa. As the SBG Group's largest business entity, the Bank's balance sheet is regarded an important resource for the SBG Group. Certain foreign currency transactions that are too large for the balance sheets of SBG Group's local operations are funded by SBSA. This increases capital utilisation in South Africa. SBSA therefore cannot be viewed as self-standing or directly comparable to some of its domestic competitors as it carries assets from entities outside South Africa on its balance sheet and bears costs on its income statement that are attributable to SBG as well as related revenues where applicable.

The Bank is both a strong domestic bank, which leverages the advantages of its considerable size and scope, and a cross-border bank, fully integrated with the rest of the SBG Group. The Bank aims to achieve a wide diversification of revenue streams and embraces a universal bank model with strong retail, commercial and investment banking activities. The Bank's strategy is to serve the full value chain of customers in South Africa (from the basic to the most sophisticated of financial services needs), such that high standards of customer service can be maintained whilst ensuring that delivery channels are cost effective. The key elements of the Bank's strategy are as follows:

Personal & Business Banking SA

Focus on customer experience and staff morale

A key aspect of SBSA's strategy is to focus on delivering excellent customer service in order to differentiate itself from its competitors and improve the level of lifetime customers in the Bank. In order to deliver this level of customer service, the Bank seeks to ensure that its staff are engaged and committed. This involves delivering on management's promise to staff to set clear direction, visibly lead by example, grow its people and create meaningful work. The Bank has been recognised for its focus on customer service by internal and independent measures of service quality. For instance, the Bank was voted 'best bank' in South Africa in the Johannesburg *Star* newspaper's Readers' Choice awards in 2013.

SBSA is also investing heavily in digital banking to ensure that it meets or exceeds the expectations of South African retail bank customers for secure, versatile and user-friendly on-line banking.

Focused initiatives in low-income income segments

SBSA recognises that it operates in a transforming marketplace. The Bank's strategy is to serve the full value chain of customers, with financial needs ranging from the most basic to the most sophisticated. The Bank is committed to providing cost-effective access to finance and financial services to the low income

(or "**inclusive banking**") market, while continuing to focus on prudent risk, capital and liquidity management. The Bank has over six million customers who earn less than R8,000 a month. In 2010, the Bank developed an inclusive banking unit in order to serve the low income market. The unit is dedicated to providing an integrated offering which includes five financial products for this market: a basic transactional account, a low-income loan, a credit life protection policy, a funeral policy and a basic savings product. The implementation of this strategy continued during 2013, with the aim of reducing and simplifying fees, simplifying the products offered to such customers and shifting the focus of the Bank's offering away from loans and towards transactional products.

The Bank believes that it currently offers its inclusive banking customers the most accessible banking facilities in South Africa, with almost 3,913 active points of service (known as "**bank shops**") available to serve bankable customers in previously disadvantaged areas, 108 inclusive banking loan centres, which are typically located along high-density commuter routes and 100 inclusive banking agents who are located within the community and are able to open accounts using a mobile device in under 10 minutes. The Bank has started to generate growth in this segment of its customer base through these services, coupled with mobile business origination teams and retail partnerships in smaller towns and townships.

Investment in information technology ("IT") infrastructure

As the Bank invests in the replacement of its legacy IT systems in South Africa, it is seeking to use IT as a catalyst to transform the way in which it conducts its business. The aim of this IT investment process is to introduce standardised and integrated systems which will reduce operational costs and risks and will facilitate the Bank's strategic objective of creating an excellent, consistent customer experience.

The project has enabled the Bank to speed up the process of opening basic transaction accounts, particularly in the inclusive banking market, where the Bank is able to provide inclusive banking products through traditional and alternative distribution channels to its target customers. This offers customers easier and more accessible banking and enables the Bank to deliver new products to its customers more quickly.

In 2014, the Bank's IT strategy is focused on enhancing its customer relationship capability to enable it to obtain a single view of customers' accounts and balances, common centralised queries and complaints, and sales leads, to allow it to provide more effective customer sales and better client service.

Deposit and transaction-led customer acquisition

Despite SBSA's relatively large overall market share, the Bank believes that it can benefit from focus on areas where it is below its natural level of market share including the youth market, agricultural business and government business. Furthermore, there are certain non-interest revenue streams that appear more attractive than certain margin income streams, especially considering the regulatory changes under Basel III, and the Bank has focused and will continue to focus more aggressively on these.

An area of particular focus for SBSA is increasing the number of transactional (or current) account holders. The Bank believes that transactional account-holders tend to engage more actively with banks, enabling banks to develop stronger relationships which facilitate appropriate migration of customers, responsible credit granting and greater opportunity for cross-selling. In an increasingly competitive banking environment, the Bank aims to achieve an appropriate balance between cost containment and pricing to offer value to its customers.

Manage the business within the socio-economic context of the country

SBSA aims to make sure that transformation in all its forms (including gender diversity and disability) becomes not just a compliance exercise, but a natural way of doing business.

The Financial Sector Code (the "**Code**") was gazetted in November 2012. The Code provides guidelines for the financial sector in areas such as human resource development; procurement; enterprise development, including through joint ventures and debt financing of equity investments in Black Economic Empowerment ("**BEE**") companies; access to financial services, including consumer education aimed at empowering consumers to make more informed choices about financial services; empowerment financing, which imposes an annual reporting requirement about forms of investment that contribute to transformation; and ownership and control and financial inclusion, by making financial services accessible to previously unbanked and underserved populations, providing affordable housing, ensuring

finance for black small and medium sized entities and farming enterprises and promoting infrastructure investment that will contribute towards economic growth.

Corporate & Investment Banking SA

The challenge for Corporate & Investment Banking SA is to maintain SBSA's current market position and defend its franchise against intensifying competition through increased innovation and flexibility. SBSA aims to remain positioned and resourced to participate in advisory, public private partnership financing, state-owned enterprise financing, infrastructure funds, hedging and capital market debt raising.

Organic Growth

SBSA's strategic focus within this division is on growing its franchise organically by leveraging off the Bank's track record for delivery and execution, and becoming more innovative and agile to maintain its market share. According to the 2014 Budget speech which was delivered by the then Minister of Finance, Pravin Gordhan, on 26 February 2014, the government of South Africa has budgeted R847 billion in public sector infrastructure expenditure over the next three years, which SBSA's management anticipates will provide significant opportunities for deal flows for Corporate & Investment Banking SA. SBSA aims to protect its market share in annuity franchises such as Global Markets and Transactional Products and Services.

Client centricity

SBSA's clients are central to all the Bank does. In order to enhance its franchise, the Bank has and will continue to focus on developing additional product capabilities based on client centricity, especially in the Transactional Products and Services business.

Black Economic Empowerment

BEE remains one of the most important strategic themes in South Africa, both in relation to internal transformation and the targeted financing required by the Code. As with the Personal & Business Banking SA, transformation remains a key focus, and a driver of new business activity.

Investment in human resources

Improving SBSA's people management is an important strategic focus and significant work has gone into implementing strategies to attract, retain and motivate talent. Beyond competitive remuneration, the Bank is focused on providing meaningful career development and exposure to SBG's international business as key retention strategies. Furthermore, the Bank continues to invest in creating a unified, values-based culture, a strong motivator of performance and ethical conduct which is an important consideration for talented employees when choosing between potential employers. The Bank anticipates that one of its primary competitive advantages in the years ahead will be its management, its people and its culture.

BUSINESS OF THE BANK

Introduction

SBSA is a universal bank providing retail, corporate, commercial and investment banking services to individuals and companies across South Africa. SBSA has a broad franchise and is active in almost all banking markets in South Africa.

SBSA's principal business units are Personal & Business Banking SA, and Corporate & Investment Banking SA. A central support area (Other services) provides support functions to the two principal divisions, as well as advisory services.

As at 31 December 2013, SBSA Group's total assets amounted to R1,015,877 million (compared to R980,152 million as at 31 December 2012), an increase of 3.6 per cent. For the year ended 31 December 2013, SBSA's profit attributable to the ordinary shareholder decreased by 11.3 per cent. to R10,537 million from R11,884 million for the year ended 31 December 2012. The decline in earnings is as a result of a sharp increase in credit impairment charges compared to the prior year, largely attributable to growth in non-performing loans following continued economic strain experienced by customers. For the year ended 31 December 2013, operating expenses increased 12 per cent. due to higher IT expenditure on

various projects coupled with higher depreciation and amortisation costs following the commissioning of core banking platforms. Increased staff costs in this period were largely attributable to annual salary increases, higher incentive provisioning and increased temporary staff costs within the branch network.

For the year ended 31 December 2013, the Bank's total income increased by 9.4 per cent. to R51,736 million, driven by a 14.4 per cent. increase in net interest income and a 3.7 per cent. increase in non-interest revenue. The growth in net interest income was as a result of balance sheet growth coupled with the ongoing repricing of new business, whilst the growth in net fee and commission revenue was supported by higher card-based commission, documentation and administration fees and electronic banking fees, offset by lower other revenue attributable to reduced fair value gains on the investment portfolios.

The following table shows the contribution of the different divisions within SBSA to its major financial indicators as at, and for the years ended, 31 December 2013 and 31 December 2012:

	Personal & Business Banking SA		Corporate & Investment Banking SA		Other Services ¹	
	31 December		31 December		31 December	
	2013	2012	2013	2012	2013	2012
	<i>(Rm)</i>		<i>(Rm)</i>		<i>(Rm)</i>	
Assets.....	461,564	435,456	521,377	515,289	32,936	29,407
Profit attributable to the ordinary shareholder.....	7,939	6,936	3,676	5,118	(1,078)	(170)

¹ Certain functions within the group have been transferred into Other Services pursuant to the new business architecture of the group which mandates the centralisation of group functions. These functions include: legal, human resources, finance, governance and assurance, group IT, group operations, procurement, marketing, real estate and risk management.

Personal & Business Banking SA

SBSA's Personal & Business Banking SA business unit offers individual customers and small and medium enterprises a wide range of banking, investment, insurance and other financial services in South Africa. At 31 December 2013, it operated 726 branches and loan centres and approximately 8,077 ATMs and ANAs (Automated Notes Acceptors) across South Africa. It also provides mobile phone and internet banking services which are an important part of providing convenient access to banking and related products.

Personal & Business Banking SA intends to further improve accessibility to banking by increasing access points across rural and underserved geographical areas.

Personal & Business Banking SA focuses on a variety of products and services, including in particular, mortgage lending to individual customers, instalment sales and finance leases, lending products, card products to individuals and small and medium sized businesses, transactional products, as well as insurance and other related products.

For the year ended 31 December 2013, Personal & Business Banking SA recorded profit attributable to the ordinary shareholder of R7,939 million, an increase of 14.5 per cent. on the previous financial year. Net interest income of R21,933 million for the year ended 31 December 2013 constituted 58.1 per cent. of the division's total income (compared to R18,752 million and 55.9 per cent. for the previous financial year) and non-interest income amounted to R15,812 million, an increase of 6.8 per cent. compared to the previous financial year.

The following table presents a summary of Personal & Business Banking SA's main performance indicators for the years ended 31 December 2013 and 2012.

	31 December	
	2013	2012
	<i>(Rm)</i>	
Net interest income.....	21,933	18,752
Non-interest revenue	15,812	14,805
Total income	37,745	33,557
Credit impairment charges.....	(6,553)	(5,540)

	31 December	
	2013	2012
	<i>(Rm)</i>	
Net income after credit impairment charges.....	31,192	28,017
Operating expenses.....	(20,514)	(18,773)
Staff costs.....	4,930	4,513
Other operating expenses.....	15,584	14,260
Net income before goodwill.....	10,678	9,244
Share of profits from associates and joint ventures.....	211	417
Net income before indirect taxation.....	10,889	9,661
Indirect taxation.....	(247)	(249)
Profit before direct taxation.....	10,642	9,412
Direct taxation.....	(2,701)	(2,475)
Attributable to non-controlling interest.....	2	1
Profit attributable to ordinary shareholder.....	7,939	6,936
Total assets	461,564	435,456
Total liabilities	424,390	400,783

Mortgage loans

Mortgage lending provides residential accommodation loans to individual customers. Gross mortgage loans increased by 2.5 per cent. for the year ended 31 December 2013 to R295,933 million (31 December 2012: R288,701 million), constituting 64.2 per cent. of loans and advances by the Personal & Business Banking SA business unit (compared to 66.3 per cent. for the year ended 31 December 2012). This was despite a weak property market and continued tightening of credit granting criteria by the Bank.

The credit loss ratio (including the charge for performing and non-performing loans) decreased from 0.93 per cent. of gross mortgage loans for the year ended 31 December 2012, to 0.82 per cent. for the year ended 31 December 2013. Credit impairment charges for mortgage loans amounted to R2,393 million for the year ended 31 December 2013 (2012: R2,631 million). For the year ended 31 December 2013, R13,548 million of gross mortgage loans (4.6 per cent. of gross mortgage loans) were impaired compared to R15,382 million (5.3 per cent. of gross mortgage loans) in the previous financial year.

Net interest income from mortgage lending increased for the year ended 31 December 2013 supported by strong loan book growth and Basel III-associated costs passed through to customers to accommodate the impact of Basel III, coupled with several management initiatives resulting in reduced non-performing loans.

Instalment sale and finance leases

The instalment sale and finance leases division provides finance to personal market customers and finance vehicles and equipment to the business market. As at 31 December 2013, net investment in instalment sale and finance leases amounted to R62,931 million (R56,389 million as at 31 December 2012), an increase of 11.6 per cent. The credit loss ratio for instalment sales and finance leases increased from 0.73 per cent. for the year ended 31 December 2012 to 1.06 per cent. for the year ended 31 December 2013 due to growth in the non-performing loan book and higher credit impairment charge, particularly in personal markets.

Card products

The Bank provides credit card facilities to individuals and businesses (credit card issuing) and merchant transaction acquiring services (card acquiring). The credit card product has been an important aspect of the Bank's strategic focus on the emerging middle-class consumer segment in South Africa. The Bank has developed sophisticated origination methods using internal and external data to identify existing and potential customers with suitable risk profiles for credit extension.

For the year ended 31 December 2013, the Bank's gross card debtors increased by 14.8 per cent. to R27,106 million and with the credit loss ratio increasing from 1.70 per cent. as at 31 December 2012, to 3.13 per cent. as at 31 December 2013 due to loan book growth and increased consumer strain.

Transactional and lending products

The transactional and lending products division provides transactions in products associated with the various point of contact channels such as ATMs, internet banking, telephone banking and branches. This includes deposit taking activities, electronic banking, cheque accounts and other lending products, coupled with debit card facilities to both personal and business market customers.

Bancassurance and wealth products

The Bank also offers bancassurance and wealth products (including short-term and long-term insurance), comprising of simple embedded products (including homeowners' insurance, funeral cover, household contents and vehicle insurance and loan protection plans sold in conjunction with related banking products) as well as complex insurance products (including life, disability and investment policies sold by qualified intermediaries). The financial solutions offered also include financial planning and other wealth management services.

Corporate & Investment Banking SA

The Corporate & Investment Banking SA business unit comprises four main product groupings, namely: Global Markets, Transactional Products and Services, Investment Banking and Real Estate.

