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, 19 September 2013, 25 November 2014 and 8 December 2015 (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 2 September 2016 (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**"**)**. Subordinated Notes may be issued as either Tier 2 Notes or Subordinated Notes that are not intended to qualify as Tier 2 Capital (as defined in the Terms and Conditions). 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 the 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)

Programme Memorandum dated 2 September 2016

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.

TABLE OF CONTENTS

Page

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 2 September 2016 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 2013, 2014 and 2015 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; and

(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 established by the JSE ("**SENS**"), 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.

In relation to any Tranche of Notes listed on the Interest Rate Market of the JSE, copies of any notices to Noteholders, including of meetings and any amendments to the Terms and Conditions or amendments to the Credit Rating of a Tranche of Notes and/or to the Programme Memorandum, shall be published on SENS.

The Issuer will, for so long as any Note remains outstanding and listed on the Interest Rate Market of the JSE, announce by electronically publishing such announcement on SENS, or any other similar service established by the JSE, when the Issuer's audited annual financial statements are available.

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).
CSD Procedures	In relation to a Tranche of Registered Notes which is listed on the Interest Rate Market of the JSE (and/or held in the Central Depository), the rules and operating procedures for the time being of the Central Depository and Participants.
Dealers	The Standard Bank of South Africa Limited (acting through its Corporate and Investment Banking Division), 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	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 "*Interest Rates Market*" 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 "*Interest Rates Market*" will have no recourse against the JSE or the BESA Guarantee Fund Trust. Unlisted Notes are not regulated by the JSE. 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 "*Interest Rates Market*") 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.
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(c) (*Cross default of Issuer*).
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 "*Form of the Notes*" 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	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. 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.
Maturities of Notes	Any maturity, subject in relation to Tier 2 Notes, such minimum maturities as may be required from time to time by the applicable Capital Rules, 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 (*Negative Pledge*).
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	Notes may comprise: **Fixed Rate Notes:** Fixed Rate Notes will bear interest at a fixed interest rate, as indicated in the Applicable Pricing Supplement; **Floating Rate Notes:** Floating Rate Notes will bear interest at a floating rate, as indicated in the Applicable Pricing Supplement; **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; **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; **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; **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; **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; **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; and **Other Notes:** terms applicable to Notes other than those specifically contemplated under this Programme Memorandum will be set out in the Applicable Pricing Supplement.
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, *société anonyme* (**Clearstream Banking**) may hold Notes through their Participant (see the section of this Programme Memorandum headed "*Settlement, Clearing and Transfer of Notes*").
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*). *Redemption at the option of the Issuer (Call Option)*: If Redemption at the option of the Issuer (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 9.3 (*Redemption at the option of the Issuer (Call Option)*).

Redemption at the option of Noteholders of Senior Notes (Put Option): If Redemption at the option of Noteholders of Senior Notes (Put Option) is specified as applicable in the Applicable Pricing Supplement, the Noteholders of any such Tranche of Senior Notes may, by delivering, among other things, a duly completed Put Notice in accordance with Condition 9.4 (*Redemption at the option of 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 9.4 (*Redemption at the option of Noteholders of Senior Notes (Put Option)*).

Redemption for Tax reasons or Change in Law: Senior Notes may be redeemed at the option of the Issuer in whole, but not in part, if a Tax Event (Gross up) occurs and Subordinated Notes may be redeemed (subject to Condition 9.7 (*Conditions to Redemption, Purchase, Modification, Substitution or Variation of Tier 2 Notes*) in respect of Tier 2 Notes only) at the option of the Issuer in whole, but not in part, if a Tax Event (Gross up) or a Tax Event (Deductibility) occurs and, if specified in the Applicable Pricing Supplement, upon the occurrence of a Change in Law as set out in Condition 9.2 (*Redemption for Tax reasons or Change in Law*).

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 9.5 (*Redemption following the occurrence of a Capital Disqualification Event*).

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 9.9 (*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 applicable Capital Rules so require, Tier 2 Notes may be redeemed only if (i) the Issuer has notified the Relevant Regulator of, and the Relevant Regulator has consented in writing to, such redemption, subject to such conditions (if any) as the Relevant Regulator may deem appropriate and (ii) the redemption of the Tier 2 Notes is not prohibited by the Capital Rules as described in Condition 9.7 (*Conditions to Redemption, Purchase, Modification, Substitution or Variation of Tier 2 Notes*).

Tax Redemption and redemption if a Change in Law occurs

Subject as described in "*Redemption*" above, early redemption will only be permitted for tax reasons as described in Condition 9.2 (*Redemption for Tax reasons or Change in Law*). Senior Notes may be redeemed at the option of the Issuer if a Tax Event (Gross up) occurs. Subordinated Notes may be redeemed if a Tax Event (Gross up), a Tax Event (Deductibility) or a Change in Law occurs.

Redemption for Regulatory Reasons

Subject as described in "*Redemption*" above, early redemption of the Tier 2 Notes in whole (but not in part) is permitted at the option of the Issuer if a Capital Disqualification Event occurs and is continuing as described in Condition 9.5 (*Redemption following the occurrence of a Capital Disqualification Event*).

Register	The Register is the register of the Issuer's securities (including the register of the Issuer's uncertificated securities) contemplated in (and maintained in accordance with) Part E of the Companies Act. The Register will be maintained by the Transfer Agent in terms of the Terms and Conditions. The registered holder of an Uncertificated Note which is held in the Central Depository will be determined in accordance with the CSD Procedures, and such registered holders of Notes will be named in the Register as the registered holder of Notes. 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. The principal risk factors that may affect the abilities of the Issuer to fulfil its obligations under the Notes are discussed in the section of this Programme Memorandum headed "*Risk Factors*".
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 the section headed "*Subscription and Sale*"). 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 (*Negative Pledge*)) unsecured obligations of the Issuer, all as described in Condition 5.1 (*Status of Senior Notes*) and the Applicable Pricing Supplement.
Status of Subordinated Notes that are Tier 2 Notes	The Tier 2 Notes will constitute direct, unsecured and subordinated obligations of the Issuer, all as described in Condition 5.2 (*Status of Tier 2 Notes*) and the Applicable Pricing Supplement.
Status of Subordinated Notes that are not Tier 2 Notes	Subordinated Notes that are not Tier 2 Notes will constitute direct, unsecured and subordinated obligations of the Issuer, all as described in Condition 5.3 (*Status of Subordinated Notes that are not Tier 2 Notes*) and the Applicable Pricing Supplement.
Non-Viability Loss Absorption for Tier 2 Notes	Upon the occurrence of a Non-Viability Event, the Issuer will notify Tier 2 Noteholders and subsequently Write-off the Tier 2 Notes, in accordance with the Capital Rules, as described in Condition 5.4 (*Non-Viability Loss Absorption*). If a Statutory Loss Absorption Regime is implemented in South Africa, and the Tier 2 Notes are subject to such a Statutory Loss Absorption Regime upon the occurrence of a Non-Viability Event, then the Issuer, if so specified in the Applicable Pricing Supplement, shall have the option to elect that the Non-

	Viability Loss Absorption Condition referred to in Condition 5.4 (*Non-Viability Loss Absorption*) shall cease to apply and that the Statutory Loss Absorption Regime will apply to the Tier 2 Notes from the date specified by the Issuer in accordance with Condition 5.4 (*Non-Viability Loss Absorption*).
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 from 1 March 2015, a withholding tax on South African-sourced interest paid to or for the benefit of a foreign person applies at a rate of 15%, in accordance with the Income Tax Act, 1962. The legislation exempts, *inter alia*, from the withholding tax on interest any amount of interest paid by a bank as defined in the Banks Act, 1990, to a foreign person. It is envisaged that this exemption would apply to the interest payments made to Noteholders. In the event that an additional 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 (Gross up), Tax Event (Deductibility) or Change in Law pursuant to Condition 9.2 (*Redemption for Tax reasons 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

The global economic outlook remains subdued, with generally improved prospects for developed markets balanced by weaker performance in emerging markets. Downside risks include, but are not limited to, normalisation of U.S. monetary policy, geopolitical risks, depressed commodity prices and slow Chinese economic growth. U.S. monetary policy normalisation could trigger further 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 in the Middle East and elsewhere.

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. High levels of economic inequality in Africa, coupled with weaker economic conditions, make countries on the continent subject to increased risk of social unrest and political instability. The risks of sovereign downgrades, non-performing loans and credit defaults within Africa remain elevated. The longer-term impact of the UK's vote to leave the European Union on 23 June 2016 remains uncertain; however, the event has the potential to trigger prolonged global financial market volatility and a deteriorated outlook for the real economy.

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. South Africa's economic growth forecasts in 2015 were marked down progressively during the year as the full impact of commodity price deflation and weakening business and consumer confidence limited demand. Drought conditions, higher interest rates and policy uncertainty subdued investment and cyclical consumption in the second half of 2015. A sharply weaker exchange rate in response to investment portfolio outflows and a continued current account deficit accompanied broad acceleration in market volatility towards the end of the year, which was exacerbated by market concerns related to the unexpected removal of South Africa's Minister of Finance in December.

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 key developing and emerging economies, low commodity prices and weak 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 weak immediate gross domestic product ("**GDP**") growth prospects and ongoing constraints on investment by government, businesses and households. South African households remained burdened by high levels of debt, sluggish personal disposable income growth and rising inflation. Growth in spending has remained weak in response to these adverse factors as well as to lower levels of unsecured lending to households as credit providers tightened lending practices. Slow economic growth also constrained activity in the business banking environment. Lacklustre fixed investment and consumer spending growth contributed to a relatively subdued economic performance, with GDP growth reaching 1.3 per cent. during 2015. High interest rates and high cost of food and basic services placed further strain on households.

The Issuer's financial performance has been and is likely to remain closely linked to the rate of economic growth in South Africa, in particular, and other countries in which it operates.

Any deterioration in economic conditions in South Africa or the other countries in which the Issuer operates, could materially adversely affect SBSA's borrowers and contractual counterparties which may in turn adversely affect the Issuer's business, financial condition, results of operations or business.

Failures in risk management

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

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

Credit Risk

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

As at 31 December 2015, non-performing loans represented 4.8 per cent. of the Personal & Business Banking SA division's gross loans and advances (compared with 4.6 per cent. as at 31 December 2014). In addition, in the Issuer's Corporate & Investment Banking SA division, non-performing loans represented 1.1 per cent. of its gross loans and advances (compared with 1.3 per cent. as at 31 December 2014). For the year ended 31 December 2015, the Issuer's credit impairment charges decreased by 6 per cent. to R7.4 billion and the credit loss ratio improved to 0.84 per cent. (from 1.04 per cent. for the year ended 31 December 2014).

Increased consumer strain resulted in higher specific impairment charges in credit card debtors (R1.4 billion as at 31 December 2015 compared to R1 billion as at 31 December 2014), and personal unsecured lending (R2.7 billion balance sheet impairments in 2015 against R2.3 billion in 2014).

In Corporate & Investment Banking SA, despite specific impairments being raised in the oil and gas, and power and infrastructure sectors, an overall reduction in specific credit impairments, driven by the non-recurrence of prior year specific impairments, was reported. For the year ended 31 December 2015, gross loans and advances to the oil, gas, power, infrastructure and mining sector increased by 34 per cent., while the contribution of loans and advances to this sector to Corporate & Investment Banking SA's total portfolio increased from 3.2 per cent. to 3.8 per cent. Of the total Corporate & Investment Banking SA portfolio, 1.1 per cent. is non-performing, compared to 1.3 per cent. in 2014. 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 regular stress tests on its portfolios to identify the key factors driving change in the credit risk profile, to anticipate possible future outcomes, and to implement necessary actions to constrain risk.

The Issuer continues to apply appropriate and responsible lending criteria and to manage credit risk by maintaining a culture of responsible lending and a robust risk policy and control framework, in line with anticipated economic conditions and risk appetite. Despite this, if macroeconomic conditions in South Africa continue to deteriorate, there can be no assurance that the rate of the Issuer's non-performing loans and credit impairments will not increase. This, in turn, could have an adverse effect on the Issuer's financial condition or results of operations.

Credit Concentration Risk

Credit concentration risk is the risk of loss to the Issuer arising from an excessive concentration of exposure to a single counterparty, an industry, a market or segment of a market, a product, a financial instrument or type of security, a country or geography, or a maturity.

The Issuer's credit portfolio contains a concentration of exposure to the South African government (the "**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 possible sovereign downgrades. The Issuer currently holds the majority market share in the South African mortgage loan market (*Source: SARB BA900, 31 December 2015*), 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 regularly stress tests the portfolio against various weaknesses in the economy which could negatively impact consumer creditworthiness and the repayment of home loans.