Corporate & Investment Banking SA offers a wide range of corporate and investment banking services including global markets, banking and trade finance, investment banking, and property finance and advisory services. The division's clients include large companies, parastatals (state-owned corporations), foreign banks and counterparties, and governments in South Africa and sub-Saharan Africa.

Corporate & Investment Banking SA's profit attributable to the ordinary shareholder decreased by 28.2 per cent. to R3,676 million for the year ended 31 December 2013. This decline in earnings is mainly due to an increase in credit impairments of R827 million (an increase of 190.1 per cent.) compared to the prior year which were attributable to large specific credit impairments raised against exposures in investment banking and transactional products and services. Net interest income increased by 16.4 per cent. for the year ended 31 December 2013 due to higher balances and improved margins. Trading revenue was slightly up on the prior year, mainly due to dividend income earned on equity trades and gains on early settlement of currency swap transactions. This was partly offset by lower gains on fixed income and currency income within the Global Markets division due to unfavourable risk positioning, reduced liquidity levels and high market volatility. Fee and commission revenue was 13.0 per cent. lower compared to the prior year due to lower arrangement and guarantee fees received. Other revenue was 27.4 per cent. lower largely due to the non-recurrence of prior-year profits on the sale of Fountainhead Property Management Trust. Total operating expenses increased by 11 per cent. to R699 million compared to the prior year, due to inflation-driven salary increases, higher incentive provisioning and increased other operational expenditure.

The value of the total gross loans and advances made by this division amounted to R262,090 million as at 31 December 2013 (R239,161 million as at 31 December 2012), which represents 36.4 per cent. of SBSA's total gross loans and advances as at 31 December 2013 (compared to 35.6 per cent. of SBSA's total gross loans and advances as at 31 December 2012). This division received numerous awards in 2013 recognising it as a market leader in its selected product lines among South African investment banks. Key awards include Emea Finance's "Best Local Investment Bank in South Africa" and Global Finance Magazine's "Best Trade Bank", "Best Investment Bank" and "Best FX Provider in South Africa".

Global Markets

Global Markets comprises the division's trading, structuring and sales activities in fixed income and currencies, equities and commodities.

Transactional Products and Services

Transactional products and services is a key focus area for the Bank and includes the corporate lending and transactional banking businesses, custodian services and trade finance business.

Investment Banking

Investment banking includes equity investment advisory businesses, debt products, structured finance, structured trade and commodity finance, debt capital markets and equity capital markets.

Real Estate

The Bank provides financing for individual properties, property portfolios and listed property funds. The Bank's clients include listed and private companies, pension funds, individuals, government and public enterprises.

Client Coverage and Distribution

The Client Coverage and Distribution division has primary accountability for the Bank's client relationships and acts as a key link and point of contact between clients and the Bank. The division is product neutral and is responsible for ensuring that the firm delivers to clients. It is split into the following sectors and client types: Retail, Mining & Metals, Power & Infrastructure, Construction, Government and Public Sector, Financial Institutions, and others.

The table below presents a summary of the Corporate & Investment Banking SA division's main performance indicators for the years ended 31 December 2013 and 31 December 2012:

	31 December	
	2013	2012
	<i>(Rm)</i>	
Net interest income.....	6,879	5,911
Non-interest revenue	6,742	7,103
Total income	13,621	13,014
Credit impairment charges	(1,262)	(435)
Net income after credit impairment charges.....	12,359	12,579
Revenue sharing agreement with group companies.....	(1,637)	(1,642)
Income after revenue sharing agreements.....	10,722	10,937
Operating expenses	6,857	6,158
Staff costs.....	1,664	1,446
Other operating expenses	5,193	4,712
Net income	3,865	4,779
Share of (losses)/profits from associates and joint ventures	92	91
Net income before indirect taxation	3,957	4,870
Indirect taxation	(95)	(45)
Profit before direct taxation.....	3,862	4,825
Direct taxation.....	(210)	(304)
Profit attributable to non-controlling interest.....	(24)	11
Profit attributable to the ordinary shareholder	3,676	5,118
Total assets.....	521,377	515,289
Total liabilities	496,868	489,979

LOAN PORTFOLIO

Introduction

The SBSA Group extends advances to the personal, commercial and corporate sectors as well as to the public sector. Advances to individuals are mostly in the form of mortgages, instalment sale and finance leases, overdrafts and credit card borrowings. A significant portion of the Bank's advances to commercial and corporate borrowers consists of advances made to companies engaged in manufacturing, finance and service industries.

As at 31 December 2013, SBSA Group's total net loans and advances to customers amounted to R630,730 million (R595,087 million as at 31 December 2012), an increase of 6.0 per cent. Loans and advances to individuals represented 57.8 per cent. of SBSA Group's total gross loans and advances to customers as at 31 December 2013 (compared to 58.6 per cent. of SBSA Group's total gross loans and advances to customers as at 31 December 2012).

For the year ended 31 December 2013, R25,168 million (3.5 per cent.) of total gross loans and advances were specifically impaired compared to R24,550 million (3.7 per cent.) in the previous financial year.

Balance sheet credit impairments for loans and advances amounted to R15,176 million for the year ended 31 December 2013, an increase of 21.7 per cent. on the credit impairment for the year ended 31 December 2012.

Loan portfolio by category of loans and advances

The following table sets out the composition of the Bank's advances by category of loan or advance (net of impairment) as at 31 December 2013 and 2012:

	31 December	
	2013	2012
	<i>(Rm)</i>	
Loans and advances to banks	74,189	64,413
Call loans	709	13,906
Loans granted under resale agreements	44,322	16,555
Balances with banks	29,158	33,952
Loans and advances to customers	630,730	595,087
Gross loans and advances to customers	645,906	607,554
Mortgage lending	295,940	288,816
Instalment sale and finance leases	63,050	56,581
Card debtors	27,106	23,604
Overdrafts and other demand lending	50,051	37,014
Personal loans	8,907	7,159
Corporate, business and other loans	41,144	29,855
Term lending	159,005	154,560
Personal loans	25,536	22,492
Corporate business and other loans	133,469	132,068
Commercial property finance	45,858	41,393
Loans granted under resale agreements	4,896	5,586
Credit impairments for loans and advances	(15,176)	(12,467)
Specific Credit Impairment	(10,932)	(8,193)
Portfolio Credit Impairments	(4,244)	(4,274)
Net loans and advances Comprising	704,919	659,500
Gross loans and advances	720,095	671,967
Less: credit impairments	(15,176)	(12,467)
Net loans and advances	704,919	659,500

Loan portfolio by industry sector

The following table sets out the composition of the Bank's advances by industry sector as at 31 December 2013 and 31 December 2012:

	31 December	
	2013	2012
	<i>(Rm)</i>	
Segmental analysis – industry		
Agriculture	14,278	12,906
Construction	15,518	15,846
Electricity	4,815	2,024
Finance, real estate and other business services	147,315	137,209
Individuals	373,054	355,732
Manufacturing	26,677	23,055
Mining	27,610	29,429
Other services	48,198	39,492
Transport	9,186	9,299
Wholesale	53,444	46,975
Gross loans and advances	720,095	671,967

Geographical concentration of loans

The following table sets out the distribution of the Bank's loans and advances by geographic area where the loans are recorded as at 31 December 2013 and 31 December 2012:

	31 December	
	2013	2012
	<i>(Rm)</i>	
Segmental analysis by geographic area		
Eastern Cape	26,696	24,360
Free State	18,507	15,409
Gauteng	315,225	319,720
KwaZulu-Natal	69,857	71,450
Limpopo	17,313	12,432
Mpumalanga	28,484	23,737
North West	17,636	13,561
Northern Cape	8,472	6,566
Western Cape	94,393	86,503
Other Countries	123,512	98,229
Gross loans and advances	720,095	671,967

Credit impairments for loan and advances

The table below presents the credit impairments for loans and advances for the years ended 31 December 2013 and 31 December 2012:

	31 December	
	2013	2012
	<i>(Rm)</i>	
Balance at the beginning of the year	12,467	12,025
Credit losses written off	(5,764)	(5,627)
Discount element recognised in interest income	(556)	(726)
Exchange and other movements	201	13
Net impairments raised and released	8,828	6,782
Balance at the end of the year	15,176	12,467
Comprising		
Specific impairments	(10,932)	(8,193)
Portfolio impairments	(4,244)	(4,274)
	15,176	12,467

The table below sets out a segmental analysis of specific impairments of loans and advances by industry as at 31 December 2013 and 31 December 2012:

	31 December	
	2013	2012
	<i>(Rm)</i>	
Segmental analysis of specific impairments by industry		
Agriculture	281	197
Construction	357	419
Electricity	3	3
Finance, real estate and other business services	671	447
Individuals	7,157	6,053
Manufacturing	196	225
Mining	325	13
Other services	1,411	430
Transport	183	62
Wholesale	348	344
	10,932	8,193

Performing loans

Neither past due nor specifically impaired loans are loans that are current and fully compliant with all contractual terms and conditions. Normal monitoring loans within this category are generally rated 1 to 21, and close monitoring loans are generally rated 22 to 25 using the Bank's master rating scale.

Early arrears but not specifically impaired loans include those loans where the counterparty has failed to make contractual payments and payments are less than 90 days due, but it is expected that the full carrying value will be recovered when considering future cash flows, including collateral. Ultimate loss is not expected but could occur if the adverse conditions persist.

Non-performing loans

Non-performing loans are those loans for which:

- The Bank has identified evidence of default, such as a breach of a material loan covenant or condition, or
- Instalments are due and unpaid for 90 days or more.

Non-performing but not specifically impaired loans are not specifically impaired due to the expected recoverability of the full carrying value when considering the recoverability of discontinued future cash flows, including collateral.

Non-performing specifically impaired loans are those loans that are regarded as non-performing and for which there has been a measurable decrease in estimated future cash flows. Specifically impaired loans are further analysed into the following categories:

- Substandard: Items that show underlying well-defined weaknesses and are considered to be specifically impaired.
- Doubtful: Items that are not yet considered final losses due to some pending factors that may strengthen the quality of items.
- Loss: Items that are considered to be uncollectible in whole or in part. The Bank provides fully for its anticipated loss, after taking collateral into account.

Renegotiated Loans

Renegotiated loans and advances are exposures which have been refinanced, rescheduled, rolled over or otherwise modified due to weaknesses in the counterparty's financial position where it has been judged that normal repayment will likely continue after the restructure. Renegotiated loans that would otherwise be past due or impaired totalled R6.4 billion in 2013 (2012: R4.7 billion).

GOVERNANCE OVERVIEW

SBSA's governance framework is derived from SBG's governance framework, which in turn is based on principles in the King Report on Governance for South Africa 2009 (King Code). This governance framework enables the SBSA board to balance its role of providing risk oversight and strategic counsel with ensuring adherence to regulatory requirements and risk tolerance. The board of directors of SBSA is ultimately responsible for governance. The chairman is an independent non-executive and the roles of chairman and chief executives are separate. This board composition ensures there is a balance of power on the board, so no individual or group can dominate board processes or decision making, and stimulates robust challenge and debate.

In discharging its responsibilities, the SBSA board delegates authority to relevant board committees and individuals with clearly-defined mandates and delegated authorities, although the board retains its responsibilities. Each committee has a mandate, which the board reviews at least once a year. Mandates for each committee set out its role, responsibilities, scope of authority, composition, terms of reference and procedures. SBSA board committees include the directors' affairs committee; audit committee; risk and capital management committee; and SBSA large exposure credit committee. The executive

committee assists the chief executive in the day-to-day management of the affairs of the Bank, subject to statutory parameters and matters reserved for the board.

The board of SBSA delegates responsibility for compliance to management and monitors this through the compliance function and a dedicated regulatory and legislative oversight function.

King Code

A description of adherence to the King III Code together with a description of any differences and reasons for non-adherence is set out in the Issuer's audited annual financial statements, which are available on the Issuer's website, www.standardbank.co.za.

Board of Directors

As of 31 December 2013, SBSA is managed by 3 executive and 12 non-executive directors, 11 of which are deemed independent. The current members of the Bank's Board of Directors (the "**Board**") are listed below:

Name	Title	Year Joined SBSA Board
Fred Phaswana	Chairman, independent non-executive	2009
Sim Tshabalala	Chief Executive	2008
Doug Band	Independent, non-executive	2007
Richard Dunne	Independent, non-executive	2009
Thulani Gcabashe	Independent, non-executive	2003
Ben Kruger	Executive	2013
Koosum Kalyan	Independent, non-executive	2007
Saki Macozoma	Non-executive	1998
Kgomotso Moroka	Independent, non-executive	2003
Chris Nissen	Independent, non-executive	2003
Simon Ridley	Executive	2009
Myles Ruck	Independent, non-executive	2002
Lord Smith of Kelvin, Kt	Independent, non-executive	2003
Peter Sullivan	Independent, non-executive	2013
Ted Woods	Independent, non-executive	2007

Changes to board composition

Koosum Kalyan resigned from the boards of SBG and SBSA effective 3 March 2014.

The business address of the members of the Board is the Bank's registered address, 9th Floor, Standard Bank Centre, 5 Simmonds Street, Johannesburg 2001, PO Box 7725, Johannesburg 2000, South Africa.

Abridged curricula vitae of the members of the Board are set out below.

Fred Phaswana

BA, BA (Hons) and MA (Unisa), BCom (Hons) (RAU), BA (Philosophy, Politics and Economics) (Unisa)

Mr. Phaswana is chairman of SBG and SBSA. He is also chairman of the South African Institute of International Affairs, joint chairman of Mondi Limited and Mondi Plc and non-executive director on the board of Naspers. He chairs the directors' affairs committee and is a member of the risk and capital management committee and large exposure credit committee.

Sim Tshabalala

BA LLB (Rhodes), LLM (University of Notre Dame USA), HDip Tax (Wits), AMP (Harvard)

Mr. Tshabalala is group chief executive of SBG and the chief executive of SBSA. Mr. Tshabalala is a director of Tutuwa Community Holdings and the chairman of the Banking Association of South Africa. He is chairman of Stanbic Africa Holdings Limited and a director of Liberty Holdings, Liberty Group Limited and Stanbic IBTC Bank Plc. He is a member of the large exposure credit committee.

Doug Band

BCom (Wits), CA (SA)

Mr. Band is an independent non-executive director of SBG and SBSA. He currently serves as a director of the Bidvest Group and Gymnogene Investments. He is a member of the directors' affairs committee and risk and capital management committee and the large exposure credit committee.

Richard Dunne CTA

(Wits), CA (SA)

Mr. Dunne is an independent non-executive director of SBG and SBSA. He currently serves on the boards of Anglo American Platinum, AECI and Tiger Brands. He is the chairman of the SBG Group/SBSA audit committee and a member of the risk and capital management committees.

Thulani Gcabashe

BA (Botswana and Swaziland), Masters in Urban and Regional Planning (Ball State)

Mr. Gcabashe is an independent non-executive director of SBG and SBSA. He is currently chairman of Imperial Holdings and MTN Zakhele. He is the executive chairman of Built Africa Capital. He is a member of the directors' affairs committee and audit committee.

Ben Kruger

BCom, (Hons) (Pretoria), CA (SA), AMP (Harvard)

Mr. Kruger is chief executive of SBG and an executive director of SBSA. He is Chairman of Standard Bank Plc, and director of Stanbic Africa Holdings. He has held various executive roles in the group, more recently being responsible for both the Corporate & Investment Banking and PBB Business units. He is a member of the large exposure credit committee.