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 which is caused by adverse movements in market variables such as equity, bond and commodity prices, currency exchange and interest rates, credit spreads, recovery rates, correlations and implied volatilities in all of these variables. The Issuer's key market risks are trading book market risk, interest rate risk in the banking book, equity risk in the banking book and foreign currency risk.

Trading book market risk is represented by financial instruments, including commodities, held in the Bank's trading book arising out of normal global market's trading activity. Banking book-related market risk exposure principally involves managing the potential adverse effect of interest rate movements on banking book earnings (net interest income and banking book mark-to-market profit or loss) and the economic value of equity.

Equity risk is defined as the risk of loss arising from a decline in the value of equity or an equity-type instrument held in the banking book, whether caused by deterioration in the underlying operating asset performance, net asset value, enterprise value of the issuing entity, or by a decline in the market price of the equity or instrument itself.

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

Although the Issuer has implemented risk management methods, including stress testing, to seek to mitigate and control these and other market risks to which it is exposed and these exposures are constantly measured and monitored, there can be no assurance that these risk management methods will be effective, particularly in unusual or extreme market conditions. 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 and business operations.

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. As at 31 December 2015, retail deposits comprised 20 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 2015, 81 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 2015, the largest single depositor accounted for 1.8 per cent. of total deposits and the top 10 depositors accounted for 10 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 occurrence of one or more of the above, or any weakness in the Issuer's internal control structures and procedures, could result in a material adverse impact on the Issuer's results, financial condition and prospects, as well as reputational damage, and could give rise to regulatory penalties and litigation.

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. 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 the Financial Exchange.

The Issuer's businesses are subject to its ability to quickly adapt to disruptions while maintaining continuous business operations

The Issuer has established a "Business resilience framework" to govern business continuity and crisis management readiness and to improve the capability of the business to effectively respond to disruptive events.

This is achieved through the implementation of business resilience tactics, updated business resilience management standards and scenario simulations which regularly test the effectiveness and embedding of business resilience capabilities.

The most recent and prevalent risk to the Issuer's business continuity is the Eskom power crisis in South Africa. The Issuer is fully cognisant of the serious risks which the prevailing electricity shortages in South Africa pose to the continuity of its services and operations. To this end, the Issuer has in place comprehensive power backup arrangements that allow for the sustainability of key sites, including, but not limited to, the Issuer's data centres, main office campuses and key branches in the event of routine electricity load shedding. Diesel generator backup power is available at all key sites with entrenched service level agreements for service, maintenance and fuel replenishment. On-site bulk diesel storage is generally provided for the data centres and head office buildings. In addition, the Issuer constantly reviews and tests its continuity plans in order to effectively respond to disruptive events. If electricity shortages in South Africa continue for an extended period or become severe, then this may impact the continuity of the Issuer's services and operations. Any failure in the continuity of the Issuer's operations and services could have a materially adverse effect on the Issuer's business financial condition and/or results of operations.

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 ratings 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 Ltd. as P-2 and Baa2, 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 stable 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. The Issuer's credit rating is constrained by its sizeable exposure to Government securities which effectively links its creditworthiness to that of the national government. 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 Issuer'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 "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 with scheduled completion by the end of 2017.

The Issuer experienced IT system instability in 2014 and 2015. In 2015, the Issuer successfully processed a record number of transactions, both in volume and value. A certain amount of instability is unavoidable during periods of significant change to IT systems. The Issuer experienced system instability in April 2015 following the migration of customer files and two high-profile outages in South Africa in August 2015 and September 2015, both resulting from hardware failures. These outages impacted customers as a number of online services were not available for several hours. The Issuer responded successfully to these outages by implementing its protocols for business continuity.

The Issuer is entering the final stages of the IT transformation programme and has achieved significant milestones in implementing the new core banking systems to support a digital environment which offers clients more choice, lower costs and improved mobility in an always-on, always-connected world. To date, the Issuer has transferred 11 million Personal & Business Banking SA customers onto the new core banking systems in South Africa and the rest of Africa.

The main objectives for the remainder of 2016 and 2017 will be to transfer the balance of 6.3 million savings, investment, complex personal and business customers onto the new platform and to discontinue the legacy systems currently operating in parallel to the new infrastructure. With the support of continuous technological advances, the Issuer now offers customers simpler and more efficient payment and banking products through integrated channels. As the Issuer concludes the implementation of the major IT programmes, the highest priority will be to ensure the stability and availability of systems.

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 and liquidity 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 a minimum common equity tier 1, tier 1 and total capital adequacy ratios.

The amended Regulations relating to banks (as further amended on 20 May 2016) (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 2016 is 7.13 per cent. increasing, to 9.00 per cent. in 2019. The minimum tier 1 ratio for 2016 is 8.51 per cent. increasing to 10.75 per cent. in 2019. The minimum 2016 total capital adequacy ratio is 11.01 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 Basel III capital buffers continue to make it more challenging for banks to comply with minimum capital ratios. 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.

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

South Africa, as a G20 and a Basel Committee on Banking Supervision ("**Basel Committee**") member country, commenced with the phasing-in of the Basel III LCR framework on 1 January 2015 and it will continue to implement the accord up to 1 January 2019 in line with timelines determined by the Basel Committee. The Issuer reported a three-month average LCR of 82.1 per cent. as at 31 December 2015, exceeding the SARB's minimum phase-in requirement of 60 per cent.

The SARB has approved the 2016 committed liquidity facility ("**CLF**") which will be available to banks to assist banks to meet the LCR. The SARB's approach to the CLF is detailed in, *inter alia*, Guidance Note 5 of 2015 (*Provision of a committed liquidity facility by the South African Reserve Bank*).

Given the structural funding profile of South Africa's financial sector, the South African banking sector (including the Issuer) will, based on their current funding profiles, experience difficulty in complying with the Basel III NSFR requirement. However, towards the latter part of 2015, the SARB issued a draft directive whereby it is suggested that the funding received from financial corporates maturing within six months receive an available stable funding factor of 35 per cent. The South African banking sector continues to engage with the Banking Association of South Africa ("**BASA**") and the SARB to explore alternate market-based solutions to ensure that the NSFR framework aligns to local industry conditions and requirements.

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. A unit called the Regulatory Advocacy Unit within Group Risk facilitates a more proactive approach to monitoring and understanding regulatory developments, and is responsible for regulatory advocacy. A Regulatory Change Management Committee provides support 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 numerous pieces of legislation such as the Financial Intelligence Centre Act, 2001 ("**FICA**") (which provides for anti-money laundering regulations and is in the final stages of being approved by Parliament), the Financial Advisory and Intermediary Services Act, 2002 (which regulates financial intermediary accreditation and discipline); the Financial Markets Act 2012 (the "**Financial Markets Act**") (which regulates financial markets) and the National Credit Amendment Act, 2014 (the "**National Credit Act**") which regulates the provision of consumer credit.

In 2015 and 2016, the Issuer focused on preparing for new draft legislation expected to come into operation in late 2016 or early 2017, such as the Financial Sector Regulation Bill and the FIC Amendment Bill. The Issuer has also prioritised ensuring its readiness for the implementation of the FIC Amendment Bill, the U.S. Foreign Account Tax Compliance Tax Act ("**FATCA**") and the Protection of Personal Information Act, 2013 (which, although signed into law in late 2013, will only take effect on a date to be determined by the President).

The Financial Markets Act, which took effect on 3 June 2013, has modernised South Africa's securities services legislation in line with international best practice and regulatory principles and 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. Market participants have been consulted on mandatory central clearing for standardised OTC derivatives. The second draft of the regulations relating to OTC derivatives under the Financial Markets Act were published for public comment on 5 June 2015. 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 (similar to the system implemented in the UK on 1 April 2013) which will see banks being supervised by two regulators: a Prudential Authority based in the SARB, and a new Financial Sector Conduct Authority which will replace the current Financial Services Board and have an expanded mandate. On 12 December 2014, the Minister of Finance published a revised draft of the Financial Sector Regulation Bill in terms of which the statutory "Twin Peaks" framework will be established. The Issuer has engaged with the authorities on the draft bill, which is currently being heard in Parliament.

To pave the way for the phasing-in of the "Twin Peaks" model, the Financial Services Laws General Amendment Act, 2013 (the "**Amendment Act**") was 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 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 Regulations came into effect in 2015 and are used when assessing applications for unsecured loans. The Review of Fees and Interest Rates, which capped consumer credit interest rates, administration fees and initiation fees was enacted on 6 May 2016. The National Credit Act 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 is affected by market uncertainty prior to the finalisation of the South African resolution framework in line with international standards

South Africa is a member of the G20 and of the Financial Stability Board (the "**FSB**"). As such and to meet South Africa's international commitments, the Bank Supervision Department (the "**BSD**") of the SARB in conjunction with National Treasury is in the process of drafting legislation to provide for bank resolution in South Africa ("**Special Resolution Bill**"). As part of this process, National Treasury in conjunction with the SARB and the Financial Services Board published a discussion document on 13 August 2015 entitled *"Strengthening South Africa's Resolution Framework for Financial Institutions"* (the "**Resolution Framework**") to solicit public comment and to serve as a basis for the drafting of the Special Resolution Bill. The Resolution Framework includes pre-resolution and resolution processes and powers to be provided for in the Special Resolution Bill as well as a framework for a statutory loss absorption regime which proposes to, *inter alia*, grant powers to the SARB to write-down or write-off creditors' claims, equity or other instruments (which, for the avoidance of doubt, includes the Tier 2 Notes, the Subordinated Notes and the Unsubordinated Notes). Until the Special Resolution Bill is formally adopted, the Issuer may be affected by market uncertainty with regards to the regulatory framework in the event of the resolution of the Issuer.

Arising from the curatorship of African Bank Limited, an amendment to the Banks Act, 1990 (the "**Banks Act**") was approved in 2015. In particular, section 69 of the Banks Act was amended to provide for the placing of a bank in financial difficulties under curatorship and the powers of the curator appointed by the Registrar of Banks (the "**Registrar of Banks**"). The amendment is designed to facilitate the resolution of banks in distress (before the implementation of the new resolution regime to be provided for in the Special Resolution Bill) in line with new international standards. This amendment, as well as the anticipated Special Resolution Bill, will address the current uncertainty in the market in relation to bank resolution and provide clarity to banks and investors alike as to the manner in which banks will be treated in the event of a resolution.

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 "Description of the Standard Bank of South Africa – Regulation – Anti-money laundering regulations" on page 114. 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, hostility arising from competing political groups, acts of war, and other types of event risk could have a negative impact on the business

Terrorist acts, hostility arising from competing political groups, acts of war, government expropriation or confiscatory acts, currency inconvertibility, financial markets closure, health pandemics and other types of event risk and responses to those acts and events, may have both direct and indirect negative impacts on South Africa, the rest of 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. The Issuer 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 Africa. 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;
- a wide current account deficit;
- currency volatility;
- falling commodity prices;

- capital outflows; 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 Government reduce the macro-prudential limit, this would constrain the Issuer's ability to transact 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 the Government may further relax such exchange controls cannot be predicted with certainty, although the Government has committed itself to a gradual approach of relaxation. Further relaxation or 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 financial condition 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, 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 (or any successor or replacement authority).

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 Participants will maintain records of the Beneficial Interests in the Uncertificated Notes. Investors of such Uncertificated Notes will be able to trade their Beneficial Interests only through the Central Depository.

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

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

Credit Rating

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

Exchange rate risks

The Issuer will pay principal and interest on the Notes in the 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 de-listed, 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 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 in law

This Programme Memorandum, the Notes and the applicable Terms and Conditions, are governed by, and will be construed in accordance with, the laws of 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", to the extent that recipients of payments of U.S. source income have provided the Participating FFI with the necessary documentation, by entering into a direct agreement with the U.S. Internal Revenue Service (the "**IRS**") to provide the IRS with certain information in respect of its account holders and investors.

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

The Issuer is registered as a "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 depositary for the ICSDs (as bearer/registered holder of the Notes) and the Issuer has therefore no responsibility for any amount thereafter transmitted through hands of the ICSDs and custodians or intermediaries.

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

Risks relating to Subordinated Notes

Substitution or Variation of Tier 2 Notes upon the occurrence of a Capital Disqualification Event, Tax Event (Gross Up), Tax Event (Deductibility) or a Change in Law

Upon the occurrence and continuation of a Capital Disqualification Event, Tax Event (Gross Up), Tax Event (Deductibility) or, if specified in the Applicable Pricing Supplement, a Change in Law (each as defined in Condition 1 (*Interpretation*)), the Issuer may, subject as provided in Condition 9.6 (*Substitution or Variation*) and without the need for any consent of the Noteholders, substitute all (but not some only) of any Series of Tier 2 Notes, or vary the terms of all (but not only some) such Notes so that they remain or, as appropriate, become Qualifying Tier 2 Securities (as defined in Condition 1 (*Interpretation*)).