Koosum Kalyan

BCom (Hons) (Durban-Westville)

Ms. Kalyan was an independent non-executive director of SBG and SBSA until her resignation on 3 March 2014. She is chairman of Edgo Merap and a director of AOS Orwell (Nigeria), Aker Solutions Oil and Gas (Nigeria), MTN Group, Omega Risk Solutions, Hayleys Energy Services, Petmin Mining and South Africa Bank Note Company (a subsidiary of the South African Reserve Bank).

Saki Macozoma

BA (Unisa)

Mr. Macozoma is joint deputy chairman of SBG and a non-executive director of SBSA. He is chairman of Liberty Holdings, Stanlib, Tshipi e Ntle Manganese Mining, Ntsimbintle Mining and Safika Holdings. He is a director of VW South Africa. He is the current president of Business Leadership South Africa. He is a member of the directors' affairs committee and risk and capital management.

Kgomotso Moroka

BProc (University of the North), LLB (Wits)

Adv. Moroka is an independent non-executive director of SBG and SBSA. She is chairman of Gobodo Forensic & Investigative Accounting and Royal Bafokeng Platinum. She is a director of Multichoice South Africa Holdings, Netcare and South African Breweries. She is a senior advocate and is currently a trustee of the Nelson Mandela Children's Fund Project Literacy, the Market Theatre, the Apartheid Museum and Tswaranang Legal Advocacy Centre. She serves on the

directors' affairs committee.

Chris Nissen

BA (Hons), MA Humanities (Cape Town),

Diploma in Theology

Mr. Nissen is an independent non-executive director of SBG and SBSA. He is chairman of, Cape Empowerment and Ascension Properties and a director of Woolworths.

Simon Ridley

BCom (Natal), CA (SA), AMP (Oxford)

Mr. Ridley is an executive director of SBG and SBSA. He serves as a director of Standard International Holdings, Standard Bank London Holdings, Stanbic Africa Holdings, SBIC Investments as well as Tutuwa Staff Holdings and Tutuwa Community Holdings and various other SBG subsidiaries. He is a member of the large exposure credit committee.

Myles Ruck

BBusSc (Cape Town), PMD (Harvard)

Mr. Ruck is an independent non-executive director of SBG and SBSA. He is vice chair of Industrial and Commercial Bank of China (Argentina) and a director at, Mr Price Group and Thesele Group. He is the chairman of the risk and capital management committee and the large exposure credit committee.

Peter Sullivan

BSc (Physical Education) (University of NSW)

Mr. Sullivan is an independent non-executive director of SBG and SBSA. He is chairman of Healthcare Locums Plc and Winton Capital Management Limited and a director of Techtronic Industries, AXA China Region, AXA Asia and Standard Bank Plc. He was previously chief executive officer of Standard Chartered Bank, Africa and executive director and chief executive of Standard Chartered Bank, Hong Kong. He is a member of the audit committee and risk and capital management committee.

Lord Smith of Kelvin, Kt

CA, Fellow of the Institute of Bankers (Scotland), Honorary Degrees (Edinburgh, Glasgow, Paisley)

Lord Smith is an independent non-executive director of SBG and SBSA. He is chairman of Scottish and Southern Energy Plc, the 2014 Glasgow Commonwealth Games Organising Committee and UK Green Investment Bank. He is a member of the audit committee.

Ted Woods

BCom (Wits), CA (SA), MBA (Cape Town), CFA

Mr Woods is an independent non-executive director of SBG and SBSA. He is a member of the audit committee and the risk and capital management committee.

Conflicts of Interest

All of the directors of the Bank are also directors or prescribed officers of SBG and they therefore also owe duties in that capacity to SBG as well as to the Bank. Since the directors of the Bank are also directors of SBG, it is unlikely but possible that decisions made by the directors which are in the best interests of SBG and/or the SBG Group taken as a whole may not in every case be in the best interests of the Bank.

In addition Ben Kruger, Saki Macozoma, Simon Ridley, Myles Ruck and Sim Tshabalala serve as directors of subsidiaries of SBG other than the Bank. These directors therefore also owe duties in that capacity to those companies as well as to the Bank. It is possible that the duties which these persons owe to those companies may potentially conflict with their duties to the Bank.

The Bank engages in transactions with some of SBG's subsidiaries, including transactions in the ordinary course of business.

The Bank's approach to managing compliance risk, including identifying and managing conflicts of interest, is proactive and premised on internationally-accepted principles of risk management. Its compliance risk management is a core risk management function and is overseen by the SGB Group chief compliance officer. The Bank's compliance framework is based on the principles of effective compliance risk management as outlined in the South African Banks Act, 1990 (the "**Banks Act**") and recommendations from international policy-making bodies. The Bank is also subject to, and complies with, the applicable requirements of the South African Companies Act, 2008 (the "**Companies Act**") relating to potential conflicts of interest. These requirements include, amongst other things, an obligation on directors to file with the SBG Group company secretary a list of all of their directorships and to declare the nature of any conflict of interest before the relevant matter is considered by the board. In addition, any director with a personal financial interest in any matter presented for consideration by the board of directors has to comply with section 75 of the Companies Act which provides, among others, that if a director of a company has a personal financial interest in respect of a matter to be considered at a meeting of the board or knows that a related person has a financial interest in the matter, the director must disclose the interest and its general nature before the matter is considered and must not take part in the consideration of the matter.

EMPLOYEES

For the year ended on 31 December 2013, the SBSA Group had 27,302 employees (compared to 28,168 employees for the year ended on 31 December 2012). For the year ended 31 December 2013, approximately 47.5 per cent. of the Bank's employees worked in the Personal & Business Banking SA segment of the Bank (46.1 per cent. for the year ended on 31 December 2012) whereas 3.6 per cent. worked in the Corporate & Investment Banking SA segment during the same period (3.7 per cent. for the year ended on 31 December 2012). The remaining 48.9 per cent. of employees worked in the central and other services segment within the Bank (50.2 per cent. for the year ended on 31 December 2012).

A significant number of SBSA Group's non-managerial employees are represented by trade unions. SBSA Group has not experienced any significant strikes or work stoppages in recent years.

SBSA Group has developed employment policies to meet the needs of its different business segments in the locations in which they operate, embodying principles of equal opportunity. The Bank has a statement of business standards with which it expects its employees to comply, it encourages involvement of employees in the performance of the business in which they are employed and aims to achieve a sense of shared commitment.

COMPETITION

Competitors

As at 31 March 2014, there were 10 locally controlled banks, 6 foreign controlled banks, 3 mutual banks, 14 local branches of foreign banks and 43 foreign banks with approved representative offices in South Africa. According to the SARB BA 900 report for 31 March 2014, the banking sector in South Africa had total assets of R4.0 trillion as at 31 March 2014. SBSA's principal competitors are ABSA Bank Limited, FirstRand Bank Limited, and Nedbank Limited. Apart from SBSA, these represent the largest banks in South Africa. The following table sets out total assets and capital and reserve for each:

	Total assets	Capital and reserves
	<i>(Rm)</i>	
ABSA Bank Limited	800,023	52,052
FirstRand Bank Limited	807,494	60,739
Nedbank Limited.....	668,556	48,187
The Standard Bank of South Africa Limited	995,300	74,071

Source: BA 900 filings – SARB, 31 March 2014

The Bank operates in a highly competitive environment. The economic pressures experienced in developed economies have caused banks based in those jurisdictions to seek out growth opportunities within South Africa. As banks in developed economies are often able to benefit from lower costs of funding, this has resulted in greater competition for the Bank within South Africa and other emerging market

Competitive Strengths

The Bank believes that it has the following competitive strengths:

Market position in key products

SBSA offers a wide range of retail, commercial and investment banking products. The Bank is one of the four major South African banks. According to the SARB BA 900 Filings as at 31 December 2013, in the 5 product categories tracked by the SARB, SBSA held a market share of 30.1 per cent. of mortgage lending at 31 December 2013 (31 December 2012: 29.5 per cent.), 18.8 per cent. of instalment finance at 31 December 2013 (31 December 2012: 19.1 per cent.), 27.7 per cent. of card debtors at 31 December 2013 (31 December 2012: 27.5 per cent.), 20.8 per cent. of unsecured lending (31 December 2012: 19.6 per cent.) and 24.1 per cent. of deposits at 31 December 2013 (31 December 2012: 24.3 per cent.). According to the SARB BA 900 Filings as at 31 December 2013, SBSA's market share in mortgage advances, unsecured lending and deposits is the largest of the four major South African banks.

Corporate & Investment Banking SA has also received numerous awards recognising it as the market leader among South African investment banks (see the section titled "*Corporate & Investment Banking SA*" above).

Diverse revenue sources

As a universal bank, the Bank is able to generate revenue from diverse sources including net interest income from its lending portfolio, fees and trading profits from corporate advisory services, foreign exchange and derivatives, stock and bond trading and transactional services.

Loan portfolio performance

Since 2007, the Bank's total loan portfolio has grown from R445,356 million to R704,919 million as at 31 December 2013, while actual write-offs increased from 1.02 per cent. of average advances in 2007 to 1.11 per cent. in 2013. This is due to increased new defaults in unsecured lending, particularly in the personal term loans portfolio.

Experienced management team

The Bank's senior management has experience both at the Bank and at other institutions throughout the banking industry. The Bank's position in the market has allowed it to attract top managers from across the industry, both domestically and abroad. Managers are dedicated to the goals of the institution. A compensation structure that includes both short and long-term incentive plans assists in retaining key managers and leads to continuity in business operations.

Position within SBG Group

The Bank is both a strong domestic bank, which leverages the advantages of its size and scope, and a cross-border bank, fully integrated with the rest of the SBG Group.

SBG Group's competitive positioning as an African bank which operates in a number of African countries and a strong resources focus gives Corporate & Investment Banking SA access to revenue opportunities beyond the borders of South Africa. It also provides commercial opportunities, experience expertise, and intellectual capital from other SBG Group entities to Corporate & Investment Banking SA which both enhances the offering to clients and enables the Bank to better manage risk.

CAPITAL ADEQUACY

The Bank's capital management framework is designed to ensure that the Bank and its subsidiaries are capitalised in line with the Bank's risk appetite and target ratios both of which are approved by the board. The Bank manages its capital base to achieve a prudent balance between maintaining capital ratios to support business growth and depositor confidence, and providing competitive returns to shareholders.

The Bank is subject to regulatory capital requirements imposed by the Banks Act and regulations promulgated under section 90 of the Banks Act (as amended and/or replaced from time to time) (with the most recent iteration published on 12 December 2012 as No. R. 1029 in Government Gazette No. 35950) (the "**Regulations Relating to Banks**").

The SARB adopted the Basel III regulatory framework ("**Basel III**") introduced by the BCBC from 1 January 2013 and the Bank has been compliant with the minimum requirements from that date. The Bank is well positioned to comply with the requirements that are subject to phase-in rules when they become effective.

The Banks Act and Regulations Relating to Banks requires SBG and SBSA to maintain a minimum level of capital based on SBG's and SBSA's risk-weighted assets which relate to both on and off-balance sheet exposures. Regulatory capital adequacy is measured via three main risk-based ratios, namely common equity tier I, tier I and total capital adequacy ratios. These measures of capital are stated as a percentage of risk-weighted assets.

Common equity tier I capital is effectively shareholders' equity (ordinary share capital, share premium and retained earnings). Tier I capital comprises common equity tier 1 and perpetual, non-cumulative instruments with principal loss absorption features issued under the Basel III rules. Perpetual non-cumulative preference shares issued under Basel I and II are included in tier I capital but are subject to regulatory phase-out requirements over a 10 year period, effective from 1 January 2013, whilst total capital also includes other items such as subordinated debt with principal loss absorption features issued under the Basel III rules. Subordinated debt issued under Basel I and II is included in total capital but is subject to regulatory phase-out requirements over a 10 year period, effective from 1 January 2013

Risk-weighted assets are calculated in terms of the Banks Act and related regulations, which are aligned with Basel III.

For the year ended 31 December 2013, the Bank's common equity tier I capital adequacy ratio stood at 12.8 per cent. and its total capital adequacy ratio was 16.5 per cent. The Bank's internal target ratios are 9 per cent. - 10.5 per cent. for common equity tier 1, 10.5 per cent. - 12.5 per cent. for tier 1 and 12.5 per cent. - 15 per cent. for total capital adequacy.

The following table sets out the Bank's tier I, II capital excluding unappropriated profit for the years ended 31 December 2013 and 31 December 2012, on a Basel III basis:

Basel III qualifying capital excluding unappropriated profits

	31 December	
	2013	2012
	<i>(Rm)</i>	
Share capital and premium	36,356	35,256
Retained earnings	42,303	35,097
Other reserves.....	542	209
Less: regulatory adjustments	(16,822)	(14,574)
Goodwill.....	(40)	(40)
Other intangible assets.....	(12,815)	(9,846)
Deferred tax asset	(35)	
Shortfall of provisions to expected losses	(2,714)	(2,755)
Other adjustments	(1,218)	(1,933)
Less: regulatory exclusions – unappropriated profit	(5,082)	(4,645)

Tier I capital	57,297	51,343
Qualifying tier II subordinated debt.....	19,395	19,395
General allowance for credit impairments	186	295
Less: regulatory adjustments - investment in tier II instruments in other banks.....	(1,280)	(2,984)
Tier II capital	18,301	16,706
Total regulatory capital	75,598	68,049

	31 December	
	2013	2012
	<i>(Rm)</i>	
Total capital requirement	46,459	50,185
Total risk-weighted assets	489,045	528,266

The following table shows the break-down of risk-weighted assets for the Bank for the years ended 31 December 2013 and 31 December 2012 on a Basel III basis.