Early Redemption of Subordinated Notes upon the occurrence of a Capital Disqualification Event (in relation to Tier 2 Notes only), Tax Event (Gross Up), Tax Event (Deductibility) or a Change in Law

Upon the occurrence and continuation of a Capital Disqualification Event (in relation to Tier 2 Notes only), Tax Event (Gross Up), Tax Event (Deductibility) or, if specified in the Applicable Pricing Supplement, a Change in Law (each as defined in Condition 1 (*Interpretation*), but (other than in respect of a Capital Disqualification Event) subject to Condition 9.7 (*Conditions to Redemption, Purchase, Modification, Substitution or Variation of Tier 2 Notes*), the Issuer may, at its option, redeem all (but not some only) of the Subordinated Notes at the Early Redemption Amount as specified in, or determined in the manner specified in, the Applicable Pricing Supplement. Noteholders will not receive a make-whole amount or any other compensation in the event of any early redemption of Notes.

There can be no assurance that holders of Notes will be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investments in the Notes.

The Issuer's obligations under Tier 2 Notes are subordinated

The Issuer's obligations under Tier 2 Notes will be unsecured and subordinated and will, in the event that the Issuer is placed into liquidation or is wound-up, be subordinated to the claims of depositors and all creditors in respect of Senior Obligations (as defined in Condition 1 (*Interpretation*)).

If the Issuer is wound-up or put into liquidation, 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 depositors and all the creditors in respect of Senior Obligations which are admissible in any such winding-up or liquidation have been paid or discharged in full. If the Issuer does not have sufficient assets at the time of winding-up or liquidation to satisfy its Senior Obligations, then Tier 2 Noteholders will not receive any payment in respect of their Tier 2 Notes.

In addition, the rights of Tier 2 Noteholders are limited in certain respects. In particular, if the Issuer defaults on a payment of any amount due on a Tier 2 Note for a period of 7 (seven) 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, liquidation or dissolution of the Issuer (other than pursuant to a Solvent Reconstruction (as defined in Condition 1 (*Interpretation*)) shall Tier 2 Noteholders be able to declare (upon written notice) such Tier 2 Note immediately due and payable.

Accordingly, although Tier 2 Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is a real risk that an investor in Tier 2 Notes will lose all or some of its investment should the Issuer become insolvent.

Subordinated Notes that are not Tier 2 Notes will be subordinated to most of the Issuer's liabilities

The payment obligations of the Issuer under Subordinated Notes that are not Tier 2 Notes will rank behind Unsubordinated Notes. Subordinated Notes that are not Tier 2 Notes constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* among themselves and at least *pari passu* with all other Subordinated Indebtedness (as defined in Condition 1 (*Interpretation*)) but in priority to Tier 2 Capital.

With regard to any Subordinated Notes that are not Tier 2 Notes, if the Issuer is declared insolvent and a winding-up is initiated, the Issuer will be required to pay the holders of unsubordinated debt and meet its obligations to all its other creditors (including unsecured creditors but excluding any obligations in respect of Subordinated Indebtedness) in full before it can make any payments on Subordinated Notes that are not Tier 2

Notes. If this occurs, the Issuer may not have enough assets remaining after these payments to pay amounts due under such Subordinated Notes that are not Tier 2 Notes.

The Issuer is not prohibited from issuing further debt which may rank pari passu with or senior to the Subordinated Notes

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

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*) and Guidance Note 7 of 2013 (*Loss absorbency requirements for Additional Tier 1 and Tier 2 capital instruments*) ("**Guidance Note 7**"), Circular 6 of 2013 (*Matters related to conditions for the issue of instruments or shares, the proceeds of which rank as Tier 2 capital*) and Circular 6 of 2014 (*Interpretation of specified conditions for the issuing of instruments or shares which rank as additional tier 1 capital and tier 2 capital*), 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*). 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, a "**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 Non-Viability 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. The terms and conditions of Tier 2 Notes issued under this Programme accordingly provide for the Write-off (as defined in Condition 1 (*Interpretation*)) of such Tier 2 Notes at the discretion of the Relevant Regulator upon the occurrence of a Non-Viability Event (see Condition 5.4 (*Non-Viability Loss Absorption*) (subject to Condition 5.5 (*Disapplication of Non-Viability Loss Absorption*)).

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, on 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 write-off/Conversion provisions in the legislation and/or regulations which implement(s) the SLAR (see Condition 5.5 (*Disapplication of Non-Viability Loss Absorption*)). Where the Issuer elects to have the Non-Viability Loss Absorption Condition continue to apply to Tier 2 Notes issued subject to such Non-Viability Loss Absorption Condition, rather than subjecting such Tier 2 Notes to the SLAR (on commencement of the legislation and/or regulations which implement(s) the SLAR), such Tier 2 Notes will be subject to such minimum requirements of the Statutory Loss Absorption Regime required to ensure that the Tier 2 Notes continue to qualify as Tier 2 Capital.

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 Issuer 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.

Payment of any amounts of principal and interest in respect of Tier 2 Notes will be cancelled or written-off upon the occurrence of a Non-Viability Event

Upon the occurrence of a Non-Viability Event (as defined in Condition 1 (*Interpretation*), Tier 2 Notes will be cancelled (in the case of a Write-off in whole) or written-off in part on a pro rata basis (in the case of a Write-off in part) in accordance with the Capital Rules (as defined in Condition 1 (*Interpretation*)). Further to such cancellation or Write-off, Tier 2 Noteholders will no longer have any rights against the Issuer with respect to any amounts cancelled or written off and the Issuer shall not be obliged to pay compensation in any form to Tier 2 Noteholders. Furthermore, any such cancellation or Write-off will not constitute an Event of Default or any other breach of the Issuer's obligations under the Terms and Conditions of any Tier 2 Notes.

A Non-Viability Event will occur when the relevant regulator has notified the Issuer that it has determined that a "trigger event", as specified in the Capital Rules, has occurred. A trigger event in the Capital Rules is described as being, at 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.

The occurrence of a Non-Viability Event is therefore inherently unpredictable and depends on a number of factors, many of which are outside of the Issuer's control.

The investment in, and 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, and disposal or write-off upon the occurrence a Non-Viability Event in respect 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.

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 2015 (the "**2015 Audited Financial Statements**") and 31 December 2014 (the "**2014 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 2015 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 2015 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 2015 Annual Report and is unaudited.

The information contained in the Risk and Capital Management Report is unaudited unless stated as audited and has been extracted from the 2015 Annual Report of the Issuer**.**

Unless otherwise indicated, the financial information relating to the Issuer for the year ended and as at 31 December 2014 contained in this Programme Memorandum has been extracted from the 2015 Audited Financial Statements and is therefore provided on a restated 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 Central Depository. 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 Central Depository 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

The Participants will maintain records of the Beneficial Interests in Registered Notes held in the Central Depository.

The registered Noteholders of Registered Notes in a Tranche of Registered Notes held in the Central Depository will be determined in accordance with the CSD Procedures, and such registered Noteholders will be named in the Register as the registered holders of such Registered Notes.

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 registered Noteholder of the Registered Notes in that Tranche of Registered Notes, determined in accordance with the CSD Procedures, 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, subject to the CSD Procedures, all rights to be exercised in respect of Registered Notes held in the Central Depository will be paid to and, subject to the CSD Procedures, may be exercised only by the Central Depository 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.

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

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 2 September 2016 (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	[●]
		(*If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible.*)
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	[*insert details including date for conversion*]
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 – *insert details*]
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] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
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] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
30.	Instalment Dates	[●]
31.	Instalment Amounts (expressed as a percentage of the aggregate Nominal Amount of the Notes)	[●]
FIXED RATE NOTES		[Applicable]/[Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
32.	(a) Fixed Interest Rate(s)	[●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly/other (*specify*)] in arrear]
	(b) Interest Payment Date(s)	[●] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*]/[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	[●]
	(e)	Reference Banks	[●]
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* 9.9(c)]
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	[●]
	(d)	Interest Payment Date(s)	[●], with the first Interest Payment Date being [●]
	(e)	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*)]
	(f)	Provisions where calculation by reference to index and/or formula is impossible or impracticable	[●]
	(g)	Minimum Interest Rate	[●]

	(h)	Maximum Interest Rate	[●]
	(i)	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 aforegoing, 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 9.3 (*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 9.4 (*Redemption at the option of Noteholders of Senior Notes (Put Option)*))	[●]
	(d)	If redeemable in part:	
		Minimum Redemption Amount(s)	[●]
		Higher Redemption Amount(s)	[●]
	(e)	Other terms applicable on Redemption	[●]
	(f)	Attach *pro forma* Put Notice(s)	
52.	Early Redemption Amount(s) payable on redemption pursuant to the provisions of Conditions 9.2 (*Redemption for Tax reasons or Change in Law*), Condition 9.5 (*Redemption following the occurrence of a Capital Disqualification Event*) or Condition 13 (*Events of Default*) and/or the method of calculating same (if required or if different from that set out in Condition 9.9 (*Early Redemption Amounts*))		[●]
53.	Optional Redemption for Subordinated Notes upon a Change in Law		[Applicable]/[Not Applicable]
54.	Substitution and Variation for Tier 2 Notes		[Applicable]/[Not Applicable]
55.	Substitution and Variation for Tier 2 Notes upon a Change in Law		[Applicable]/[Not Applicable]
56.	Option to disapply Non-viability Loss Absorption Condition for Tier 2 Notes pursuant to Condition 5.5 (*Disapplication of Non-Viability Loss Absorption*)		[Applicable]/[Not Applicable]

GENERAL

57.	Other terms or special conditions		[Not Applicable]/[*give details*]
58.	[Date of [Board] approval for issuance of Notes obtained]		[●] (*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes*)
59.	Additional selling restrictions		[●]
60.	(a)	International Securities Numbering (ISIN)	[●]
	(b)	Stock Code	[●]
61.	(a)	Financial Exchange	[●]
	(b)	Relevant sub-market of the Financial Exchange	[●]
62.	If syndicated, names of managers		[●]
63.	Receipts attached? If yes, number of Receipts attached		[Yes]/[No] [●]
64.	Coupons attached? If yes, number of Coupons attached		[Yes]/[No] [●]

65.	Credit Rating assigned to the [Issuer]/[Programme]/[Notes]	[●]
66.	Date of issue of Credit Rating and date of next review	[●]
67.	Applicable Rating Agency	[●]
68.	Stripping of Receipts and/or Coupons prohibited as provided in Condition 15.4 (*Prohibition on Stripping*)?	[Yes]/[No]
69.	Governing law (if the laws of South Africa are not applicable)	[●]
70.	Other Banking Jurisdiction	[●]
71.	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	[●]
72.	Books Closed Period	[The Register will be closed from [●] to [●] and from [●] to [●] (all dates inclusive) in each year until the Maturity Date.]/[●]
73.	Stabilisation Manager (if any)	[●]
74.	Method of distribution	[●]
75.	Authorised amount of the Programme	[●]
76.	Total Notes in issue (excluding Notes described in this Applicable Pricing Supplement)	[●]
77.	Right of cancellation	The Notes will be delivered to investors on the Issue Date through the settlement system of the Central Depository, provided that: (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 *force majeure* 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, (each a "**Withdrawal Event**"). 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.
78.	Material Change	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.
79.	Responsibility statement	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 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. The Issuer further confirms that the Authorised amount of the Programme of ZAR90 000 000 000 has not been exceeded.

80.	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 _________ 20____.

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

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

1.1 Definitions

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 2 September 2016 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: (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	CSD Procedures, the rules, listing requirements and operating procedures from time to time of the, 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 (*Transfer of Bearer Notes*) and the term "Bearer Note" 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	in relation to a Tranche of Notes, the period, as specified in the Applicable Pricing Supplement, commencing after the Last Day to Register, during which transfer of the Notes will not be recorded in the Register, or such other shorter period as the Issuer may decide to determine those Noteholders entitled to receive interest or redemption monies;
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 9.3 (*Redemption at the option of the Issuer (Call Option)*);
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);
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;
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 Subordinated Notes in any Series of Subordinated 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 Procedures	the rules and operating procedures, for the time being, of the Central Securities Depository and Participants;
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) 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 Condition 9.2 (*Redemption for Tax reasons or Change in Law*), Condition 9.5 (*Redemption following the occurrence of a Capital Disqualification Event*) and/or Condition 13 (*Events of Default*), determined in accordance with Condition 9.9 (*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;
Final Broken Amount	has the meaning ascribed thereto in the Applicable Pricing Supplement;
Final Redemption Amount	the amount of principal payable in respect of each Note upon final redemption thereof, as specified in the Applicable Pricing Supplement;

Financial Indebtedness	any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of: (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;
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 (*Interest on Fixed Rate Notes*);
Floating Rate Notes	Notes which will bear interest as specified in the Applicable Pricing Supplement and more fully described in Condition 7.2 (*Interest on Floating Rate Notes and Indexed Notes*);
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;
Implied Yield	the yield accruing on the Issue Price of Zero Coupon Notes, as specified in the Applicable Pricing Supplement;
Income Tax Act	the Income Tax Act, 1962;
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; or

(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;

Initial Broken Amount has the meaning ascribed thereto in the Applicable Pricing Supplement;

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, but subject to Applicable Laws, Additional Tier 1 Notes, Common Equity Tier 1 Capital 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 (*Interest on Mixed Rate Notes*);
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 (*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 (*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 9.4 (*Redemption at the option of 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 9.14 (*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*); and

(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 depositary 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; (d) any Encumbrance provided in favour of the SARB where the indebtedness secured by such Encumbrance has been issued in order to secure the obligations of the Issuer or any Subsidiary to the SARB in respect of any liquidity facility provided by or any other funding arrangement with the SARB pursuant to which the Issuer or any Subsidiary incurs any indebtedness; (e) 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; (f) 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; (g) any Encumbrance the Issuer created in the ordinary course of business; or (h) any Encumbrance securing in the aggregate not more than ZAR500 000 000, 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, 19 September 2013, 25 November 2014 and 8 December 2015;
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 "*General Description of the Programme*";
Programme Date	the date of this Programme Memorandum being 2 September 2016;
Programme Memorandum	this programme memorandum dated 2 September 2016 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 Notice	a notice which must be delivered to the Paying Agent by any Noteholder wanting to exercise the Put Option;
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 9.4 (*Redemption at the option of Noteholders of Senior Notes (Put Option)*);
Qualifying Tier 2 Securities	securities issued directly by the Issuer that: (a) have terms not materially less favourable to an investor than the terms of the Notes being substituted or varied in accordance with Condition 9.6 (*Substitution or Variation*) (as reasonably determined by the Issuer in consultation with an investment bank or financial adviser of international standing (which in either case is independent of the Issuer), and provided that a certification to such effect of two authorised officers shall have been delivered to the Paying Agent prior to the issue or, as appropriate, variation of the relevant securities), and, subject thereto, which: (1) contain terms which comply with the then current minimum requirements of the Relevant Regulator in relation to Tier 2 Capital, required to ensure that such Qualifying Tier 2 Securities qualify as Tier 2 Capital; (2) include terms which provide for the same Interest Rate or rate of return from time to time applying to the Notes, and preserve the Interest Payment Dates; (3) rank senior to, or *pari passu* with, the ranking of the Notes; (4) preserve any existing rights under these Terms and Conditions to any accrued interest or other amounts which have not been paid; and (5) preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer as to redemption of the Notes, including (without limitation) as to timing of, and amounts payable upon, such redemption; and (b) if the Notes are listed on the JSE (a) are listed on the JSE or (b) listed on such other Financial Exchange at that time as selected by the Issuer;
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 Banks	has the meaning ascribed thereto in the Applicable Pricing Supplement;
Reference Price	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 (*Register*);
Registered Note	a Note issued in registered form and transferable in accordance with Condition 15.1 (*Transfer of Registered Notes*) and which may include Uncertificated Notes;
Regular Period	(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; (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 falling in any year to but excluding the next Regular Date, where "*Regular Date*" means the day and month (but not the year) on which any Interest Payment Date falls; and (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 falling in any year to but excluding the next Regular Date, where "*Regular Date*" 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 end of the irregular Interest Period;
Regulations Relating to Banks	the Regulations Relating to Banks published under Government Notice R1029 in Government Gazette 35950 of 12 December 2012 (as amended by Government Notice R1029 in Government Gazette No. 35950 on 12 December 2012, Government Notice R261 in Government Gazette 38616 of 27 March 2015, Government Notice R309 in Government Gazette 38682 of 10 April 2015 and Government Notice R297 in Government Gazette 40002 of 20 May 2016), 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 first Tranche of Notes of the relevant Series;
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: (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: (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 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;
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;
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 (*Status of Senior Notes*) as specified in the Applicable Pricing Supplement;
Senior Obligations	means: (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;
SENS	the Stock Exchange News Service established by the JSE;
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 (*Notices*);
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 liquidation of the Issuer;
Subordinated Notes	(i) any Notes issued with the status and characteristics set out in Condition 5.2 (*Status of Tier 2 Notes*) and specified as Tier 2 Notes in the Applicable Pricing Supplement or (ii) any Notes issued with the status and characteristics set out in Condition 5.3 (*Status of Subordinated Notes that are not Tier 2 Notes*) as specified in the Applicable Pricing Supplement;
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 (Deductibility)	an event where, as a result of a Tax Law Change, 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 Event (Gross up)	an event where, as a result of a Tax Law Change, 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*);
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), whether or not having retrospective effect, 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 Regulations Relating to Banks 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-off	means, in respect of Tier 2 Notes: (a) the Tier 2 Notes shall be cancelled (in the case of a Write-off in whole) or written-down in part on a pro rata basis (in the case of a Write-off 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 off 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 SAFEY 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 the case of late payment.

1.2 **Interpretation**

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

(a) one gender includes a reference to the others;

(b) the singular includes the plural and vice versa;

(c) natural persons include juristic persons and vice versa;

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

(e) 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;

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

(g) 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, intergovernmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;

(h) "**assets**" includes present and future properties, revenues and rights of every description;

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

(j) "**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;

(k) an "**authorisation**" includes an authorisation, consent, approval, resolution, licence, exemption, filing, registration or notarisation;

(l) a party or any other person includes that person's permitted successor, transferee, cessionary and/or delegate; and

(m) a time of day is a reference to South African standard 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**

(a) 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.

(b) 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 on which 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(a) (*Notes issued in certificated form*), or in uncertificated form, as contemplated in Condition 3.2(b) (*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(b) (*Notes issued in uncertificated form*). A Tranche of unlisted Notes may also be held in the Central Depository, as contemplated in Condition 3.2(c) (*Beneficial Interests in Notes held in the Central Depository*).

(a) *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.

(b) *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.

(c) *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 CSD 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, subject to CSD Procedures, only by the Central Depository 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*).

(d) *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.

(e) *Denomination*

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

(f) *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**

(a) *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.

(b) *Registered Notes issued in uncertificated form*

The registered Noteholder of Registered Notes which are held in the Central Depository, will be determined in accordance with the CSD Procedures, and will be named in the Register as the registered holder of such Registered Notes.

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 Central Depository (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.

(c) *Beneficial Interests in Registered Notes held in the Central Depository*

The Participant will maintain records of the Beneficial Interests in Registered Notes held in the Central Depository.

While a Tranche of Registered Notes is held in the Central Depository, the registered Noteholder of the Registered Notes in that Tranche of Notes, determined in accordance with the CSD Procedures, will be named in the Register as the sole Noteholder of such Registered Note.

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.

Beneficial Interest in Registered Notes may be transferred only in accordance with the CSD Procedures.

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 that 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**

(a) *Application*

This Condition 5.1 applies only to Senior Notes.

(b) *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**

(a) *Application*

This Condition 5.2 applies only to Tier 2 Notes.

(b) *Status of the Tier 2 Notes*

The Tier 2 Notes constitute direct, unsecured and, in accordance with Condition 5.2(c) (*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 (including, but not limited to, other Tier 2 Notes and Tier 2 Capital, whether issued or acquired before the date of issue of the Tier 2 Notes or thereafter).

(c) *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 depositors and 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 (in each case other than pursuant to a Solvent Reconstruction):

(i) notwithstanding that any Tier 2 Noteholder shall have proved a claim for any amount in respect of the Tier 2 Notes in the event of the dissolution of the Issuer no such amount shall be paid to that Tier 2 Noteholder until the claims of the depositors and all the creditors in respect of the Senior Obligations have been fully satisfied;

(ii) 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 or winding-up have been paid or discharged in full; and

(iii) 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 or liquidation (as the case may be), the liquidator of the Issuer, to be held in trust for depositors and all the creditors in respect of Senior Obligations, until the claims of depositors and all creditors in respect of Senior Obligations which are admissible in any such dissolution, liquidation or winding-up have been paid or discharged in full.

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

(a) *Application*

This Condition 5.3 applies only to Subordinated Notes that are not Tier 2 Notes.

(b) *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): (i) at least *pari passu* with all other Subordinated Indebtedness; but (ii) in priority to the claims of holders of Tier 2 Capital.

(c) *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 (including the claims of depositors) in respect of any other indebtedness of the Issuer (except for other Subordinated Indebtedness.), to the extent that in any such event, (i) no persons entitled to be paid amounts due in respect of Subordinated Notes that are not Tier 2 Notes shall be entitled to prove or tender to prove a claim in respect of such Subordinated Notes and (ii) no amount due under such Subordinate Notes shall be eligible for set-off, counterclaim, abatement or such other similar remedy under the laws of any jurisdiction in respect of such Subordinated Notes nor shall any amount due under the Subordinated Notes 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 (including the claims of depositors) 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**

(a) This Condition 5.4 applies only to Tier 2 Notes and is referred to as the "Non-Viability Loss Absorption Condition" in these Conditions.

(b) Upon the occurrence of a Non-Viability Event, the Issuer will notify Tier 2 Noteholders (a "**Non-Viability Event Notice**") in accordance with Condition 18 (*Notices*) and subsequently Write-off the Tier 2 Notes, in accordance with the Capital Rules.

(c) For the avoidance of doubt, following any Write-off 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.

(d) Any Write-off 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:

(i) 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

(ii) 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**

(a) This Condition 5.5 applies only to Tier 2 Notes.

(b) If a Statutory Loss Absorption Regime is implemented in South Africa and the Tier 2 Notes are subject to such Statutory Loss Absorption Regime upon the occurrence of a Non-Viability Event, then the Issuer, if so specified in the Applicable Pricing Supplement, shall have the option at any time by written notice (the "**Amendment Notice**") to the Tier 2 Noteholders in accordance with Condition 18 (*Notices*), to elect that that the Non-Viability Loss Absorption

Condition shall cease to apply and that the Statutory Loss Absorption Regime will apply to the Tier 2 Notes from the date specified in the Amendment Notice (the "**Amendment Date**"), being a date no earlier than the date on which the Statutory Loss Absorption Regime takes effect (the "**Amendment Option**"). If the Issuer exercises the Amendment Option, the Non-Viability Loss Absorption Condition will cease to apply and the Tier 2 Notes will be subject to such minimum requirements of the Statutory Loss Absorption Regime required to ensure that the Tier 2 Notes continue to qualify as Tier 2 Capital with effect from the Amendment Date. If the Amendment Option is not specified in the Applicable Pricing Supplement or if the Amendment Option is specified in the Applicable Pricing Supplement but is not exercised by the Issuer, then the Tier 2 Notes will not be subject to the Statutory Loss Absorption Regime and the Non-Viability Loss Absorption Condition will continue to apply to the Tier 2 Notes.

(c) 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.

(a) *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 Condition 10 (*Payments*) (as well as 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).

(b) *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.

(c) *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:

(i) 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

(ii) 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**

(a) *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 (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).

(b) *Interest Rate*

The 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.

(c) *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:

(i) the Floating Rate Option is as specified in the Applicable Pricing Supplement;

(ii) the Designated Maturity is the period specified in the Applicable Pricing Supplement; and

(iii) the relevant Reset Date is either: (A) if the applicable Floating Rate Option is based on ZAR-JIBAR-SAFEX, the first day of that Interest Period; or (B) 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 SAFEY page at or about 11h00 (Johannesburg time) on the relevant date (or any successor rate).

(d) *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:

(i) 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

(ii) 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;

(iii) 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

(iv) 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.

(e) *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.

(f) *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.

(g) *Determination of 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.

(h) *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.

(i) *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 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.

(j) *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 Rate 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:

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

(b) 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(b) (*Interest Rate*) 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

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 Redemption for Tax reasons or Change in Law

Senior Notes may be redeemed at the option of the Issuer in whole, but not in part, if a Tax Event (Gross up) occurs and Subordinated Notes may be redeemed (subject to Condition 9.7 (*Conditions to Redemption, Purchase, Modification, Substitution or Variation of Tier 2 Notes*) in respect of Tier 2 Notes only) at the option of the Issuer in whole, but not in part, if a Tax Event (Gross up) or a Tax Event (Deductibility) occurs and, if specified in the Applicable Pricing Supplement, upon the occurrence of a Change in Law:

(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, together with interest accrued (if any) to the date fixed for redemption, 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 Condition 9.2, 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 (Gross up), Tax Event (Deductibility), or if applicable, a Change in Law has occurred. Upon the expiry of any such notice as is referred to in this Condition 9.2, the Issuer shall be bound to redeem the Notes in accordance with this Condition 9.2.