Basel III risk-weighted assets and associated capital requirements

	2013		2012	
	Risk-weighted assets	Capital ² requirement	Risk-weighted assets	Capital ² requirement
	<i>Rm</i>			
Credit risk	376,950	35,810	400,300	37,510
Portfolios subject to the standardised approach ³				
Corporate	17,760	1,687	22,350	2,123
Sovereign	13,847	1,315	19,650	1,867
Banks			112	11
Retail mortgages	343	33	129	12
Retail other	326	31	41	4
Securitisation exposure	2,970	282	2,121	201
Other assets	274	26	297	28
Portfolios subject to the advanced internal ratings-based (AIRB) approach	344,821	32,758	363,585	34,022
Corporate	144,947	13,771	157,183	14,673
Sovereign	8,044	764	9,426	895
Banks	18,570	1,764	23,166	1,942
Retail mortgages	81,978	7,788	77,129	7,327
Qualifying retail revolving exposure (QRRE)	47,163	4,480	52,135	4,953
Retail other	41,527	3,945	41,640	3,956
Securitisation exposure	2,592	246	2,906	276
Other assets	14,369	1,365	14,365	1,365
Counterparty credit risk	14,951	1,420	22,268	2,634
Portfolios subject to the standardised approach ³				
Corporate	1,678	159	1,366	1,057
Sovereign	1,677	159	1,275	255
Banks			64	6
Portfolios subject to the AIRB approach.....	1		27	796
Corporate	13,273	1,261	20,902	1,577
Sovereign	6,299	599	7,209	810
Banks	171	16	494	47
Other assets	6,803	646	13,199	720
Equity risk in the banking book	12,094	1,149	10,500	997
Portfolios subject to the market-based approach	5,612	533	2,059	195
Listed	222	21	160	15
Unlisted.....	5,390	512	1,899	180
Portfolios subject to the probability of default (PD)/loss given default (LGD) approach	6,482	616	8,441	802
Market risk	15,885	1,509	21,099	2,005
Portfolios subject to the standardised approach ³				
Other assets	7,148	680	6,537	621

Interest rate risk	6,523	620	5,925	563
Equity position risk.....	38	4	61	6
Foreign exchange risk.....	554	53	528	50
Commodities risk.....	33	3	23	2
Portfolios subject to the internal models approach.....	8,737	829	14,562	1,384
Value-at-risk (VaR) based	8,737	829	14,562	1,384
Interest rate risk	6,769	643	10,000	950
Equity position risk.....	7,647	726	11,996	1 140
Foreign exchange risk.....	3,214	305	6,158	585
Commodities risk.....	25	2	1,084	103
Diversification benefit	(8,918)	(847)	(14,676)	(1,394)

	2013		2012	
	Risk-weighted assets	Capital 2 requirement	Risk-weighted assets	Capital 2 requirement
	<i>Rm</i>			
Operational risk	65,243	6,198	70,327	6,681
Portfolios subject to the standardised approach ³	15,158	1,440	70,327	6,681
Portfolios subject to the advanced measurement approach (AMA)	50,085	4,758		
Risk-weighted assets for investments in financial entities	3,922	373	3,772	358
Total risk-weighted assets/capital requirement	489,045	46,459	528,266	50,185

1 Proforma Basel III basis.

2 Capital requirement at 9.5% excludes bank-specific add-ons and capital floor.

3 Portfolios on the standardised approach relate to low volume structured products, interest rate-specific risk and new products recently traded for which application to adopt the internal models approach has not been submitted, and entities not on the internal models approach.

4 Retail other includes retail SMEs, vehicle and asset finance, and term lending exposures.

The following table details the Bank's capital adequacy ratios for the years ended 31 December 2013 and 31 December 2012 on a Basel III basis.

	2013 SARB minimum regulatory requirement (%)	Internal target ratios (%)	Including unappropriated profits		Excluding unappropriated profits	
			2013	1, 2 2012 (%)	2013	2012
Total capital adequacy ratio	9.5	12.5 - 15.0	16.5	13.8	15.5	12.9
Tier I capital adequacy ratio	6.0	10.5 - 12.5	12.8	10.6	11.7	9.7
CET I capital adequacy ratio	45	9.0 - 10.5	12.8	10.6	11.7	9.7

1 Proforma Basel II basis.

2 Restated, refer to page 93.

Source: This information has been extracted from SBSA's 2013 Annual Report and is unaudited.

BASEL III

Banks in South Africa adopted Basel III with effect from 1 January 2013. Basel III aims to enhance financial stability globally by increasing the quality and level of capital to be held by banks, extending the risk framework coverage, by introducing new liquidity ratios and also a non-risk based leverage ratio. The Bank Supervision Department (the "BSD") of the South Africa Reserve Bank (the "SARB") commenced with its implementation from 1 January 2013 by way of the Regulations Relating to Banks, and Banks in South Africa have thus adopted the Basel III accord.

The SBG Group has approval from the SARB to use the advanced internal ratings-based ("AIRB") approach for its credit portfolios in SBSA. Further, the SBG Group has approval from the SARB to adopt the market-based and PD/LGD approaches for material equity portfolios in SBSA and has approval for using the advanced measurement approach ("AMA") for operational risk in SBSA. Furthermore, the SBG Group also has approval from the SARB to use the "internal models approach" for most trading product groups and across most market risk types for SBSA.

In Basel III, the Basel Committee on Banking Supervision ("**Basel Committee**") introduced significant changes to the Basel II framework, including, amongst others:

Capital

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

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

Leverage Ratio

The Basel Committee has also proposed that the risk-sensitive capital framework should be supplemented with a non-risk based measure, the leverage ratio (the "**Leverage Ratio**"). The Leverage Ratio is calculated as the Tier I capital divided by the exposure (being on and off-balance sheet exposures, with certain adjustments for selected items such as derivatives).

Risk-Weighting

Further significant changes, under the Basel III framework relate to counterparty credit risk in over-the-counter ("**OTC**") derivatives and exposures to banks and other financial intermediaries. The credit value adjustment ("**CVA**") capital requirement covers the risk of mark-to-market losses on OTC derivatives.

Capital Buffers

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

Liquidity

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

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

The Basel Committee is also putting a more stringent regulatory framework into place for the monitoring of intraday liquidity risk. Management of intraday liquidity risk forms a key element of a bank's overall liquidity risk management framework. The tools being introduced by the Basel Committee are for monitoring purposes, and only international active banks will be required to apply them. National regulators will determine the extent to which the tools apply to banks that only operate domestically within their jurisdictions.

Additional proposals in relation to the implementation of Basel III remain under consideration and current proposals include:

Fundamental Review of the Trading Book

Some initial measures to improve market risk were introduced by the Basel Committee in 2009 (known as "Basel 2.5"). The Basel Committee recognised that these incremental changes to the market risk framework were only temporary, and that a fundamental review of the trading book was required. The key objective of the Fundamental Review of the Trading Book is therefore to address outstanding issues not fully addressed by the "Basel 2.5" market risk reforms.

Interest Rate Risk in the Banking Book

Arising from the Fundamental Review of the Trading Book initiative, the Bank of International Settlement has appointed a task team to evaluate the development of a harmonised Pillar 1 capital charge for spread risk in the banking book.

Credit Spread Risk in the Banking Book

The Basel Committee is also considering a capital requirement for credit spread risk. The main objective of the capital charge would be to reduce opportunities for arbitrage between the banking / trading book boundary by better capturing market risks in the banking book.

Securitisation Framework

The Basel Committee is proposing material changes to the Basel securitisation framework. The objective of the proposals put forward by the committee is to make capital requirements more prudent and risk sensitive, mitigate mechanistic reliance on external credit ratings and reduce cliff effects.

Systemically important financial institutions ("SIFIs")

It is anticipated that the guidance developed by the Basel Committee and the Financial Stability Board will form the basis for the requirements of domestic systemically important banks in South Africa. These South African banks have developed their recovery plans in line with global standards. The specific "domestic systemically important bank" ("DSIB") capital requirement will be applied to the relevant banks as from 1 January 2016.

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

Although the Basel III phase-in affords the Bank a period of time before full compliance is required, the Bank maintains a strong focus on achieving these liquidity and capital requirements within the specified timelines. Specific areas of focus include optimising capital and liquidity allocation between product lines, trading desks, industry sectors and legal entities such that financial resources can be allocated in a manner that enhances the overall group economic profit and return on equity, embedding risk-adjusted performance measurement into the performance measurement and reporting processes of the SBG Group; and ensuring that the SBG Group is adequately positioned to respond to changing regulatory rules under Basel III.

LEGAL PROCEEDINGS

There are no governmental, legal or arbitration proceedings (nor are there any such proceedings which are pending or threatened of which the Bank is aware) which may have, or have during the 12 months prior to the date of this Base Prospectus had a significant effect on the financial position or profitability of the Bank and/or the SBSA Group.

The Bank and its subsidiaries have sued and are defendants in a number of legal proceedings incidental to their operations. While any litigation has an element of uncertainty, the Bank does not expect that the outcome of any such proceeding, either individually or in aggregate, will have a material adverse effect upon the Bank's financial condition or results of operations.

PROPERTY

As at 31 December 2013, SBSA group held freehold title (net book value) to land and property of R2,581 million (compared to R2,386 million as at 31 December 2012).

INSURANCE

The Bank has a comprehensive insurance programme with cover for bankers' bond, computer crime, professional indemnity, directors' and officers' liability, assets and liabilities. An annual benchmarking review of policy wording, covers and limits ensures that the level of risk mitigation is adequate in relation to the Bank's risk profile.

All insurance cover is placed at SBG level to maximize on economies of scale and to ensure all business units are included.

IT/TECHNOLOGY

Information technology (IT) is a strategic asset for Standard Bank group that supports, sustains and enables the Group's growth and operational excellence. The Group needs to govern and control IT-related risks and constraints to ensure that systems infrastructure supports its strategic priorities.

The SBG Board of Directors is responsible for ensuring that prudent and reasonable steps have been taken regarding IT governance. It is assisted by the Group Audit Committee which considers IT and operational risks as they relate to financial reporting and the going concern status of the group, and the Group Risk and Capital Management Committee, to whom the authority of overseeing the implementation of an IT governance framework has been delegated. The IT Steering Committee reports to the Group Management Committee and the Group Risk and Capital Management Committee on IT matters and together with its sub-committees (IT Architecture Governance Committee and IT Risk and Compliance Committee), it is responsible for ensuring efficient and effective IT governance.

Investing in IT improves the Bank's customer service and process automation and enables it to develop more affordable products and take new products to market faster. It also allows the Bank to migrate customers onto virtual channels, reducing operating expenses and enabling lower transaction costs for customers. IT is an integral part of the business of banking and is fundamental to the support, sustainability and growth of the Group. The implementation and renewal of IT infrastructure across the Group is expected to drive revenue growth through improved business flexibility and the faster development, launch and distribution of products to market. To improve the customer experience, systems are being designed to include an end-to-end customer relationship management capability to provide the Bank with a single view of all interactions a customer has with the Bank. This will help employees to understand customer behaviour, offer tailored products and identify common queries, complaints and sales leads.

IT is a central enabler that will help the Group to increase its presence in Africa through technology platforms that allow for innovative ways to provide affordable and accessible banking to customers. It will also contribute to building the capacity to meet future demand as the Group grows in Africa. IT infrastructure must therefore be agile enough to constantly evolve to meet changing business needs and regulatory requirements.

During 2013, the Bank continued with the large-scale implementation of its core banking systems and improving the efficiency of the IT infrastructure. Integrated platforms strengthen the Bank's competitive advantage in facilitating trade flows and cross-border transactions between Africa and other emerging markets, and provide a consistent and efficient banking experience for customers. In addition, standardised systems reduce complexity and are easier to replicate in other operations.

The Bank has continued to modernise and enhance its IT infrastructure, in the pursuit of optimal processing efficiencies and resilience. One such initiative is a fully managed print service that has been implemented in the new building in Rosebank, Johannesburg. As part of the Bank's IT modernising and enhancement process, it has sought to move to a "cloud"-based infrastructure whereby data storage is centralised in one location with multiple applications and hardware devices in multiple locations each able to access such data. This confers various benefits including simplification, reduction in maintenance, and sustainable utility savings. Further steps have been taken during 2013 to move parts of the Bank that had been using different software applications onto common platforms. The new technology offers significantly enhanced capability at reduced cost.

The Bank's plans for 2014 to 2016 are to focus on digitising its business, providing customers with alternative banking channels, optimising the core banking transitions so that it is able to decommission legacy systems and simplifying the current infrastructure landscape. The Core Banking Transformation Programmes in South Africa and the rest of Africa will continue and in CIB the focus will be on IT architecture that can deliver real-time straight-through execution to accommodate domestic and multinational companies working in different time zones. There will be a focus on the reliability and stability of external services to build client confidence and trust, and the Bank will begin to produce predictive analytics to transform client data into valuable information for profitable decision-making.

Overall the long-term goal for the Bank's IT is to maintain flexible, well-leveraged, easy-to-access and simplified technology architecture and to build a consistent, supported and knowledgeable IT capability across all operations.

REGULATION

General regulatory requirements

The Bank is subject to the Banks Act and is supervised by the BSD.

The Bank holds a full banking licence granted by the SARB. It is an authorised dealer in foreign exchange in terms of the Exchange Control Regulations of the SARB.

The pace and scale of regulatory change continues to be a major challenge, and the Bank focuses on managing the costs and resource requirements of compliance as carefully as possible. In addition, a new unit called the Regulatory Advocacy Unit has been established that will facilitate a more proactive approach to monitoring and understanding regulatory developments, and will also be responsible for regulatory advocacy. A Regulatory Change Management Committee has been established to facilitate a more efficient approach to the implementation of regulatory change programmes across the Bank. Ongoing positive engagement with regulators has greatly facilitated the implementation of new regulations. Notable regulatory interventions in South Africa over the last few years have included the Competition Commission inquiry into the banking sector and numerous pieces of legislation such as the Financial Intelligence Centre Act, 2001 (which provides for anti-money laundering regulations); the Financial Advisory and Intermediary Services Act, 2002 (which regulates financial intermediary accreditation and discipline); and the National Credit Act, 2005 (the "NCA") (which regulates the provision of consumer credit).

In 2013, the Bank focused on preparing for new legislation that came into operation in 2013 and was expected to come into operation in 2014, including the Treating Customers Fairly market conduct regulatory regime, the Financial Markets Act, 2012 (the "**Financial Markets Act**"), and the Protection of Personal Information Act, 2013. The Bank has also prioritised ensuring its readiness for the implementation of FATCA.

The Bank is preparing for the new regulatory framework for OTC derivatives now that the Financial Markets Act has been enacted. This Act modernises South Africa's securities services legislation in line with international best practice and regulatory principles and it provides an enabling framework for the regulation of OTC derivatives and new provisions relating to market abuse. The first phase in regulating OTC derivatives will be the introduction of mandatory reporting of OTC derivatives trades to a trade repository, following which market participants will be consulted on mandatory central clearing for standardised OTC derivatives. A programme is in place to streamline the compliance with local regulations as well as the requirements of extra-territorial regulation which includes FATCA, the Dodd Frank Act and the European Market Infrastructure Regulation (EMIR).

South Africa is implementing the "Twin Peaks" system of financial regulation which will see banks being supervised by two regulators: a Prudential Authority based in the SARB, and a new Market Conduct Authority which will replace the current Financial Services Board and have an expanded mandate. The Bank is currently engaging with the authorities on the draft Financial Sector Regulation Bill, 2013 which will create the statutory Twin Peaks framework. Legislation implementing this system – similar to that which came into effect in the UK on 1 April 2013 – is expected to be tabled in Parliament towards the end of 2014.

To pave the way for the phasing-in of the "twin peaks" model, the Financial Services Laws General Amendment Act, 2013 (the "**Amendment Act**") has recently been enacted by Parliament. The Amendment Act took effect for the most part on 28 February 2014, with only particular provisions singled out for commencement at a later date. The Amendment Act contains a raft of amendments to eleven key pieces of financial sector legislation, and seeks to ensure that South Africa has a sounder and better-regulated financial services industry which promotes financial stability by strengthening the financial sector regulatory framework, enhancing the supervisory powers of the regulators and enhancing the powers of the South African Government to address potential risks to the financial system even during the transition to the twin peaks system. The memorandum published together with the Amendment Act makes it clear that the Amendment Act does not cover the more fundamental reforms envisaged in the shift towards a twin peaks model of financial regulation, but rather addresses the more urgent legislative gaps and the removal of inconsistencies in current legislation.

Consumer credit regulation has been tightened to provide stronger consumer protection. New Affordability Assessment Guidelines to be used when assessing applications for unsecured loans will be introduced later in 2014. A Credit Information Amnesty came into effect on 1 April 2014: this was a once-off removal of certain adverse credit information from credit records held by credit bureaus. The NCA was amended in March 2014. The combined impact of these reforms will be to increase the cost of credit for consumers as well as restrict access to credit from formal credit providers for the lower income market. The Bank continues to engage with the relevant policy-makers on this issue.