9.3 Redemption at the option of the Issuer (Call Option)

If Redemption at the option of the Issuer (Call Option) is specified in the Applicable Pricing Supplement as being applicable, the Notes may be redeemed (subject to Condition 9.7 (*Conditions to Redemption, Purchase, Modification, Substitution or Variation of Tier 2 Notes*) in respect of Tier 2 Notes only) 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). In respect of Tier 2 Notes, no Optional Redemption Date(s) (Call) shall fall earlier than the date being 5 (five) years and 1 (one) day after the Issue Date.

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 9.3 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.

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

This Condition 9.4 applies only to Senior Notes. If Redemption at the option of Noteholders of Senior Notes (Put Option) is specified in the Applicable Pricing Supplement as being applicable, the Issuer shall, at the option of each Noteholder of Senior 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 9.4, 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 9.4 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 Condition 9.4 and instead to declare such Senior Note forthwith due and payable pursuant to Condition 13 (*Events of Default*).

9.5 **Redemption following the occurrence of a Capital Disqualification Event**

This Condition 9.5 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 Condition, the Issuer shall deliver to the Transfer Agent and the Paying Agent (i) 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 (ii) 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 9.5, the Issuer shall be bound to redeem the Notes in accordance with this Condition 9.5.

9.6 **Substitution or Variation**

Where Substitution or Variation for Tier 2 Notes is specified in the Applicable Pricing Supplement as being applicable, and a Tax Event (Gross up), Tax Event (Deductibility) or a Capital Disqualification Event and, if specified in the Applicable Pricing Supplement, a Change in Law has occurred and is continuing, then the Issuer may, subject to Condition 9.7 (*Conditions to Redemption, Purchase, Modification, Substitution or Variation of Tier 2 Notes*) and/or as directed or approved by the Relevant Regulator and having given not less than 30 (thirty) nor more than 60 (sixty) days' notice to the Noteholders in accordance with Condition 18 (*Notices*), the Paying Agent and the Transfer Agent (which notice shall be irrevocable) but without any requirement for the consent or approval of the Noteholders, at any time either substitute all (but not some only) of the Notes for, or vary the terms of the Notes so that they remain or, as appropriate, become, Qualifying Tier 2 Securities. Upon the expiry of such notice, the Issuer shall either vary the terms of or substitute the Notes in accordance with this Condition 9.6, as the case may be.

9.7 **Conditions to Redemption, Purchase, Modification, Substitution or Variation of Tier 2 Notes**

(a) Notwithstanding the foregoing provisions of this Condition 9 or Condition 18 (*Notices*) and subject to Condition 9.7(b) below, for so long as the applicable Capital Rules so require, Tier 2 Notes may be redeemed, purchased (in whole or in part), modified, substituted or varied, prior to the Maturity Date, only at the option of the Issuer, and only if:

(i) the Issuer has notified the Relevant Regulator of, and the Relevant Regulator has consented in writing to, such redemption, purchase, modification, substitution or variation (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 (including any prescribed notice periods with which the Issuer may need to comply, if any, in such Capital Rules));

(ii) the redemption, purchase, modification, substitution or variation of the Tier 2 Notes is not prohibited by the Capital Rules; and

(iii) prior to the publication of any notice of redemption, substitution or variation or redemption pursuant to this Condition 9, the Issuer shall deliver to the Paying Agent and the Transfer Agent a certificate signed by two authorised officers stating that the relevant requirement or circumstance giving rise to the right to redeem, substitute or, as appropriate, vary is satisfied and, in the case of a substitution or variation, that the relevant Qualifying Tier 2 Securities have terms not materially less favourable to an investor than the terms of the Notes and will as from the date of such substitution or variation otherwise comply with the requirements of the definition thereof in Condition 1 (*Interpretation*).

(b) This Condition 9.7 does not apply in respect of a redemption in whole, but not in part, of Tier 2 Notes upon a Capital Disqualification Event in accordance with Condition 9.5 (*Redemption following the occurrence of a Capital Disqualification Event*).

9.8 **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 9.9 (*Early Redemption Amounts*), together with interest (if any) to the date of payment, in accordance with Condition 13 (*Events of Default*).

9.9 **Early Redemption Amounts**

For the purpose of Condition 9.2 (*Redemption for Tax reasons or Change in Law*), Condition 9.5 (*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.

9.10 **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 Condition 9.2 (*Redemption for Tax reasons or Change in Law*), or Condition 9.5 (*Redemption following the occurrence of a Capital Disqualification Event*) or Condition 9.9 (*Early Redemption Amounts*), the Early Redemption Amount will be determined pursuant to Condition 9.9 (*Early Redemption Amounts*).

9.11 **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 and the Applicable Pricing Supplement.

9.12 **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.

9.13 **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.

9.14 **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.

9.15 **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 this Condition 9 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 9.9(c), 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: (a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and (b) 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**

(a) *Method of payment*

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

(i) 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 Central Depository, as the registered Noteholder of such Notes; and

(ii) 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(a), 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.

(b) *Beneficial Interest*

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

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 Central Depository, 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 Central Depository, as the registered holder of such Notes, distinguishing between interest and principal, and such record of payments by the Central Depository, as the registered Noteholder of such Notes, will be *prima facie* proof of such payments.

(c) *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(c), 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 9.9 (*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:

(a) 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

(b) 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

(c) 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

(d) 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

(e) 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 intergovernmental agreement, or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the U.S. 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 (three) 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 (six) 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:

(a) *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

(b) *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

(c) *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

(d) *Insolvency, winding-up etc*. the granting of an order by any competent court or authority for the liquidation, curatorship, winding-up or dissolution 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 or dissolution shall constitute an event of default if: (i) the liquidation, curatorship, winding-up or dissolution is for purposes of effecting an amalgamation, merger, demerger, consolidation, reorganisation or other similar arrangement within the SB Group; or (ii) in respect of a Solvent Reconstruction; or (iii) the liquidation, curatorship, winding-up or dissolution 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 or dissolution; or

(e) *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:

(a) *Non-payment*: subject to Condition 7.1(a) (*Accrual of Interest*), 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

(b) *Insolvency, winding-up etc.*: the granting of an order by any competent court or authority for the liquidation, winding-up or dissolution 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, winding-up or dissolution shall constitute an Event of Default if the liquidation, winding-up or dissolution is (i) for purposes of effecting an amalgamation, merger, demerger, consolidation, reorganisation or other similar arrangement within the SB Group, (ii) in respect of a Solvent Reconstruction, or (iii) the liquidation, curatorship, winding-up or dissolution 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, winding-up or dissolution.

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(a) (*Non-payment*), any holder of Subordinated Notes of the Class may, subject to Condition 5.2(c) (*Subordination*) and the Capital Rules in the case of Tier 2 Notes or Condition 5.3(c) (*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 a claim 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(b) (*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(c) (*Subordination*) and the Capital Rules in the case of Tier 2 Notes or Condition 5.3(c) (*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 Subordinated 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**

(a) The holder of a Beneficial Interest in Notes may, in terms of the Applicable Procedures and subject to section 34(e) and section 42 of the Financial Markets Act read with section 35(2)(i) of the Financial Markets Act (or the relevant provisions of any successor legislation), 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 (i) the name, address and bank account details of the holder of the Beneficial Interest and (ii) 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.

(b) 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.

(c) In the case of the exchange of a Beneficial Interest in any Registered Notes:

(i) such Registered Note will, prior to the Exchange Date, be surrendered (through the Central Depository system) to the Transfer Agent at its Specified Office; and

(ii) the Transfer Agent will obtain the release of such uncertificated Notes from the Central Depository in accordance with the CSD Procedures.

(d) An Individual Certificate shall, in relation to a Beneficial Interest:

(i) in a Tranche of Notes which is held in the Central Depository, represent that number of Notes as have, in the aggregate, the same aggregate Nominal Amount of Notes standing to the account of the holder of such Beneficial Interest; and

(ii) 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,

as the case may be, 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.

(e) Subject always to Applicable Laws and Applicable Procedures, upon the replacement of a Beneficial Interest in Notes, with Notes in definitive form represented by an Individual Certificate in accordance with this Condition 14, such Notes (now represented by an Individual Certificate) will cease to be listed on the Financial Exchange and will no longer be lodged in the Central Depository. Notes represented by Individual Certificates will be registered in the Register in the name of the individual Noteholders of such Notes.

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**

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

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

(ii) 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.

(iii) 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.

(iv) Transfers of Beneficial Interests in Registered Notes will not be recorded in the Register and the Central Depository will continue to be reflected in the Register as the Noteholder of such Notes notwithstanding such transfers.

(b) *Transfer of Registered Notes represented by Individual Certificates*

(i) 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:

(A) the transfer of such Registered Notes must be embodied in a Transfer Form;

(B) 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

(C) 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.

(ii) 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).

(iii) Subject to this Condition 15.1(b), 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.

(iv) 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.

(v) 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.

(vi) 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.

(vii) 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*).

(viii) 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.

(ix) In the event of a partial redemption of Notes, the Transfer Agent shall not be 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:

(a) be kept at the Specified Offices of the Transfer Agent or such other person as may be appointed for the time being by the Issuer to maintain the Register;

(b) 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;

(c) contain the name, address, and bank account details of the Noteholders of Registered Notes;

(d) set out the Nominal Amount of the Notes issued to such Noteholders and shall show the date of such issue;

(e) show the serial number of Individual Certificates issued in respect of any Notes;

(f) be open for inspection during the normal business hours of the Issuer to any Noteholder or any person authorised in writing by any Noteholder; and

(g) be closed during the Books Closed Period.

16.2 The registered Noteholder of the Registered Notes in a Tranche of Registered Notes which is held in the Central Depository will be determined in accordance with the CSD Procedures, and such registered Noteholder will be named in the Register as the registered holder of such Registered Notes.

16.3 The Transfer Agent shall not be obliged to record any transfer while the Register is closed.

16.4 The Transfer Agent shall alter the Register in respect of any change of name, address or bank account number of any of the Noteholders of any Registered Notes of which it is notified in accordance with these Terms and Conditions.

16.5 Except as provided for in these Terms and 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.

16.6 Except as provided for in these Terms and Conditions or as required by Applicable Laws, 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, implied or constructive, to which any Individual Certificate may be subject.

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:

(a) 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

(b) 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

Notices to Noteholders shall be valid and effective:

(a) in the case of uncertificated Notes listed on the JSE, if delivered to:

(i) the JSE and electronically published on SENS, or any other similar service, established by the JSE; and

(ii) the Central Depository and the Participants; or

(b) in the case of unlisted uncertificated Notes, if mailed to the registered addresses of the Noteholders appearing in the Register or, if delivered to the Central Depository and the Participants (and if required, electronically published on SENS, or any other similar service, established by the JSE); or

(c) in the case of Notes being represented by an Individual Certificate (whether evidencing Registered Notes, Bearer Notes or Order Notes), if mailed to the registered addresses of the holders of the Notes appearing in the Register and published, not earlier than 4 calendar days after the date of posting of such notice by registered mail:

(i) in an English language daily newspaper of general circulation in South Africa; and

(ii) 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.

Any such notice shall be deemed to have been given on the seventh day after the day on which it is mailed, or the day of its publication, as the case may be.

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 SENS.

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**

Unless Noteholders of at least 90 per cent. of the aggregate Nominal Amount of all Notes or Class of Notes Outstanding, as the case may be, agree in writing to a shorter period, 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:

(a) in the case of a meeting requested by Noteholders, it shall be dissolved; or

(b) 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:

(i) the meeting shall be dissolved if the Issuer so decides; and

(ii) 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 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 Issuer 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 holders of Beneficial Interests in Registered Notes must vote in accordance with the CSD Procedures. Holders of Beneficial Interests in Registered Notes must exercise their respective rights to vote through their respective Participants. The respective Participants will vote in accordance with the respective instructions conveyed to them by the respective holders of the Beneficial Interest in Registered Notes, in accordance with the CSD 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 amendment or 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.

20.2 Save as provided in Condition 20.1 and subject to Condition 9.6 (*Substitution or Variation*) and Condition 9.7 (*Conditions to Redemption, Purchase, Modification, Substitution or Variation of Tier 2 Notes*), no amendment, variation or modification of these Terms and Conditions may be effected or be of any force or effect 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,

provided that no such amendment, variation or modification shall be of any force or effect unless notice of the intention to make such amendment, variation or modification shall have been given to all the members of the relevant Class of Noteholders in terms of Condition 18 (*Notices*).

20.3 Save for modification pursuant to Condition 9.7 (*Conditions to Redemption, Purchase, Modification, Substitution or Variation of Tier 2 Notes*), the Issuer shall be obliged to first obtain approval from the JSE prior to seeking approval of Noteholders as contemplated in Condition 20.2. In order to obtain such approval from the JSE, the amended placing document, whether in the form of a supplement to this Programme Memorandum or otherwise, must be submitted to the JSE and once approved, such amended placing document must also be published on SENS according to the requirements of the JSE from time to time.

20.4 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.

20.5 Any modification of the Terms and Conditions applicable to the Tier 2 Notes in accordance with this Condition 20 is subject to the Issuer obtaining consent of the Relevant Regulator (if and to the extent that such consent is required by the Capital Rules) pursuant to Condition 9.7 (*Conditions to Redemption, Purchase, Modification, Substitution or Variation of Tier 2 Notes*).

20.6 Any such modification of these Terms and Conditions made pursuant to this Condition 20 shall be binding on the relevant Class of Noteholders and any such modification shall be notified to the relevant Class of Noteholders in accordance with Condition 18 (*Notices*) and to the relevant Financial Exchange as soon as practicable thereafter.

20.7 For the avoidance of doubt:

(a) 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 an amendment, variation or modification of these Terms and Conditions; and

(b) it is recorded that, 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 Terms and Conditions, replace or modify such Terms and Conditions for the purposes of such Tranche of Notes. The issuing of any such Applicable Pricing Supplement shall not constitute an amendment, variation or modification of these Terms and Conditions as contemplated by this Condition 20 requiring the approval of the Noteholders or the JSE.

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 'to 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 (i) be 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 1st day of September 2016.

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

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

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

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 assets) as at 31 December 2015 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 plays a fundamental role in positioning the Standard Bank group to capitalise on the pace of growth in the rest of Africa. SBSA is the head office for SBG's African focus and provides the springboard for SBG's strategy: the capacities developed by SBSA's South African operations 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. 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 2015, SBSA Group had total assets of R1,276,953 million (compared to R1,131,150 million as at 31 December 2014) and had profit attributable to the ordinary shareholder of R12,478 million for the year ended 31 December 2015 (R11,674 million for the year ended 31 December 2014).

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 an operational footprint in 20 African countries. SBG is a leading African integrated financial services group offering a full range of banking and related services. SBG's vision is to be the leading financial services organisation in, for and across Africa by delivering exceptional client experiences and superior value.

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) Wealth. 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 (including the Wealth business); 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 2015, Personal & Business Banking SA recorded profits attributable to the ordinary shareholder of R9,616 million, constituting 77 per cent. of SBSA group's total profit attributable to the ordinary shareholder (compared to R8,601 million and 74 per cent., respectively, for the year ended 31 December 2014). As at 31 December 2015, assets attributable to Personal & Business Banking SA constituted 39 per cent. of SBSA Group's total assets (42 per cent. as at 31 December 2014).

Corporate & Investment Banking SA provides corporate and investment banking services to governments, parastatals, large corporates, financial institutions and international counterparties and includes global markets, transactional products and services, investment banking and real estate. Corporate & Investment Banking SA contributed 33 per cent. of SBSA group's profit attributable to the ordinary shareholder for the year ended 31 December 2015 (30 per cent. for the year ended[1] 31 December 2014) and constituted 57 per cent. of its total assets as at 31 December 2015 (54 per cent. as at 31 December 2014). 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).

[1] 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.

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.

SBG entered into an agreement on 29 January 2014 in terms of which ICBC would upon completion acquire a controlling interest in the SBG Group's non-Africa business, focusing on commodities, fixed income, currencies, credit and equities products. Under the agreement, ICBC acquired 60 per cent. of Standard Bank Plc from Standard Bank London Holdings for cash.

Standard Bank Plc was, until 31 January 2015, wholly owned by Standard Bank London Holdings Limited, which in turn is a wholly owned subsidiary of SBG.

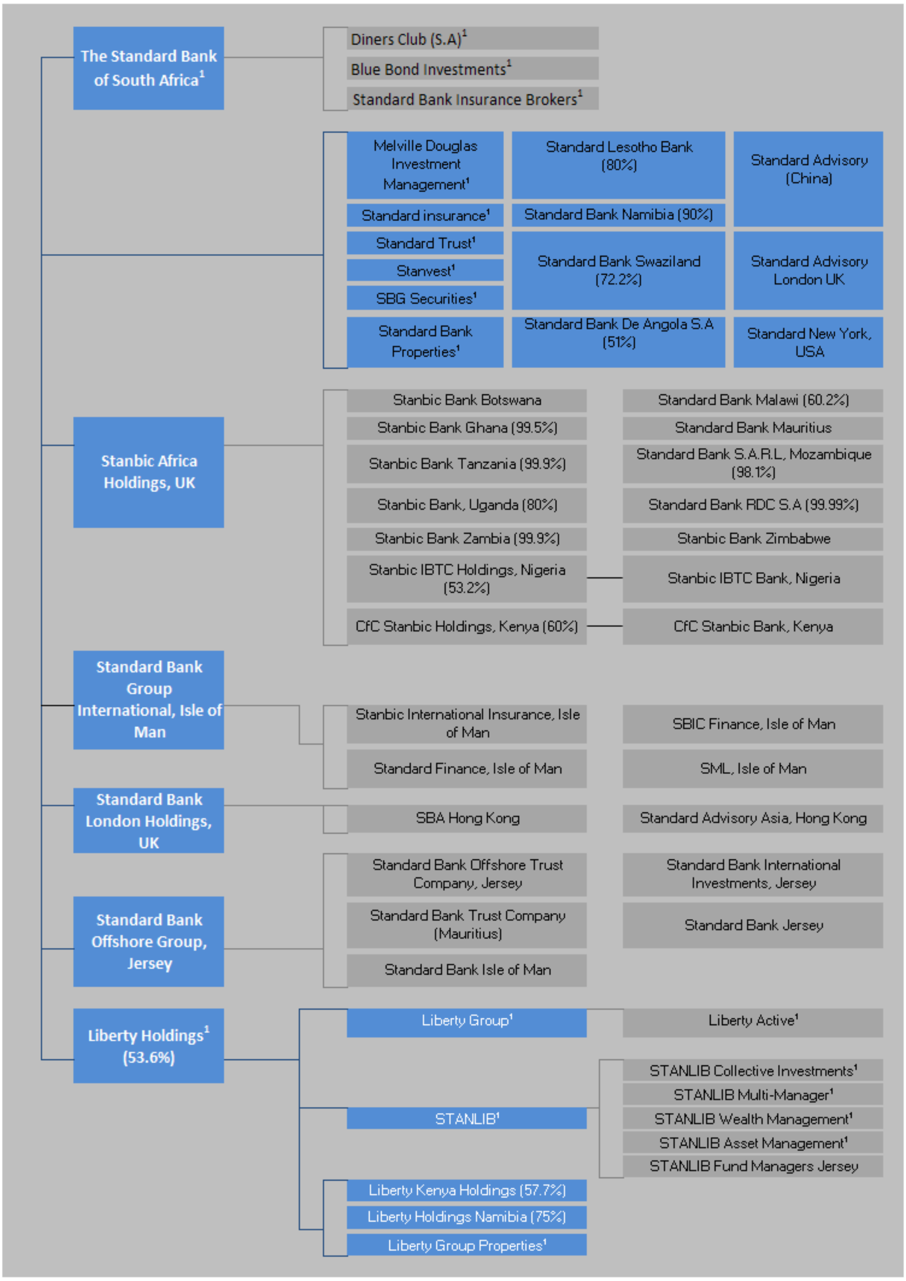
CORPORATE STRUCTURE

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 2015, the Bank had issued share capital of 59,997,129 ordinary shares of R1 each, all of which are owned by SBG.

The chart below presents SBG's corporate structure as at 31 December 2015:

Standard Bank Group Limited



[1] Incorporated in South Africa.

As at 31 December 2015, the ten largest shareholders in SBG beneficially held 43.8 per cent. of SBG's ordinary shares. The table sets out the ten largest shareholders of SBG as at 31 December 2015 and 31 December 2014.

	2015 Number of shares		**2014[1] Number of shares**	
	(million)	*% holding*	*(million)*	*% holding*
Industrial and Commercial Bank of China	325.0	20.1	325.0	20.1
Government Employees Pension Fund (PIC)	202.0	12.5	212.6	13.1
Allan Gray Balanced Fund	38.4	2.4	31.8	2.0
Investment Solutions	30.5	1.9	33.5	2.1
GIC Asset Management	26.2	1.6	21.7	1.3
Allan Gray Equity Fund	19.6	1.2	24.5	1.5
Vanguard Emerging Markets Fund	19.2	1.2	22.6	1.4
Dimensional Emerging Markets Value Fund	16.6	1.0	19.3	1.2

Stewart Investors GEM Leaders Fund (formerly First State GEM Fund)	15.9	1.0	14.2	0.9
Old Mutual Life Assurance	15.0	0.9	18.5	1.1
	708.4	**43.8**	**723.7**	**44.7**

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 2015 and 31 December 2014:

Subsidiaries	Nature of operation	Issued share capital	Effective holdings 2015	Effective holdings 2014	Book value of shares 2015	Book value of shares 2014	Net indebtedness 2015	Net indebtedness 2014
		(Rm)	*(%)*		*(Rm)*			
Blue Bond Investments Ltd	Participation mortgage bond finance	*	100	100	**	**	**	30
Blue Granite Investments No. 1 (RF)[1] Limited	Securitisation Vehicle	-	-	-	-	-	441	449
Blue Granite Investments No. 2 (RF)[1] Limited	Securitisation Vehicle	-	-	-	-	-	250	303
Blue Granite Investments No. 3 (RF)[1] Limited	Securitisation Vehicle	-	-	-	-	-	455	558
Blue Granite Investments No. 4 (RF)[1] Limited	Securitisation Vehicle	-	-	-	-	-	112	270
Blue Titanium Conduit Limited	Asset-backed commercial paper conduit	-	-	-	-	-	154	666
Diners Club (SA) Proprietary Ltd	Travel and entertainment card	*	100	100	**	**	582	625
Out of the Blue Originator (RF) Proprietary Limited[1]	Securitisation Vehicle						(3)	655
Siyaka Fund (RF) Ltd[1]	Securitisation Vehicle						694	652
Tabistone 06 (RF) Ltd[1]	Securitisation Vehicle						185	69
Standard Bank Insurance Brokers Proprietary Ltd	Insurance broking	*	100	100	***	***	(109)	(313)
Rapitrade 584 Proprietary Limited	Financing company	*	100	100	***	***	4,309	3,375
Miscellaneous	Finance companies		****	****	134	96	99	(59)
Total Investments in subsidiaries					**134**	**96**	**7,169**	**7,280**

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.

1 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) Wealth, which includes the SBG Group's majority shareholding in the Liberty Group. 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 its strategic focus in Africa. As the SBG Group's largest business entity, the Bank's balance sheet is regarded as 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 growing customer base in chosen segments and delivering an excellent and consistent customer experience

The Bank operates in a fiercely competitive market and in response to this fast changing environment, it focuses on growing market share in selected market segments, on understanding and delivering excellent service to its customers and being efficient in delivering those services. The Bank's focus is on growing market share in relatively affluent markets and among small and medium enterprises, especially those which intend to expand into the rest of Africa, for which it provides a dedicated 'Africa desk'. It is systematically re-engineering many of the processes and channels through which customers interact with the Bank with the aim of radically improving customer experience. It also continues to update its digital services. For instance, it now offers customers using its Mobile Banking application the ability to trade shares in South Africa and on 29 international exchanges and to submit insurance claims for homeowners' cover using photographs taken with a smartphone. The Bank also continues to develop and promote its mobile payments solutions for merchants, and to update the interface offered to its business and commercial banking clients.

Investment in information technology ("IT") infrastructure, to improve efficiency, effectiveness and innovation

The Bank's IT transformation programme is designed to create a digital bank able to adapt continuously to client demands for increased availability and higher levels of flexibility and agility.

The Bank continues to make significant progress in its aim of a comprehensive overhaul of its core banking systems through building a robust new IT architecture to deliver its strategy as a fully digital financial services company.

During 2015, the Bank completed the migration of 34 million customer profiles from various legacy systems on to a single customer master file which forms the foundation for capturing and analysing customer data more effectively.

The replacement of the Bank's core banking system is a key enabler of the Personal & Business Banking SA vision and allows the Bank to be agile and responsive in meeting the needs of customers. The new system is more efficient and places the customer at the centre. The Bank believes that the comprehensive nature of the core banking system transformation, which involves the overhaul of both back-office and front-end functions simultaneously, will afford the Bank a powerful competitive advantage and improve the Bank's business and operating model.

Attracting retail deposits

The Bank continues to focus on acquiring primary transaction and deposit accounts. These retail deposits reduce the Bank's reliance on expensive wholesale funding and assist in building a track record of customer cash flows and customer information to enable more accurate risk assessment. The Bank maintained its leading market share in South Africa for retail deposits in 2015 according to the SARB BA 900 report for 31 December 2015.