Anti-money laundering regulations

SBG is committed to and supports global efforts to combat money laundering and terrorist financing. Accordingly, SBG has established and adopted policies and procedures to assist it in complying with its legislative obligations in respect of anti-money laundering and combating of terrorist financing requirements in each jurisdiction in which it operates. Meeting money laundering and terrorist financing control requirements in each jurisdiction in which SBG operates imposes significant obligations in terms of customer identification, record keeping, staff training and the detection and reporting of suspicious and unusual transactions. Minimum standards are implemented throughout the SBG Group and particular emphasis is placed on enhancing internal systems and procedures to assist in managing money laundering and terrorist financing risks. In April 2013, the SARB conducted routine inspections at all of the major banks in the South African market, including the Bank, in order to assess whether appropriate controls had been adopted to ensure compliance with the Financial Intelligence Centre Act, 2001 ("**FICA**"). The SARB imposed administrative sanctions on all of the major banks visited, including the Bank as a result of their findings – see the section titled "Banking Sector in South Africa - Anti-Money Laundering" on pages 118 to 119. The Bank continues to enhance and automate its anti-money laundering and terrorist financing detection measures. The Bank also has a dedicated monitoring surveillance unit that is responsible for receiving, evaluating and reporting suspicious or unusual transactions and activities to the appropriate authorities and ensure full co-operation with the law enforcement agencies, including releasing information to them in terms of the Bank's legal obligations.

RISK MANAGEMENT

Effective risk management is fundamental to the business activities of both the SBG Group and the Bank. The Bank operates under the SBG Group-wide risk framework and the Bank-specific policies to address the Bank-specific business and regulatory requirements. The Bank's chief risk officer is accountable to the Bank's board and the Bank's regulators. Currently, the Bank's chief risk officer is also the chief risk officer for SBG Group and is therefore also accountable to the SBG Group's board and regulators.

The Bank's approach to risk management is based on SBG Group-wide risk, compliance and capital management (the "**RCCM**") governance framework and the three lines of defence model.

Group-wide risk, compliance and capital management governance framework

The Bank operates under the SBG Group-wide risk framework, which consists of:

- risk governance committees at a board and management level; and
- risk governance standards, frameworks and policies.

Risk governance committees

Board sub-committees responsible for effective risk management comprise the Audit Committee ("**AC**"), the Risk and Capital Management Committee ("**RCMC**"), the large exposure credit committee and the model approval committee.

Executive management oversight for all risk types has been delegated by the management committee to the Risk Oversight Committee (the "**ROC**") which, in turn, assists the RCMC to fulfil its mandate. As is the case with the RCMC, the ROC calls for and evaluates in-depth investigations and reports based on its assessment of the risk profile and external factors. The ROC delegates authority to various subcommittees which deal with specific risk types or oversight activities. Matters are escalated to the ROC, based on materiality, through reports or feedback from the subcommittee chairman. These sub-committees are the Corporate and Investment Banking SA and Personal and Business Banking SA credit governance committees; the asset and liability committee (the "**ALCO**") (which also covers market risk); the capital

management committee; the compliance committee; the country risk management committee; the equity risk committee; the internal financial control governance committee; the operational risk committee, the regulatory and legislative oversight committee, the sanctions review committee; the risk appetite committee, the stress testing committee and the intragroup exposure committee.

Governance documents

Governance documents within the RCCM governance framework comprise standards, frameworks and policies which set out the requirements for the identification, assessment, measurement, monitoring, managing and reporting of risks, for effective oversight of compliance and effective management of capital. Governance policies are approved by the relevant ROC subcommittee, the ROC itself or, where regulations require board approval, by the board or relevant board committee.

The three lines of defence

The Bank uses the three lines of defence governance model which promotes transparency, accountability and consistency through the clear identification and segregation of roles.

The first line of defence is made up of the management of business lines and legal entities. The second line of defence functions provide independent oversight of the RCCM. They have resources at the centre and embedded within the business lines. Central resources provide SBG Group-wide oversight of risks, while resources embedded within the business lines support management in ensuring that their specific risks are effectively managed as close to the source as possible. Central and embedded resources jointly oversee the RCCM at a legal entity level.

The second line of defence functions implement governance standards, frameworks and policies for each material risk type to which the Bank is exposed. This ensures consistency in approach across the Bank's business lines and legal entities. All governance standards and frameworks are approved by the GRCMC. Compliance is ensured through annual self-assessments by the second line of defence and reviews by internal audit ("IA").

IA is the third line of defence and reports to and operates under a mandate from the GAC. In terms of its mandate, the IA function's role is to provide independent and objective assurance. IA has the authority to independently determine the scope and extent of work to be performed. All IA employees in the Bank report operationally to the chief audit officer and administratively to management of their legal entity.

Risk Appetite and Stress Testing

Risk appetite and stress testing activities are undertaken by teams at the centre, in business lines and at a legal entity level within the risk appetite and stress testing governance frameworks.

Approach to risk appetite

Risk appetite is an expression of the amount or type of risk the Bank is generally willing to take in pursuit of its financial and strategic objectives, reflecting its capacity to sustain losses and continue to meet its obligations as they fall due, under both normal and a range of stress conditions.

The risk appetite statement ("RAS") is the documented expression of risk appetite and risk tolerance which has been approved by the entity's relevant governance committee.

Executive management is responsible for drafting the RAS which is then approved by the RCMC on behalf of the board. In developing the RAS, executive management considers SBG Group strategy and the desired balance between risk and return. The RCMC reviews the Bank's current risk profile on a quarterly basis and forward risk profile at a minimum on an annual basis.

Each RAS is made up of RAS dimensions. These may be either qualitative or quantitative and include stressed earnings, liquidity, regulatory capital and economic capital. The quantitative dimensions are translated into (i) portfolio limits, for example concentrations, credit loss ratios and value-at-risk (VaR), and (ii) operational limits, for example, facilities by borrower or counterparty.

Approach to Stress testing

The Bank's stress testing governance framework sets out the responsibilities for and approach to stress testing activities. Stress tests are conducted at business line and material legal entity level. The output supports a number of business processes, including:

- the internal capital adequacy assessment process (the "ICAAP");
- the strategic planning and budgeting process;
- capital planning and management;
- the setting of risk appetite and risk tolerance;
- the assessment of the impact of stress conditions on the current and forward risk profile;
- the development of risk mitigation or contingency plans across a range of stressed conditions; and
- the assessment of the plausibility and adequacy of recovery actions in the Bank's recovery and resolution plan.

Stress testing is conducted across all major risk types using a number of macroeconomic stress scenarios. This stress testing is augmented by portfolio-specific stress testing and sensitivity analyses to identify the drivers of the Bank's risk profile.

The appropriateness of the macroeconomic stress scenarios and the impact of these scenarios on the RAS dimensions are confirmed and approved by the RCMC for use in the ICAAP and the broader capital planning process. In addition to the stress tests conducted internally, the Bank has participated in stress testing exercises conducted by the SARB on an industry-wide basis.

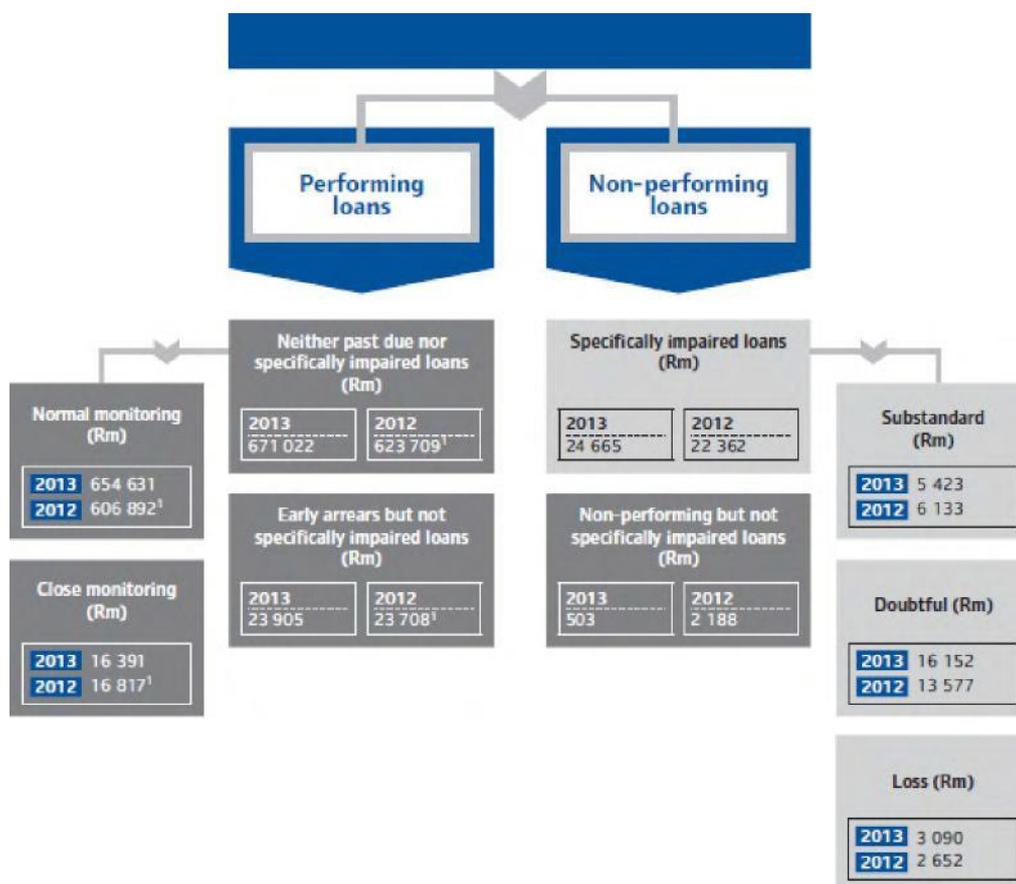
CREDIT RISK

Credit risk is the risk of loss arising out of failure of client counterparties to meet their financial or contractual obligations when due. Credit risk is composed of counterparty risk (including primary, pre-settlement, issuer and settlement risk) and concentration risk.

Primary responsibility for credit risk management resides within the Bank's business lines. This is complemented with an independent credit risk function embedded within the business units, which is in turn supported by the overarching Group risk function. A credit risk governance standard sets out the principles and minimum control requirements under which the Bank is prepared to assume credit risk. The principal management committee responsible for the oversight of credit risk is the ROC. The credit governance committees for both Corporate and Investment Banking SA and Personal and Business Banking SA business lines report directly to the ROC and indirectly through the ROC to the RCMC. These committees are responsible for credit risk and credit concentration risk decision-making, and the delegation thereof to credit officers and committees within defined parameters. The RCMC is the principal board committee responsible for the oversight of credit risk, with the AC having oversight responsibility for reviewing credit impairment adequacy. The committees have clearly defined mandates and delegated authorities, which are reviewed regularly.

Exposure to Credit Risk

Loans and advances are analysed and categorised based on credit quality using the categorisations set out below:



Performing loans

Neither past due nor specifically impaired loans are loans that are current and fully compliant with all contractual terms and conditions. Normal monitoring loans within this category are generally rated 1 to 21 and close monitoring loans are generally rated 22 to 25 using the Bank's master rating scale.

Early arrears but not specifically impaired loans include those loans where the counterparty has failed to make contractual payments and payments are less than 90 days past due, but it is expected that the full carrying value will be recovered when considering future cash flows, including collateral. Ultimate loss is not expected, but could occur if the adverse conditions persist.

Non-performing loans

Non-performing loans are either those loans for which the Bank has identified objective evidence of default, such as a breach of a material loan covenant or condition or where instalments are due and unpaid for 90 days or more.

Non-performing but not specifically impaired loans are not specifically impaired due to the expected recoverability of the full carrying value when considering the recoverability of discontinued future cash flows, including collateral.

Non-performing specifically impaired loans are those loans that are regarded as non-performing and for which there has been a measurable decrease in estimated future cash flows. Specifically impaired loans are further analysed into (i) substandard items that show underlying well-defined weaknesses and are considered to be specifically impaired; (ii) doubtful items that are not yet considered final losses due to some pending factors that may strengthen the quality of the items; or (iii) loss items that are considered to be uncollectible in whole or in part. With regard to loss items the Bank provides fully for its anticipated loss, after taking collateral into account.

Renegotiated loans and advances

Please refer to the tables set out on pages 64 to 67 of the risk and capital management report section of the Bank's 2013 annual report with regard to the Bank's maximum exposure to credit risk by credit quality as at 31 December 2013 and 31 December 2012.

Renegotiated loans and advances are exposures which have been refinanced, rescheduled, rolled over or otherwise modified due to weaknesses in the counterparty's financial position, and where it has been judged that normal repayment will likely continue following such restructuring.

Collateral

Please refer to the tables set out on pages 69 and 70 of the Bank's risk and capital management report section of the Annual Report 2013 for details of the financial effect that collateral has on the Bank's maximum exposure to credit risk as at 31 December 2013. The following table is presented according to Basel II asset categories and includes collateral that may not be eligible for recognition under Basel II but that management takes into consideration in the management of the Bank's exposures to credit risk. All on- and off-balance sheet exposures which are exposed to credit risk, including non-performing assets, are included.

Collateral includes financial securities that have a tradable market (such as shares and other securities), physical items (such as property, plant and equipment) and financial guarantees, suretyships and intangible assets.

Netting agreements which do not qualify for offset under IAS 32 (Financial Instruments: Presentation) but which are nevertheless enforceable are included as part of the Bank's collateral. All exposures are presented before the effect of any impairment provisions.

In the retail portfolio, as at 31 December 2013 61 per cent. (63 per cent. as at 31 December 2012) of the Bank's loans and advances are fully collateralised. As at 31 December 2013, the R813 million (R847 million as at 31 December 2012) of retail accounts that lie within the 0 per cent. to 50 per cent. range of collateral coverage mainly comprise accounts which are either in default or being legally enforced. As at 31 December 2013 the total average collateral coverage for all retail mortgage exposures in the 50 per cent. to 100 per cent. collateral coverage category is 90 per cent. (90 per cent. as at 31 December 2012).

As at 31 December 2013, of the Bank's total exposure, 33 per cent. (34 per cent. as at 31 December 2012) is unsecured and mainly reflects exposures to well-rated corporate counterparties, bank counterparties and sovereign entities.

	Total exposure	Unsecured	Secured exposure	Netting agreements	Secured exposure after netting	Total collateral coverage		
						Greater than 0% to 50%	Greater than 50% to 100%	Greater than 100%
<i>Rm</i>								
2013								
Corporate.....	376,837	166,397	210,440	15,684	194,756	64,713	102,991	27,052
Sovereign.....	66,331	62,692	3,639	575	3,064		2,176	888
Bank.....	135,483	28,119	107,364	35,576	71,788	4,589	22,862	44,337
Retail.....	436,100	76,917	359,183		359,183	813	91,412	266,958
<i>Retail Mortgage</i>	298,295		298,295		298,295	813	30,524	266,958
<i>Other retail</i>	137,805	76,917	60,888		60,888		60,888	
Total	1,014,751	334,125	680,626	51,835	628,791	70,115	219,441	339,235
Add: Financial assets not exposed to credit risk.....	43,280							
Add: Interest in financial	68,936							

	Total exposure	Unsecured	Secured exposure	Netting agreements	Secured exposure after netting	Total collateral coverage		
						Greater than 0% to 50%	Greater than 50% to 100%	Greater than 100%
<i>Rm</i>								
instruments of group companies								
Less: Impairments for loans and advances	(15,176)							
Less: Unrecognised off balance sheet items.....	(125,794)							
Total exposure.....	985,997							
<i>Reconciliation to balance sheet</i>								
Cash and balances with central banks	29,934							
Derivative assets	59,974							
Trading assets	35,574							
Pledged assets.....	4,394							
Financial investments	73,604							
Loans and advances.....	704,919							
Other financial assets.....	8,662							
Interest in financial instruments of group companies	68,936							
Total on-balance sheet exposure	985,997							
2012								
Corporate.....	373,040	159,091	213,949	15,055	198,894	65,804	112,353	20,737
Sovereign.....	81,834	76,644	5,190	986	4,204	545	2,120	1,539
Bank	128,041	36,260	91,781	50,036	41,745	21,213	14,533	5,999
Retail.....	411,179	64,491	346,688		346,688	847	87,925	257,916
Retail Mortgage.....	290,477		290,477		290,477	847	31,714	257,916
Other retail.....	120,702	64,491	56,211		56,211		56,211	
Total	994,094	336,486	657,808	60,077	591,531	88,409	216,931	286,191
<i>Add: Financial assets not exposed to credit risk.....</i>	46,531							
<i>Add: interest in financial instruments of group companies</i>	55,670							
<i>Less:</i>								
<i>Impairments for loans and advances.....</i>	(12,467)							
<i>Less:</i>								
<i>Unrecognised off balance sheet items.....</i>	(128,811)							
Total Exposure.....	955,017							
<i>Reconciliation to balance sheet</i>								
Cash and balances with central banks	25,926							
Derivative assets	78,844							
Trading assets	35,685							
Pledge assets.....	5,706							
Financial investments.....	76,679							
Loans and advances	659,500							
Other financial assets.....	17,007							
Interest in financial instruments group companies	55,670							
Total on-balance sheet exposure	955,017							

COUNTRY RISK

Country risk, also referred to as cross-border transfer risk, is the uncertainty that a client or counterparty, including the relevant sovereign, will be able to fulfil its obligations to the Bank due to political or economic conditions in the host country. All countries to which the Bank is exposed are reviewed at least annually. For each country to which the Bank has exposure, internal rating models are employed to determine ratings for country, sovereign and transfer and convertibility risk. In determining the ratings, extensive use is made of the Bank's network of operations, country visits and external information sources. These ratings are also a key input into the Bank's credit rating models, with credit loan conditions and covenants linked to country risk events.

The model inputs are continuously updated to reflect economic and political changes in countries. The model outputs are internal risk grades that are calibrated to a country risk grade ("CR") from CR01 to CR25, or sovereign risk grade, transfer and convertibility ("SB") rating scale from or SB01 to SB25.

Countries rated CR08 and higher, referred to as medium- and high-risk countries, are subject to increased analysis and monitoring.

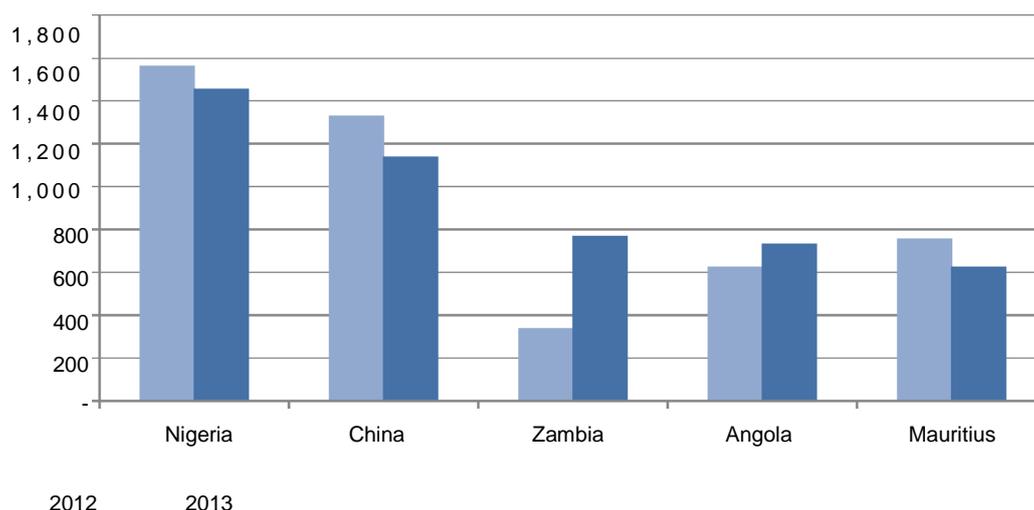
Country risk is mitigated through a number of methods, including:

- political and commercial risk insurance;
- co-financing with multilateral institutions; and
- structures to mitigate transferability and convertibility risk such as collection, collateral and margining deposits outside the jurisdiction in question.

The management of country risk is delegated by the RCMC to the ROC and then to the country risk management committee. This committee which is a subcommittee of the ROC, recommends the country risk appetite for individual countries and ensures, through compliance with the country risk governance standard, that country risk exposures are effectively managed.

The risk distribution of cross-border country risk exposures is weighted towards European and North American low-risk countries, as well as sub-Saharan African medium- and high-risk countries. Exposure to troubled Eurozone peripheral countries is limited and closely managed by the country risk function.

Exposure to the top five medium- and high-risk countries is shown in the graph that follows. These exposures are in line with SBG's growth strategy focused on select emerging markets.



Source: This information has been extracted from SBSA's 2013 Annual Report and is unaudited.

FUNDING LIQUIDITY RISK

The nature of banking and trading gives rise to continuous exposure to liquidity risk. Liquidity risk arises when the Bank, despite being solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations as they fall due, or can only do so at materially disadvantageous terms. This type of event may arise where counterparties, who provide the Bank with short-term funding, withdraw or do not roll over that funding, or normally liquid assets become illiquid as a result of a generalised disruption in asset markets. Liquidity risk management ensures that the Bank has the appropriate amount, diversification and tenor of funding and liquidity to support its asset base at all times.

Liquidity and funding management

The Bank manages liquidity in accordance with applicable regulations and within the Bank's risk appetite. The Bank's liquidity risk management governance framework supports the measurement and management

of liquidity across both the corporate and retail sectors to ensure that payment obligations can be met by the Bank's legal entities, under both normal and stressed conditions.

The ROC and the Bank's board review and set the liquidity risk governance standard annually in accordance with regulatory requirements, international best practice and the Bank's risk appetite. The ALCO is responsible for ensuring compliance with liquidity risk policies.

As part of a comprehensive liquidity management process, the Bank distinguishes between tactical, structural and contingency liquidity risk. These three risk management categories are governed by a comprehensive internal governance framework to identify measure and manage liquidity risk exposure. Combining each of these risk management categories allows for effective liquidity risk monitoring.

The liquidity management process is independently reviewed on a regular basis. In periods of stable market conditions, the Bank's liquidity risk position is monitored on at least a monthly basis by the ALCO. In periods of increased volatility, the frequency of meetings is increased as required to facilitate appropriate and timely management action.

Basel III liquidity impact

From 2015, the Bank will be required to comply with the liquidity coverage ratio ("LCR"), a metric designed by the Basel Committee to measure a bank's ability to manage a sustained outflow of customer funds in an acute stress event over a 30 calendar day period.

The ratio is calculated by taking the Bank's high-quality liquid assets and dividing it by net cash outflows. The minimum LCR requirement effective January 2015 is 60 per cent., increasing by 10 per cent. annually to 100 per cent. in January 2019.

The Bank is on track to meet the minimum phased-in Basel III LCR standards.

From 2018, the Bank will also be required to comply with the NSFR, a metric designed to ensure that the majority of term assets are funded by stable sources, such as capital, term borrowings or funds from stable sources. The NSFR requirements are still being finalised by the Basel Committee.

Liquidity buffer

Portfolios of highly marketable securities over and above prudential requirements are maintained as protection against unforeseen disruptions in cash flows. These portfolios are managed within the ALCO-defined limits on the basis of diversification and liquidity.

The table below provides a breakdown of the Bank's liquid and marketable securities as at 31 December 2013 and 31 December 2012.

	31 December	
	2013	2012
	<i>(Rm)</i>	
Contingent liquidity	108.7	86.9
Prudential requirements	42.8	42.5
Total liquidity	151.5	129.4
Contingent liquidity as a per cent. of funding related liquidities.....	13%	11%

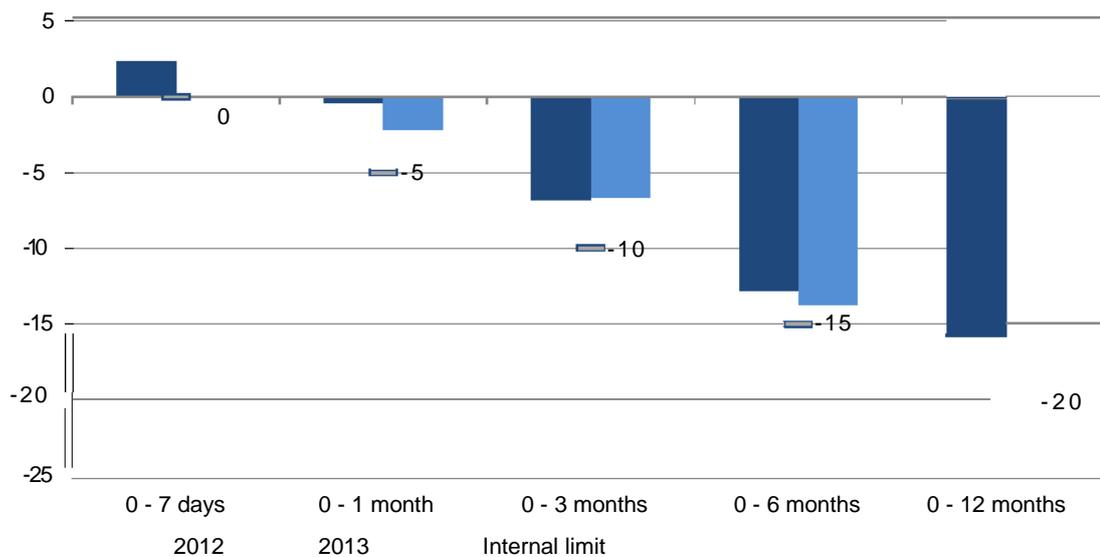
Source: This information has been extracted from SBSA's 2013 Annual Report and is unaudited.

Structural requirements

With actual cash flows typically varying significantly from the contractual position, behavioural profiling is applied to assets, liabilities and off-balance sheet commitments with an indeterminable maturity or drawdown period, as well as to certain liquid assets. Behavioural profiling assigns probable maturities based on historical customer behaviour. This is used to identify significant additional sources of structural liquidity in the form of core deposits, such as current and savings accounts, which exhibit stable behaviour despite being repayable on demand or at short notice.

Structural liquidity mismatch analyses are performed regularly to anticipate the mismatch between payment profiles of balance sheet items, in order to highlight potential risks within the Bank's defined liquidity risk thresholds.

The graph that follows shows the Bank's cumulative maturity mismatch between assets and liabilities for the 0 to 12 months bucket, after applying behavioural profiling. The cumulative maturity mismatch is expressed as a percentage of the Bank's total funding related liabilities. Limits are set internally to restrict the cumulative liquidity mismatch between expected inflows and outflows of funds in different time buckets. These mismatches are monitored on a regular basis. In order to ensure ongoing compliance with statutory and internal risk management guidelines, certain short-term assets are profiled as long dated, with active management intervention if potential limit breaches are evidenced. The behaviourally adjusted cumulative liquidity mismatch remains within the Bank's liquidity risk appetite.



Source: This information has been extracted from SBSA's 2013 Annual Report and is unaudited.

Maturity analysis of financial liabilities by contractual maturity

The following table analyses cash flows (as at 31 December 2013) on a contractual, undiscounted basis based on the earliest date on which the Bank can be required to pay (except for trading liabilities and derivative liabilities) and will therefore not agree directly with the balances disclosed in the consolidated statement of financial position. Derivative liabilities are included in the maturity analysis on a contractual, undiscounted basis when contractual maturities are essential for an understanding of the derivatives' future cash flows. The Bank's management considers only contractual maturities to be essential for understanding the future cash flows of derivative liabilities that are designated as hedging instruments in effective hedge accounting relationships. All other derivative liabilities together with trading liabilities are treated as trading and are included at fair value in the redeemable on demand bucket since these positions are typically held for short periods of time. The following tables also include contractual cash flows with respect to off-balance sheet items which have not yet been recorded on-balance sheet. Where cash flows are exchanged simultaneously, the net amounts have been reflected.

	Redeemable on demand	Maturing within 1 month	Maturing between 1-6 months	Maturing between 6-12 months	Maturing after 12 months	Total
<i>Rm</i>						
2013						
Financial liabilities						
Derivative financial instruments	65,813	301	(5)	91	56	66,256
Instruments settled on a net basis	45,728	301	0	87	62	46,178
Instruments settled on a gross basis	20,085	0	(5)	4	(6)	20,078
Trading liabilities	20,424	0	0	0	0	20,424
Deposits from customers and banks	422,174	56,226	110,273	37,407	121,072	747,152
Subordinated debt	0	0	2,483	0	18,458	20,941
Other	0	9,843	0	0	0	9,843

	Redeemable on demand	Maturing within 1 month	Maturing between 1-6 months	Maturing between 6-12 months	Maturing after 12 months	Total
Total	508,411	66,370	112,751	37,498	139,586	864,616
Off balance sheet liabilities						
Letter of credit	9,082	0	0	0	0	9,082
Guarantees	39,852	0	0	0	0	39,852
Irrevocable unutilised facilities	72,964	0	0	0	0	72,964
Commodities and securities borrowing transactions	5,635	0	0	0	0	5,635
Total	127,533	0	0	0	0	127,533
2012						
Financial liabilities						
Derivative financial instruments	81,743		12	14	63	81,832
Instruments settled on a net basis	64,783		15	16	69	64,883
Instruments settled on a gross basis	16,960		(3)	(2)	(6)	16,949
Trading liabilities	21,221					21,221
Deposits from customers and banks	357,240	59,146	122,680	53,012	147,884	739,962
Subordinated debt			3 578	322	21 452	25 352
Other		13 552				13 552
Total	460 204	72 698	126 270	53 348	169 399	881 919
Off balance sheet liabilities						
Letter of credit	7,843					7,843
Guarantees	37,347					37,347
Irrevocable unutilised facilities	79,110					79,110
Commodities and securities borrowing transactions	5,849					5,849
Total	130,149					130,149

Foreign currency liquidity management

Whilst following a consistent approach to liquidity risk management in respect of the foreign currency component of the balance sheet, specific indicators are observed in order to monitor changes in market liquidity as well as the impacts on liquidity as a result of movements in exchange rates.