As part of the Bank's strategy to acquire retail deposit accounts, in 2015, the Bank sought to price its account products very competitively. For example, the Bank has kept fee increases for personal customers below inflation and offers transactional accounts which provide a number of transactional services for free, such as electronic account payments and cash withdrawals at retailer till points. The Bank's marketing has also focused on attracting retail deposits. For instance, the Bank offers retail customers an attractive reward system, UCount, which allows certain customers to earn rewards with a financial value greater than their banking fees.

Business and commercial banking: supporting African expansion

The Bank's business and commercial banking unit serves more than 500,000 businesses and maintained the largest share of the business and commercial banking market in South Africa in 2015 according to the SARB BA 900 report for 31 December 2015. Business banking serves businesses with an annual turnover of between R20 million and R300 million per annum. Commercial banking serves businesses with an annual turnover of between R300 million and R1.2 billion per annum. The Bank's strategy is to attract and retain smaller businesses in South Africa and to assist them in expanding into fast-growing economies in the rest of Africa with the help of its 'Africa desk'. The 'Africa desk' provides market information, assists South African customers to open accounts with SBG Group subsidiaries in other African countries and assists businesses to understand and comply with local regulatory requirements.

Focus on growing market share in Wealth segment

The Bank's view is that a substantial Wealth (Insurance and Asset Management) business is an essential component of a customer-centric universal bank. Equally, in the current regulatory environment, capital-light Wealth businesses make an important contribution to enhancing the Bank's return on equity. Furthermore, management believes that the Bank's market share in the Wealth segment is significantly less than its market share in other segments. SBSA's management therefore intends to leverage the Bank's strong brand and large network to grow its market share in the Wealth segment, both by manufacturing and distributing its own products and through the Bank's bancassurance agreement with its affiliate Liberty.

During 2015, SBSA continued to align its Wealth businesses under a consolidated management team headed by the Chief Executive of the Wealth business and the Bank adjusted its product and advisory services to ensure it serves the unique needs of individual customers. For instance, our investment advisors are now using a goal-based investing approach which will be supported by a new range of retail mutual funds. This was a proactive response to the pending introduction of substantial changes to the regulation of Wealth products and services in South Africa which are aimed at making the incentives and remuneration of investment advisors more transparent, increasing competition in the Wealth market and providing customers with more value for Wealth products.

During 2015, the Wealth unit also completed work on the development of a more comprehensive range of offshore products and continued to widen and deepen the Bank's relationship with Liberty.

Corporate and Investment Banking SA

The Bank's South African Corporate and Investment Banking unit continues to maintain SBSA's current market leading 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 through client centricity and capturing deal flow

The Bank's client coverage model is the cornerstone of its strategy and defines how it offers value to clients. Under this model, each client is allocated a relationship manager who establishes a client service team with representatives across Corporate & Investment Banking SA and the other business units as necessary in order to develop a complete understanding of its clients' needs and prospects and to provide them with a seamlessly integrated universal financial services solution.

Despite the challenging macroeconomic conditions experienced in 2015, the Bank has benefited from its ability to support the expansion of many corporate clients into African markets beyond South Africa.

The Bank expects that the South African government (the "**Government**") will continue to invest heavily in infrastructure, largely through its State-Owned Companies (including Eskom and Transnet), but increasingly also though procuring energy and transport infrastructure from private sector providers, as announced in the 2016 State of the Nation and Budget Speeches. The Government expects to spend R870 billion on new public sector infrastructure over the next three years according to the 2016 Budget Speech, while also remaining committed to stabilising the public debt-to-GDP ratio, largely by improving the quality of expenditure and moderating the growth of recurring expenditure. SBSA's management anticipates that, if successful, this approach should boost investor confidence and should provide significant opportunities for deal flows for Corporate & Investment Banking SA.

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 2015, in the 5 product categories tracked by the SARB, SBSA held a market share of 29.9 per cent. of mortgage lending at 31 December 2015 (31 December 2014: 30.3 per cent.), 18.7 per cent. of instalment finance at 31 December 2015 (31 December 2014: 17.7 per cent.), 26.9 per cent. of card debtors at 31 December 2015 (31 December 2014: 27.4 per cent.), 20.8 per cent. of unsecured lending (31 December 2014: 20.9 per cent.) and 23.4 per cent. of deposits at 31 December 2015 (31 December 2014: 24.2 per cent.). According to the SARB BA 900 Filings as at 31 December 2015, SBSA's market share in mortgage advances, unsecured lending and deposits is the largest of the four major South African banks.

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 2010, the Bank's total loan portfolio has grown from R536,188 million to R897,344 million as at 31 December 2015, while actual write-offs decreased from 1.18 per cent. of average advances in 2010 to 0.84 per cent. in 2015. This was primarily due to improved strategy for collections, effective rehabilitation and improved credit impairment modelling across products.

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.

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 2015, SBSA Group's total assets amounted to R1,276,953 million (compared to R1,131,150 million as at 31 December 2014), an increase of 12.9 per cent. For the year ended 31 December 2015, SBSA's profit attributable to the ordinary shareholder increased by 6.9 per cent. to R12,478 million from R11,674 million for the year ended 31 December 2014.

For the year ended 31 December 2015, the Bank's total income increased by 7.1 per cent. to R61,305 million, driven by a 7.6 per cent. increase in net interest income and a 6.6 per cent. increase in non-interest revenue. Net interest income for this period benefited from the positive endowment effect of higher average interest rates, improved margins and growth in average assets balances. This was partly offset by competitive pricing in Corporate & Investment Banking SA, higher funding costs and the effect of additional low margin high-quality liquid assets ("**HQLA**") held to meet Basel III liquidity requirements. Net fee and commission income for the year ended 31 December 2015 grew by 1.5 per cent. compared to growth of 10.8 per cent. for the year ended 31 December 2014. This decrease in the rate of growth of net fee and commission income was mainly due to a reduction in interchange rates from 1 March 2015 and lower advisory, commitment, upfront and guarantee fees, partly offset by increased account transaction fees and card based commissions. Trading revenue for the year ended 31 December 2015 increased by 21.3 per cent. compared to the year ended 31 December 2014, driven by revenue growth in equities and commodities, assisted by client transactional activities. Other revenue for the year ended 31 December 2015 benefited from fair value gains in the strategic investment portfolios.

Credit impairment for the year ended 31 December 2015 decreased to R7.4 billion, a 6.2 per cent. decrease on the prior year driven by an improved risk profile in mortgage lending, vehicle and asset finance and business lending portfolios. Staff costs increased due to annual salary increases, the impact of converting temporary staff to permanent staff linked to changes in labour legislation effective 1 April 2015 and higher headcount in the innovation and digital banking specialist areas. Other operating expenses increased largely as a result of higher IT spend, increased amortisation due to core banking and cross-border payments systems as well as additional professional fees linked to work on various regulatory projects and outstanding legal matters. Impairment of intangible assets were required, linked to select components of the core banking and cross-border payments systems going live, as well as the decommissioning of certain subledger accounting systems which had become redundant, as part of a process of standardisation.

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 2015 and 31 December 2014:

	Personal & Business Banking SA		**Corporate & Investment Banking SA**		**Other Services**[1]	
	31 December		**31 December**		**31 December**	
	2015	**2014**	**2015**	**2014**	**2014**	**2015**
	(Rm)		*(Rm)*		*(Rm)*	
Assets	501,877	479,294	729,944	610,875	45,132	40,981
Profit attributable to the ordinary shareholder	9,616	8,601	4,140	3,542	(1 278)	(469)

1 Where reporting responsibility for individual cost centres and divisions within business units' change, the segmental analysis comparative figures have been reclassified accordingly.

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 and other financial services in South Africa. At 31 December 2015, it operated 647 branches and loan centres and approximately 7,273 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 provides a variety of products and services, including, in particular, mortgage lending to individual customers, vehicle and assets finance, lending products, card products to individuals and small and medium sized businesses, transactional products, as well as bancassurance and wealth products.

For the year ended 31 December 2015, Personal & Business Banking SA recorded profit attributable to the ordinary shareholder of R9,616 million, an increase of 11.8 per cent. on the prior year. Net interest income of R27,470 million for the year ended 31 December 2015 constituted 61.0 per cent. of the division's total income (compared to R24,902 million and 59.4 per cent. for the previous financial year) and non-interest income amounted to R17,554 million, an increase of 3.3 per cent. compared to the previous financial year. Total operating expenses amounted to R24,413 million, up 8.5 per cent., mainly due to growth in information technology spend, depreciation and amortisation as a result of continued investment in digital capabilities and enhanced core banking platforms.

The following table presents a summary of Personal & Business Banking SA's main performance indicators for the years ended 31 December 2015 and 2014.

	31 December	
	2015	2014
	(Rm)	
Net interest income	27,470	24,902
Non-interest revenue	17,554	16,988
Total income	45,024	41,890
Credit impairment charges	(6,603)	(7,172)
Revenue sharing agreements[1]		(2)
Net income after credit impairment charges	38,421	34,716
Operating expenses	(24,413)	(22,507)
Staff costs	(7,144)	(6,540)
Other operating expenses	(5,759)	(5,610)
Transfer costs	(11,510)	(10,357)
Net income non-trading and capital related items	14,008	12,209
Non-trading and capital related items	(683)	(258)
Share of profits from associates and joint ventures	13	56
Net income before indirect taxation	13,338	12, 007
Indirect taxation	(369)	(359)
Profit before direct taxation	12,969	11,648
Direct taxation	(3,352)	(3,044)
Attributable to non-controlling interest	(1)	(3)
Profit attributable to ordinary shareholder	9,616	8,601
Total assets	**501,877**	**479,294**
Total liabilities	**455,027**	**437,196**

[1] Revenue sharing agreements are agreements that allow for the sharing of income with other SBG companies.

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 2015 to R310,330 million (31 December 2014: R302,847million), constituting 62.3 per cent. of loans and advances by the Personal & Business Banking SA business unit (compared to 63.4 per cent. for the year ended 31 December 2014).

The credit loss ratio (including the charge for performing and non-performing loans) decreased from 0.79 per cent. of gross mortgage loans for the year ended 31 December 2014, to 0.67 per cent. for the year ended 31 December 2015. Credit impairment charges for mortgage loans amounted to R2,054 million for the year ended 31 December 2015 (2014: R2,381 million). For the year ended 31 December 2015, R13,898 million of gross mortgage loans (4.5 per cent. of gross mortgage loans) were impaired compared to R13,245 million (4.4 per cent. of gross mortgage loans) in the previous financial year.

Net interest income from mortgage lending increased for the year ended 31 December 2015 assisted by portfolio yield in response to changing regulations, associated credit risk and higher funding costs coupled with a larger loan book.

Vehicle and asset finance

Vehicle and asset finance division provides finance to personal market customers and finance vehicles and equipment to the business market. As at 31 December 2015, gross loans and advances in vehicle and asset finance amounted to R69,574 million (R63,299 million as at 31 December 2014), an increase of 9.9 per cent. The credit loss ratio vehicle and asset finance decreased to 1.20 per cent. for the year ended 31 December 2015 from 1.58 per cent. for the year ended 31 December 2014 due to higher collections and improved loss given default rates.

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 2015, the Bank's credit card debtors increased by 3.0 per cent. to R30,389 million. The credit loss ratio for gross card debtors increased from 3.82 per cent. as at 31 December 2014, to 4.67 per cent. as at 31 December 2015 largely due to increased default rates, and the levels of non-performing loans in the credit card portfolio increased from 5 per cent. of gross loans as at 31 December 2014 to 6.6 per cent. of gross loans as at 31 December 2015, as a result of increased consumer strain in South Africa.

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, mobile 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 five main product groupings, namely: Global Markets, Transactional Products and Services, Investment Banking, Real Estate and Principal Investment Management and Client Coverage.

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 increased by 16.9 per cent. to R4,140 million for the year ended 31 December 2015. Net interest income increased by 6.5 per cent. for the year ended 31 December 2015 due to higher balances, offset by higher costs of funding and the impact of additional low margin HQLA held to meet Basel III liquidity requirements. Trading revenue was up on the prior year, mainly due to higher equity and commodities client activities. Other revenue increased by 27.0 per cent. on the prior year due to fair value gains on strategic investments activities. Credit impairment charges were down 28.0 per cent. on the prior year primarily due to lower specific impairment provision required in the current financial year. Total operating expenses increased by 19.7 per cent. to R10,769 million compared to the prior year, mainly due to information technology spend, depreciation and amortisation charge as well as increased professional fees.

The value of the total gross loans and advances amounted to R402,608 million as at 31 December 2015 (R320,465 million as at 31 December 2014), which represents 44.0 per cent. of SBSA's total gross loans and advances as at 31 December 2015 (compared to 40.0 per cent. of SBSA's total gross loans and advances as at 31 December 2014).