Funding strategy

Funding markets are evaluated on an ongoing basis to ensure appropriate group funding strategies are executed depending on the market, competitive and regulatory environment. The Bank employs a diversified funding strategy, sourcing liquidity in both domestic and offshore markets, and incorporates a coordinated approach to accessing capital and loan markets across the SBG Group.

Concentration risk limits are used to ensure that funding diversification is maintained across products, sectors, geographic regions and counterparties.

Primary funding sources are in the form of deposits across a spectrum of retail and wholesale clients, as well as debt capital markets and loan markets. The Bank remains committed to increasing its core deposits and accessing domestic and foreign capital markets when appropriate to meet its anticipated funding requirements.

As at 31 December 2013, the Bank's largest depositor constituted 2.7 per cent. of total deposits (compared to 2.5 per cent. as at 31 December 2012) and its top ten depositors constituted 12.8 per cent. of total deposits (compared to 11.1 per cent. as at 31 December 2012).

The following table sets out the Bank's funding-related liabilities composition as at 31 December 2013 and 31 December 2012:

Funding-related liabilities composition

	31 December	
	2013	2012
	(Rm)	
Institutional funding	230	225
Corporate funding	203	186
Retail deposits	174	159
Foreign currency funding	76	76
Government and parastatals	74	75
Senior debt issued	29	33

Subordinated debt issued	21	22
Other liabilities to the public	2	3
Total funding-related liabilities	809	779

Source: BA900 filings, SARB 31 December 2013.

Historically, South Africans have favoured the insurance market and mutual funds for their savings over bank deposits. As a result, the Bank has pursued various methods of diversifying its funding sources. The Bank has used securitisation primarily as part of its funding strategy for its South African operations to provide added flexibility in mitigating structural liquidity risk and diversifying the funding base. Credit risk transfer and capital relief are factored in when deciding on the economic merits of each new securitisation issue. The Bank has entered into securitisation transactions in the normal course of business in which it transferred recognised financial assets directly to third parties or special purpose entities. The Bank complies with International Financial Reporting Standards ("IFRS") in recognising and accounting for securitisation transactions. Special purpose entities are consolidated into the SBG Group when required by IFRS.

Deposits from customers (including cheque accounts, savings accounts, call and notice deposits, fixed deposits and negotiable interest deposits) constitute Bank's primary source of funding. Deposits from customers amounted to R660,970 million (70.6 per cent. of the Bank's total liabilities) as at 31 December 2013 compared to R634,223 million and 69.7 per cent. respectively, for the preceding financial year.

The table below provides a breakdown of the Bank's current accounts and deposits from banks and customers for the years ended 31 December 2013 and 31 December 2012. Deposit products including cheque accounts, savings account, call and notice deposits, fixed deposits and negotiable certificates of deposit:

	31 December	
	2013	2012
	<i>(Rm)</i>	
Deposits from banks.....	60,380	78,453
Deposits from banks and central banks	59,852	77,047
Deposits from banks under repurchase agreements	528	1,406
Deposits from customers	660,970	634,223
Current accounts.....	89,049	73,914
Cash management deposits.....	120,962	103,899
Card creditors	1,471	1,452
Call deposits	147,602	131,518
Savings accounts	13,574	19,700
Term deposits	164,222	200,098
Negotiable certificates of deposit	90,946	75,905
Repurchase agreements	432	38
Securitisation issuances	5,625	7,192
Other funding	27,087	20,507
Deposit and current accounts.....	721,350	712,67

In October 2013, the Bank together with three other South African banks, concluded a 15 year Affordable and Social Housing II Finance Contract in an amount of up to EUR 150 million with European Investment Bank, Luxembourg as Lender.

As at 31 December 2013, a notional value of R20,050 million of subordinated debt was outstanding (carrying value of R20,815 million) (see Note 21 to the Bank's consolidated audited financial statements for the year ended 31 December 2013 for further information)³.

Liquidity stress testing and scenario analysis

Stress testing and scenario analysis are based on hypothetical as well as historical events. These are conducted

³ "The difference between the carrying and notional value represents foreign exchange movements, accrued interest and the unamortised fair value adjustments relating to bonds hedged for interest rate risk."

on the Bank's funding profiles and liquidity positions. The crisis impact is typically managed over a 30 calendar day period as this is considered the most crucial time horizon for a liquidity event.

Anticipated on- and off-balance sheet cash flows are subjected to a variety of bank-specific and systemic stresses and scenarios to evaluate the impact of unlikely but plausible events on liquidity positions. The results are assessed against the liquidity buffer and contingency funding plans to provide assurance as to the Bank's ability to maintain sufficient liquidity under adverse conditions.

Contingency funding plans

Contingency funding plans are designed to protect stakeholder interests and maintain market confidence in the event of a liquidity crisis. The plans incorporate an early warning indicator methodology supported by crisis response strategies.

Early warning indicators cover bank specific and systemic crises and are monitored according to assigned frequencies and tolerance levels. Crisis response strategies are formulated for the relevant crisis management structures and address internal and external communications, liquidity generation and operations, as well as supplementary information requirements.

MARKET RISK

Market risk is the risk of a change in the market value, actual or effective earnings or future cash flows of a portfolio of financial instruments, including commodities, caused by movements in market variables such as equity, bond and commodity prices, currency exchange rates and interest rates, credit spreads, recovery rates, correlations and implied volatilities in all of these variables.

The RCMC-approved market risk governance standard ensures that the measurement, reporting, monitoring and management of market risk across the Bank follows a common governance framework.

Market risk categories

Market risk is categorised in four ways and as follows:

Trading book market risk

Trading book market risk is represented by financial instruments held on the trading book arising out of the Bank's normal global markets' trading activities.

Approach to managing market risk in the trading book

The Bank's policy is that all trading activities are undertaken within the Bank's trading operations. The market risk functions are independent of trading operations and accountable to the ALCO.

All Value at Risk (VaR) and stressed VaR (SVaR) limits require prior approval from the ALCO. The market risk functions have the authority to set limits at a lower level.

Market risk teams are responsible for identifying, measuring, managing, monitoring and reporting market risk as outlined in the market risk governance standard.

Exposures and excesses are monitored and reported daily. Where breaches in limits and triggers occur, actions are taken by market risk functions to move exposures back in line with approved market risk appetite, with such breaches being reported to management and the ALCO.

Measurement

The techniques used to measure and control trading book market risk and trading volatility include VaR and SVaR, stop-loss triggers, stress tests, backtesting and specific business unit and product controls.

VaR and SVaR

The Bank uses the historical VaR and SVaR approach to quantify market risk under normal conditions and under stressed conditions. For risk management, VaR is based on 251 days of unweighted recent historical data, a holding period of one day and a confidence interval of 95 per cent. SVaR uses a similar methodology to VaR, but is based on a period of financial stress and assumes a 10 day holding period and nine per cent. confidence interval.

In general, the trading desks have run low levels of market risk throughout the year ended 31 December 2013

	Normal VaR			
	1 Maximum	1 Minimum	Average	Closing
	(Rm)			
2013				
Commodities	2.1	0.1	1.1	0.1
Forex	10.1	1.7	5.0	2.1
Equities.....	20.5	3.2	13.6	4.1
Debt securities	23.4	12.5	18.0	17.7
Diversification Benefits				
Aggregate	34.3	15.6	22.7	16.8
2012				
Commodities	2.9	0.4	2.0	1.8
Forex	13.2	3.3	6.3	9.6
Equities.....	28.0	9.7	16.7	11.8
Debt securities	35.3	11.6	22.6	13.8
Diversification Benefits				
Aggregate	42.0	16.6	29.0	20.0

- 1 The maximum and minimum VaR figures reported to each market variable do not necessarily occur on the same day. As a result, the aggregate VaR will not equal the sum of the individual market VaR values, and it is inappropriate to ascribe a diversification effect to VaR when these values may occur on different dates.
- 2 Diversification benefit is the benefit of measuring the VaR of the trading portfolio as a whole, that is, the difference between the sum of the individual VaRs and the VaR of the whole trading portfolio.

Where the Bank has received internal model approval, the market risk regulatory capital requirement is based on a VaR and SVaR, both of which use a confidence level of 99 per cent. and a 10-day holding period.

Limitations of historical VaR are acknowledged globally and include:

1. the use of historical data as a proxy for estimating future events may not encompass all potential events, particularly those which are extreme in nature.
2. the use of a one-day holding period assumes that all positions can be liquidated or the risk offset in one day. This may not fully reflect the market risk arising at times of severe illiquidity, when a one-day holding period may be insufficient to liquidate or hedge all positions fully.
3. the use of a 95 per cent. confidence level, by definition, does not take into account losses that might occur beyond this level of confidence.
4. VaR is calculated on the basis of exposures outstanding at the close of business and therefore does not necessarily reflect intra-day exposures; and
5. VaR is unlikely to reflect loss potential on exposures that only arise under significant market moves.

Stop-loss triggers

Stop-loss triggers are used to protect the profitability of the trading desks and are monitored by market risk on a daily basis. The triggers constrain cumulative or daily trading losses through acting as a prompt to a review or close-out positions.

Stress tests

Stress testing provides an indication of the potential losses that could occur under extreme but plausible market conditions, including where longer holding periods may be required to exit positions. Stress tests comprise individual market risk factor testing, combinations of market factors per trading desk and combinations of trading desks using a range of historical, hypothetical and Monte Carlo simulations. Daily losses experienced during the year ended 31 December 2013 did not exceed the maximum tolerable losses as represented by the Bank's stress scenario limits.

Backtesting

The Bank back-tests its VaR models to verify the predictive ability of the VaR calculations and ensure the appropriateness of the models within the inherent limitations of VaR. Backtesting compares the daily hypothetical profit and losses under the one-day buy and hold assumption to the prior day's calculated VaR.

Regulators categorise a VaR model as green, amber or red and assign regulatory capital multipliers based on this categorisation. A green model is consistent with a satisfactory VaR model and is achieved for models that have four or less backtesting exceptions in a 12-month period. All the Bank's approved models were assigned green status by the SARB for the year ended 31 December 2013.

Specific business unit and product controls

Other market risk limits and controls specific to individual business units include permissible instruments, concentration of exposures, gap limits, maximum tenor, stop loss triggers price validation and balance sheet substantiation.

The independent central validation function validates all new pricing models and performs an annual review of existing models to ensure they are still relevant and behaving within expectations.

Interest rate risk in the banking book

The banking book-related market risk exposure principally involves managing the potential adverse effect of interest rate movements on banking book earnings (net interest income and banking book mark-to-market profit or loss) and the economic value of equity.

The Bank's approach to managing banking book interest rate risk is governed by applicable regulations and influenced by the competitive environment in which the Bank operates. The Bank's treasury and capital management team monitors banking book interest rate risk operating under the oversight of the ALCO.

Interest rate risk measurement

The analytical techniques used to quantify banking book interest rate risk include both earnings- and valuation-based measures. Results are monitored on at least a monthly basis by the ALCO. The analysis takes account of embedded optionality such as loan prepayments and accounts where the account behaviour differs from the contractual position.

The results obtained from forward-looking dynamic scenario analyses, as well as Monte Carlo simulations, assist in developing optimal hedging strategies on a risk-adjusted return basis. Desired changes to a particular interest rate risk profile are achieved through the restructuring of on-balance sheet re-pricing or maturity profiles, or through derivative overlays

Interest rate risk limits

Interest rate risk limits are set in relation to changes in forecast banking book earnings and the economic value of equity. Economic value of equity sensitivity is calculated as the net present value of aggregate asset cash

flows less the net present value of aggregate liability cash flows.

All assets, liabilities and derivative instruments are allocated to gap intervals based on either their repricing or maturity characteristics. Assets and liabilities with no identifiable contractual repricing or maturity date are allocated to gap intervals based on behavioural profiling.

Hedging of endowment risk

Interest rate risk in the banking book is predominantly the consequence of endowment exposures, being the net effect of non-rate sensitive assets less non-rate sensitive liabilities and equity. The endowment risk is hedged as and when it is considered opportune. The interest rate view is formulated through the ALCO processes, following meetings of the monetary policy committees, or notable market developments.

Non-endowment interest rate risk in the banking book, (basis, re-pricing, optionality and yield curve) is managed within the treasury and global markets portfolios.

Equity investments in the banking book

Equity risk is the risk of loss arising from a decline in the value of any equity instrument held on the banking book, whether caused by deterioration in the performance, net asset, or enterprise value of the issuing entity, or by a decline in the market price of the instrument itself.

The equity risk committee approves investments in listed and unlisted entities in accordance with delegated authority limits. Periodic reviews of the performance of these investments are undertaken.

The table below illustrates the market risk sensitivity for all the Bank's non-trading equity investments assuming a 10 per cent. shift in the fair value. The analysis is shown before tax:

	10% reduction	Fair value	10% increase
	<i>(Rm)</i>		
2013			
Equity securities listed and unlisted.....	1,783	1 981	2,179
Impact on profit or loss.....	(189)		189
Impact on other comprehensive income.....	(9)		9
2012			
Equity securities listed and unlisted.....	2,445	2,717	2,989
Impact on profit or loss.....	(266)		266
Impact on other comprehensive income.....	(6)		6

Foreign currency risk

The Bank's primary exposures to foreign currency risk arise as a result of the translation effect on the Bank's net assets in foreign operations, intragroup foreign-denominated debt and foreign-denominated cash exposures and accruals. The RCMC delegates the management of this risk to the net asset value currency risk management committee. This committee manages the risk in relation to the Bank according to existing legislation, South African exchange control regulations and accounting parameters. It takes into account naturally offsetting risk positions and manages the Bank's residual risk by means of forward exchange contracts, currency swaps and option contracts. Hedging is undertaken in such a way that it does not constrain normal operational activities.

Gains or losses on derivatives that have been designated as cash flow hedging relationships are reported directly in other comprehensive income, with all other gains and losses on derivatives being reported in profit or loss.

Foreign currency risk sensitivity analysis

The foreign currency risk sensitivity analysis below reflects the expected financial impact, in rand equivalent, resulting from a 10 per cent. shock to foreign currency risk exposures, with respect to derivative financial instruments and foreign-denominated cash balances and accruals and intragroup foreign-denominated debt. The sensitivity analysis reflects the sensitivity to the Bank's foreign-denominated exposures other than those trading positions for which sensitivity has been included in the trading book VaR analysis.

The table below sets out the Bank's foreign currency risk sensitivity in ZAR equivalents as at 31 December 2013 and 31 December 2012.

As indicated below, as at 31 December 2013 the impact of a 10 per cent. (5 per cent. as at 31 December 2012) depreciation in foreign currency rates on the profit or loss of the Bank before tax as at 31 December 2013 is a R101 million profit (a R6 million loss as at 31 December 2012). Offsets to this sensitivity include changes in foreign currency rates as applied to the Bank's net assets in foreign operations.

	USD	Euro	GBP	Naira	Other	Total
2013						
Sensitivity %.....	10	10	10	10	10	10
Total net long / (short) presentationRm	1,058	2	(10)		(41)	1,009
Impact on profit or lossRm.....	(106)		1		4	(101)
2012						
Sensitivity %.....	5	5	5	5	5	
Total net long / (short) presentationRm.....	53	38	15	3	9	118
Impact on profit or lossRm.....	3	2	1			6

OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Reputational risk and strategic risk are, in terms of general market convention, excluded from the definition of operational risk.

Operational risk exists in the natural course of business activity. It is not an objective to eliminate all exposure to operational risk as this would be neither commercially viable nor possible. The Bank's approach to managing operational risk is to adopt fit-for-purpose operational risk practices that assist business line management in understanding their inherent risk and reducing their risk profile, while maximising their operational performance and efficiency.

The Bank obtained approval during 2013 to adopt the Advanced Measurement Approach for regulatory capital purposes.

The operational risk management function is independent from business line management and is part of the second line of defence as discussed on page 30 above. It is responsible for the development and maintenance of the operational risk governance framework, facilitating business' adoption of the framework, oversight and reporting, as well as for challenging the risk profile. The team proactively analyses root causes, trends and emerging threats, advises on the remediation of potential control weaknesses and recommends best practice solutions.

Individual teams are dedicated to each business line and enabling functions such as finance, IT and human capital. These teams work alongside their business areas and facilitate adoption of the operational risk governance framework. As part of the second line of defence, they also monitor and challenge the business units' and enabling functions' management of their operational risk profile.

A central function, based at an SBG Group level, provides SBG Group-wide oversight and reporting. It is also responsible for developing and maintaining the operational risk governance framework.

The primary governance committees overseeing operational risk, including the various subtypes, are compliance committee, internal financial control governance committee, operational risk committee, regulatory and legislative oversight committee, sanctions review committee, business line model approval committees, IT steering committee and the IT architecture governance committee.

Specialist functions are responsible for oversight of specific components of operational risk including model risk, tax risk, legal risk, compliance risk, environmental and social risk, business continuity management, technology risk management, information risk management, financial crime control, occupational health and safety. A physical commodities specialist function based in Johannesburg, London and Singapore manages

physical commodities transactions executed within the Bank. The role of the team is to focus on the risks embedded in each trade, on a pre- and post-trade basis, to ensure they are understood, tracked, controlled and escalated if appropriate. The team works with approved third parties who play a key role in the process and the provision of related control functions such as shipbrokers, insurers, warehouse providers and security companies.

SETTLEMENT, CLEARING AND TRANSFER OF NOTES

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

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

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

Clearing systems

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

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

Participants

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

Settlement and clearing

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

While a Tranche of Notes is held in its entirety in the Central Depository, the CSD's Nominee, will be named in the Register as the sole Noteholder of the Notes in that Tranche. All amounts to be paid and all rights to be exercised in respect of Notes held in the Central Depository will be paid to and may be exercised only by the CSD's Nominee for the holders of Beneficial Interests in such Notes.

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

Payments of all amounts in respect of a Tranche of Notes which is listed on the JSE and/or held in the Central Depository will be made to the CSD's Nominee, as the registered Noteholder of such Notes, which in turn will transfer such funds, via the Participants, to the holders of Beneficial Interests. Each of the persons reflected in the records of the Central Depository or the relevant Participant, as the case may be, as the holders of Beneficial Interests in Notes shall look solely to the Central Depository or the relevant Participant, as the case may be, for

such Person's share of each payment so made by (or on behalf of) the Issuer to, or for the order of, the CSD's Nominee, as the registered Noteholder of such Notes.

Payments of all amounts due and payable in respect of Beneficial Interests in Notes will be recorded by the CSD's Nominee, as the registered Noteholder of such Notes, distinguishing between interest and principal, and such record of payments by the CSD's Nominee, as the registered Noteholder of such Notes, shall be *prima facie* proof of such payments.

Transfers and exchanges

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

Beneficial Interests may be exchanged for Notes represented by Individual Certificates in accordance with Condition 15.1.2 (*Transfer of Registered Notes represented by Individual Certificates*).

Records of payments, trust and voting

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

BESA Guarantee Fund Trust and/or JSE Guarantee Fund

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

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

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

SOUTH AFRICAN EXCHANGE CONTROL

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

The information below is intended as a general guide to the position under the Exchange Control Regulations as at the Programme Date. The contents of this section headed “South African Exchange Control” do not constitute exchange control advice and do not purport to describe all of the considerations that may be relevant to a prospective subscriber for or purchaser of any Notes. Prospective subscribers for or purchasers of any Notes should consult their professional advisers in this regard.

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

The issue of a particular Tranche of Notes may, depending on the type of Notes in that Tranche, require the prior written approval of the Exchange Control Authorities in terms of the Exchange Control Regulations. Dealings in the Notes and the performance by the Issuer of its obligations under the Notes and the applicable Terms and Conditions may be subject to the Exchange Control Regulations.

Emigrant Blocked Rand

Emigrant 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 Emigrant Blocked Rand may not, in terms of the Exchange Control Regulations, be remitted out of South Africa or paid into any non-South African bank account.

Emigrants from the Common Monetary Area

Any Individual Certificates issued to Noteholders who are emigrants from the Common Monetary Area will be endorsed “*non-resident*”. Such restrictively endorsed Individual Certificates shall be deposited with an authorised foreign exchange dealer controlling such emigrant’s blocked assets.

In the event that a Beneficial Interest in Notes is held by an emigrant from the Common Monetary Area through the Central Depository, the securities account maintained for such emigrant by the relevant Participant will be designated as an “*emigrant*” account. All payments in respect of subscriptions for Notes by an emigrant from the Common Monetary Area, using Emigrant Blocked Rands, must be made through the Authorised Dealer in foreign exchange controlling the blocked assets.

Any payments of interest and/or principal due to a Noteholder who is an emigrant from the Common Monetary Area will be deposited into such emigrant Noteholder’s Emigrant 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 Exchange Control Regulations.

Non-residents of the Common Monetary Area

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

It will be incumbent on any such non-resident Noteholder to instruct the non-resident’s nominated or authorised dealer in foreign exchange as to how any funds due to such non-resident in respect of Notes are to be dealt with. Such funds may, in terms of the Exchange Control Regulations, be remitted abroad only if the relevant Notes are acquired with foreign currency introduced into South Africa and provided that the relevant Individual Certificate has been endorsed “*non-resident*” or the relevant securities account has been designated as a “*non-resident*” account, as the case may be.

Bearer Notes

The disposal or acquisition of or dealing in Bearer Notes is subject to the prior written approval of the Minister of Finance (or the Person authorised by the Minister of Finance) in accordance with Regulation 15 of the Exchange Control Regulations.

Order Notes

Any Order Notes issued to Noteholders who are emigrants from the Common Monetary Area will be endorsed in accordance with the applicable provisions of the Exchange Control Regulations. Any Order Notes issued to Noteholders who are emigrants from the Common Monetary Area will be subject to the applicable provisions of the Exchange Control Regulations.

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

As at the Programme Date, no exchange control approval is required in respect of the Programme and/or the Notes.

SOUTH AFRICAN TAXATION

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

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

Withholding Tax

Under current taxation law in South Africa, all payments made under the Notes to resident and non-resident Noteholders will be made free of withholding or deduction for or on account of any taxes, duties, assessments or governmental charges in South Africa. From 1 January 2015, withholding tax on interest in respect of certain debt instruments (which could include any Notes issued) may be applicable to certain persons, who are regarded as non-resident for tax purposes in South Africa. The withholding tax will be levied at a rate of 15%, but could be reduced by the relevant double taxation treaties. There are exemptions, which include interest paid in respect of any debt instrument listed on a recognised exchange. The JSE Limited would qualify as such an exchange, and therefore, subject to any legislative changes, the interest paid on the Notes will not be subject to interest withholding tax. In the event that such withholding or deduction is required by law, the Issuer will not be obliged to pay additional amounts in relation thereto. A foreign person will also be exempt from the withholding tax on interest if that foreign person -

- (a) is a natural person who was physically present in South Africa for a period exceeding 183 days in aggregate during the twelve month period preceding the date on which the interest is paid; or
- (b) at any time during the twelve month period preceding the date on which the interest is paid carried on business through a permanent establishment in South Africa.

Such persons are subject to normal South African income tax on the interest sourced in South Africa unless exempted under Section 10(1)(h) of the Income Tax Act. Please refer to the section on Income Tax below.

In terms of the legislation, South African sourced interest that is paid to a foreign person in respect of any listed debt will be exempt from the withholding tax on interest. In terms of the legislation, a “*listed debt*” is a debt that is listed on a recognised exchange as defined in the Income Tax Act. The regulated market of the London Stock Exchange Plc is a recognised exchange.

Securities Transfer Tax (STT)

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

Value-Added Tax (VAT)

No VAT is payable on the issue or transfer of Notes. Notes (bonds) constitute “*debt securities*” as defined in section 2(2)(iii) of the South African Value-Added Tax Act, No. 89 of 1991. The issue, allotment, drawing, acceptance, endorsement or transfer of ownership of a debt security is a financial service, which is exempt from VAT in terms of section 12(a) of that Act.

Commissions, fees or similar charges raised for the facilitation of these services will however be subject to VAT at the standard rate (currently 14 per cent.), except where the recipient is a non-resident as contemplated below.

Services (including exempt financial services) rendered to non-residents who are not in South Africa when the services are rendered, are subject to VAT at the zero rate in terms of section 11(2)(l) of the South African Value-Added Tax Act, 1991.

Income Tax

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

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

- (a) is attributable to an amount incurred by a person that is a resident, unless the interest is attributable to a permanent establishment which is situated outside of South Africa; or
- (b) is received or accrues in respect of the utilisation or application in South Africa by any person of any funds or credit obtained in terms of any form of interest-bearing arrangement.

Accordingly, the interest paid to the Noteholders will be from a South African source and subject to South African income tax unless such income is exempt under section 10(1)(h) of the Income Tax Act (see below).

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

- (a) is a natural person who was physically present in South Africa for a period exceeding 183 days in aggregate during the twelve month period preceding the date on which the interest is received by, or accrues to, that person; or
- (b) at any time during the twelve month period preceding the date on which the interest is received by, or accrues to, that person carried on business through a permanent establishment in South Africa.

If a Noteholder does not qualify for the exemption under Section 10(1)(h) of the Income Tax Act, exemption from, or reduction of any South African income tax liability may be available under an applicable double taxation treaty.

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

Under section 24J of the Income Tax Act, any discount or premium to the Nominal Amount of a Note is treated as part of the interest income on the Note. Section 24J of the Income Tax Act deems interest income to accrue to a Noteholder on a day-to-day basis until that Noteholder disposes of the Note or until maturity unless an election has been made by the Noteholder (if the Noteholder is entitled under Section 24J(9) of the Income Tax Act to make such election) to treat its Notes on a mark to market basis. This day to day basis accrual is determined by calculating the yield to maturity and applying it to the capital involved for the relevant tax period. Interest as defined in section 24J of the Income Tax Act (including the premium or discount) may qualify for the exemption under section 10(1)(h) of the Income Tax Act.

Specific provisions dealing with the fair value taxation of financial instruments for certain covered persons have been promulgated and will apply from 1 January 2014. Noteholders should seek advice as to whether these amendments, once promulgated may apply to them.

The tax treatment of subordinated notes where the issuer has no obligation to make interest and/or capital payments, the proceeds of which qualify as primary share capital may differ from the section 24J treatment noted above.

To the extent the disposal of the Note gives rise to a gain or a loss, the normal principles are to be applied in determining whether such gain or loss should be subject to income tax in terms of the Income Tax Act.

Capital Gains Tax

Capital gains and losses of residents of South Africa on the disposal of Notes are subject to capital gains tax. Any discount or premium on acquisition which has already been treated as interest for income tax purposes,

under section 24J of the Income Tax Act will not be taken into account when determining any capital gain or loss. Under section 24J(4A) of the Income Tax Act a loss on disposal will, to the extent that it has previously been included in taxable income (as interest), be allowed as a deduction from the taxable income of the holder when it is incurred and accordingly will not give rise to a capital loss.

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

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

Definition of Interest

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

SUBSCRIPTION AND SALE

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

Selling restrictions

South Africa

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

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

Offers not deemed to be offers to the public

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

- (a) to certain investors contemplated in section 96(1)(a) of the Companies Act; or
- (b) the total contemplated acquisition cost of Notes, for any single addressee acting as principal, is equal to or greater than ZAR1 000 000, or such higher amount as may be promulgated by notice in the Government Gazette of South Africa pursuant to section 96(2)(a) of the Companies Act.

Information made available in this Programme Memorandum should not be considered as “*advice*” as defined in the Financial Advisory and Intermediary Services Act, 2002.

The issue of a particular Tranche of Notes may, depending on the type of Notes in that Tranche, require the prior written approval of the Exchange Control Authorities in terms of the Exchange Control Regulations (see the section of this Programme Memorandum headed “*South African Exchange Control*”).

United States of America

Regulation S Category 2

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

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

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

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

European Economic Area

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

- (a) *Approved prospectus*: if the Applicable Pricing Supplement in relation to the Notes specifies that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a **Non-exempt Offer**), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus which has subsequently been completed by the Final Terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or Applicable Pricing Supplement, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
- (b) *Qualified investors*: at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) *Fewer than 100 offerees*: at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) *Other exempt offers*: at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive;

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

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

United Kingdom

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

- (a) ***No deposit taking***: in relation to any Notes having a maturity of less than one year:
 - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
 - (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
 - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of

investments (as principal or agent) for the purposes of their businesses; or

- (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

- (b) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (c) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

General

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

- (a) it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in each jurisdiction in which it purchases, subscribes or procures the subscription for, offers or sells Notes in that Tranche or has in its possession or distributes the Programme Memorandum and will obtain any consent, approval or permission required by it for the purchase, subscription, offer or sale by it of any Notes in that Tranche under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, subscription, offers or sales;
- (b) it will comply with such other or additional restrictions as the Issuer and such Dealer agree and as are set out in the Applicable Pricing Supplement relating to the relevant Tranche of Notes.

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

GENERAL INFORMATION

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

AUTHORISATION

All consents, approvals, authorisations or other orders of all regulatory authorities required by the Issuer under the laws of South Africa have been or will be given or obtained for the establishment of the Programme, its update from time to time and the issue of Notes and for the Issuer, Transfer Agent, Calculation Agent and Paying Agent to undertake and perform their respective obligations under the Notes, the Programme Memorandum and Agency Agreement.

LISTING

The Programme has been approved by the JSE. Notes issued under the Programme may be listed on the JSE or such other or further Financial Exchange(s) as may be determined by the Issuer and the Dealer(s) (if any), subject to all Applicable Laws. Unlisted Notes may also be issued under this Programme. The Applicable Pricing Supplement will specify whether or not a Tranche of Notes will be listed and, if so, on which Financial Exchange(s).

MATERIAL CHANGE

As at the Programme Date, 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 Programme Date, there has been no involvement by PricewaterhouseCoopers Incorporated or KPMG Incorporated in making the aforementioned statement.

LITIGATION AND RISKS

Save as disclosed herein, the Issuer is not engaged (whether as defendant or otherwise) in any legal, arbitration, administration or other proceedings, the results of which might reasonably be expected to have a material effect on the financial position or the operations of the Issuer, nor is it aware of any such proceedings being threatened or pending.

An investment in Notes by a Noteholder is subject to the risks detailed in the section of this Programme Memorandum headed “*Risk Factors*”.

AUDITORS

PricewaterhouseCoopers Incorporated and KPMG Incorporated have acted as the auditors of the financial statements of the Issuer for the financial years ending 31 December 2011, 2012 and 2013, and in respect of these years, have issued unqualified audit reports in respect of the Issuer.

CORPORATE INFORMATION

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