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 are a key focus area for the Bank and include 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 and Principal Investment Management

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

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 2015 and 31 December 2014:

	31 December	
	2015	**2014**
	(Rm)	
Net interest income	7,979	7,493
Non-interest revenue	8,813	7,880
Total income	16,792	15,373
Credit impairment charges	(507)	(704)
Net income after credit impairment charges	16,285	14,669
Revenue sharing agreement with group companies	(1,125)	(1,757)
Income after revenue sharing agreements	15,160	12,912
Operating expenses	(10,769)	(8,996)
Staff costs	(3,577)	(3,460)
Other operating expenses	(3,169)	(2,499)
Transfer costs	(4,023)	(3,037)
Net income	4,391	3,916
Non-trading and capital related items	(257)	(140)
Share of (losses)/profits from associates and joint ventures	51	65
Net income before indirect taxation	4,185	3,841
Indirect taxation	(213)	(193)
Profit before direct taxation	3,972	3,648
Direct taxation	168	(106)
Profit attributable to non-controlling interest	-	-
Profit attributable to the ordinary shareholder	4,140	3,542
Total assets	**729,944**	**610,875**
Total liabilities	**692,688**	**582,454**

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 2015, SBSA Group's total net loans and advances to customers amounted to R783,744 million (R685,331 million as at 31 December 2014), an increase of 14.3 per cent.

For the year ended 31 December 2015, R12,738 million (1.4 per cent.) of total gross loans and advances were specifically impaired compared to R11,148 million (1.4 per cent.) in the previous financial year.

Balance sheet credit impairments for loans and advances amounted to R17,863 million for the year ended 31 December 2015, an increase of 16.3 per cent. on the credit impairment for the year ended 31 December 2014.

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 2015 and 2014.

	31 December	
	2015	**2014**
	(Rm)	
Loans and advances to banks	**113,600**	**100,152**
Call loans	3,187	2,506
Loans granted under resale agreements	46,513	60,706

	31 December	
	2015	2014
	(Rm)	
Balances with banks	63,900	36,940
Loans and advances to customers	**783,744**	**685,331**
Gross loans and advances to customers	**801,607**	**700,694**
Mortgage loans	310,330	302,847
Instalment sale and finance leases	69,618	63,380
Card debtors	30,389	29,496
Overdrafts and other demand lending	49,755	49,171
Personal loans	8,485	8,778
Corporate, business and other loans	41,270	40,393
Personal loans	29,256	27,201
Corporate business and other loans	213,316	163,519
Commercial property finance	62,552	54,131
Loans granted under resale agreements	36,391	10,949
Credit impairments for loans and advances	**(17,863)**	**(15,363)**
Specific Credit Impairments	(12,738)	(11,148)
Portfolio Credit Impairments	(5,125)	(4,215)
Net loans and advances	**897,344**	**785,483**
Gross loans and advances	915,207	800,846
Less: credit impairments	(17,863)	(15,363)
Net loans and advances	**897,344**	**785,483**

Loan portfolio by industry sector

The following table sets out the composition of the Bank's advances by industry sector as at 31 December 2015 and 31 December 2014:

	31 December	
	2015	2014
	(Rm)	
Segmental analysis – industry		
Agriculture	18,176	14,270
Construction	15,860	16,415
Electricity	10,833	8,574
Finance, real estate and other business services	297,001	187,261
Individuals	402,052	386,503
Manufacturing	34,267	30,284
Mining	34,822	26,009
Other services	73,199	61,084
Transport	15,242	12,769
Wholesale	13,757	57,677
Gross loans and advances	**915,207**	**800,846**

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 2015 and 31 December 2014:

	31 December	
	2015	2014
	(Rm)	
Segmental analysis by geographic area		
South Africa		
Eastern Cape	26,273	27,202
Free State	18,633	18,826
Gauteng	400,131	349,115
KwaZulu-Natal	75,229	76,021
Limpopo	14,100	14,368
Mpumalanga	25,202	27,858
North West	15,745	16,201
Northern Cape	10,156	9,502
Western Cape	113,143	102,685

	31 December	
	2015	2014
	(Rm)	
Sub-Saharan Africa	59,720	42,123
Other Countries	156,875	116,945
Gross loans and advances	**915,207**	**800,846**

Credit impairments for loan and advances

The table below presents the credit impairments for loans and advances for the years ended 31 December 2015 and 31 December 2014:

	31 December	
	2015	2014
	(Rm)	
Balance at the beginning of the year	15,363	15,176
Credit losses written off	(5,441)	(7,879)
Discount element recognised in interest income	(817)	(751)
Exchange and other movements	562	113
Net impairments raised	8,196	8,702
Balance at the end of the year	17,863	15,363
Comprising		
Specific impairments	12,738	11,148
Portfolio impairments	5,125	4,215
	17,863	**15,363**

The table below sets out a segmental analysis of specific impairments of loans and advances by industry as at 31 December 2015 and 31 December 2014:

	31 December	
	2015	2014
	(Rm)	
Segmental analysis of specific impairments by industry		
Agriculture	238	223
Construction	393	352
Electricity	3	2
Finance, real estate and other business services	900	735
Individuals	8,084	7,032
Manufacturing	219	212
Mining	1,195	811
Other services	214	1,355
Transport	35	101
Wholesale	1,457	325
	12,738	**11,148**

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; and
- 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 restructuring. Loans renegotiated in 2014 that would otherwise be past due or impaired comprised R4.3 billion.

During 2015, SBSA Group adopted the SARB directive D7/2015 which requires distressed restructures that are in a default or early arrears status to retain such status for a minimum period of six months to ensure that the minimum payment requirements are met. Consequently, the adoption of the directive has resulted in renegotiated loans being reflected as past due or impaired rather than as performing as historically was applied. Accordingly, no disclosure has been provided of loans that were renegotiated in 2015 on a similar basis to that provided for in 2014, since such disclosures would not be directly comparable with one another.

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 board of directors of SBSA (the "**SBSA Board**") to balance its role of providing risk oversight and strategic counsel with ensuring adherence to regulatory requirements and risk tolerance. The SBSA Board 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 SBSA Board, so no individual or group can dominate the SBSA Board's 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 SBSA Board retains its responsibilities. Each committee has a mandate, which the SBSA 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. The SBSA Board's 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 SBSA Board.

The SBSA Board 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 1 May 2016, SBSA is managed by 3 executive and 10 non-executive directors, 10 of which are deemed independent. The current members of the SBSA Board are listed below:

Name	Title	Year Joined SBSA Board
Thulani Gcabashe	Chairman, Independent, non-executive	2003
Sim Tshabalala	Chief Executive	2008
Richard Dunne	Independent, non-executive	2009
Ben Kruger	Executive	2013
André Parker	Independent, non-executive	2014
Atedo Peterside	Independent, non-executive	2014
Kgomotso Moroka	Independent, non-executive	2003
Swazi Tshabalala	Independent, non-executive	2014
Arno Daehnke	Executive	2016
Myles Ruck	Independent, non-executive	2002
Peter Sullivan	Independent, non-executive	2013
Ted Woods	Independent, non-executive	2007
Martin Luke Oduor-Otieno	Independent, non-executive	2016

Changes to the SBSA's Board

Arno Daehnke was appointed as an executive director of the SBSA Board on 1 May 2016. He replaced Simon Ridley who retired on 30 April 2016. Martin Luke Oduor-Otieno also joined as an independent non-executive director of the SBSA Board on 1 January 2016.

The business address of the members of the SBSA 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 SBSA Board are set out below.

Thulani Gcabashe

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

Mr Gcabashe is chairman and independent non-executive director of SBG and SBSA. He was chairman of Imperial Holdings. He is the chairman of Built Africa Capital and related entities as well as African Olive Trading 160. He is chairman of the directors' affairs committee, large exposure credit committee and audit committee.

Sim Tshabalala

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

Mr Tshabalala is the chief executive of SBG and SBSA. Mr Tshabalala is a director of Tutuwa Community Holdings and the director of the Banking Association of South Africa. He is chairman of Stanbic Africa Holdings and Stanbic IBTC Bank as well as a director of Liberty Holdings, Liberty Group Limited. He is a member of 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 and AECI. He is the chairman of the SBG Group/SBSA audit committee and a member of the risk and capital management 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 a director of Stanbic Africa Holdings as well as the Institute of International Finance. Mr Kruger is a director of ICBCS and Leadership for Conservation in Africa. 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.

Kgomotso Moroka

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

Adv. Moroka is an independent non-executive director of SBG and SBSA. She is the chairman on the SBG's social and ethics committee. She is chairman of Gobodo Forensic & Investigative Accounting, Royal Bafokeng Platinum, Grinding Power and Temitayo. She is a director of Multichoice South Africa Holdings, Netcare, Kalagadi Manganese and South African Breweries. She is a senior advocate and is currently a trustee of the Nelson Mandela Children's Fund, Project Literacy and the Apartheid Museum. She serves on the directors' affairs committee and risk and capital 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. He is the chairman of the risk and capital management committee and the large exposure credit committee. He is a member of the directors' affairs 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 a director of Winton Capital Management Limited, Techtronic Industries, AXA China Region and AXA Asia. He was previously chief executive officer of Standard Chartered Bank, Africa and executive director and chief executive of Standard Chartered Bank, Hong Kong. He previously served as a director on Standard Bank Plc. He is a member of the audit committee and risk and capital management 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.

André Parker

BEcon, BEcon (Hons), MCom (University of Stellenbosch)

Mr Parker is the chairman of Tiger Brands and a director of Distell and Empresas Carozzi (Chile). He is a member of the large exposure credit committee and the directors affairs committee.

Atedo Peterside

BSc (Economics) (The City University, London), MSc (Economics) (London School of Economics and Political Science)

Mr Peterside is currently an Independent non-executive director of SBG and SBSA. He was previously the chairman of the Committee on Corporate Governance of Public Companies in Nigeria. He is the Founder of Stanbic IBTC Bank Plc, where he was the chief executive from inception of the Bank in February 1989 at age 33 (then IBTC) until 2007 and Chairman from 2007 until September 2014. He is currently chairman of Stanbic IBTC Holdings Plc. Mr Peterside is the chairman of ANAP Holdings Ltd and related parties as well as chairman of Cadbury Nigeria Plc. He is a director of Nigerian Breweries Plc, Flour Mills of Nigeria Plc and Unilever Nigeria Plc. He is a member of the audit committee.

Swazi Tshabalala

BA (Economics) (Lawrence University, USA), MBA (Babcock School of Management, Wake Forest University, USA)

Ms Tshabalala is an Independent non-executive director of SBG and SBSA. She was previously the chief executive officer of the Industrial Development Group. She is a member of the Group and Bank risk and capital management committees and audit committee. She is currently executive director of Kupanua Investments since 2013 and is a director of Liberty Group and Liberty Holdings.

Martin Luke Oduor-Otieno

BCom (Accounting) (University of Nairobi),

Dr Oduor-Otieno is an Independent non-executive director of SBG and SBSA. Dr Oduor-Otieno was previously the chief

Executive MBA (ESAMI/Maastricht Business School), Honorary doctorate of business leadership (KCA University) and AMP (Harvard)	executive officer of the Kenya Commercial Bank Group. He is currently an independent business advisor, having retired as partner at Deloitte East Africa. He is a fellow of the Kenya Institute of Bankers and Institute of Certified Public Accountants of Kenya and a member of the Institute of Certified Public Secretaries of Kenya and the Institute of Directors of Kenya. He is a director at GA Life Insurance Company.
Arno Daehnke	Dr Daehnke holds an M.Sc and a Ph.D in various fields of applied mathematics and an MBA focused on value-at-risk applications in financial institutions. Dr Daehnke is the group's financial director and is an executive director of SBG and SBSA.

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, 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 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 SBSA Board. In addition, any director with a personal financial interest in any matter presented for consideration by the SBSA Board 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 SBSA 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 31 December 2015, the SBSA Group had 32,442 employees (compared to 27,154 employees for the year ended 31 December 2014). For the year ended 31 December 2015, approximately 53.5 per cent. of the Bank's employees worked in the Personal & Business Banking SA segment of the Bank (48.6 per cent. for the year ended on 31 December 2014) whereas 9.9 per cent. worked in the Corporate & Investment Banking SA segment during the same period (3.9 per cent. for the year ended on 31 December 2014). The remaining 36.6 per cent. of employees worked in the central and other services segment within the Bank (47.5 per cent. for the year ended on 31 December 2014).

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 December 2015, there were 10 locally controlled banks, 6 foreign controlled banks, 3 mutual banks, 15 local branches of foreign banks, 2 banks in liquidation and 38 foreign banks with approved representative offices in South Africa. According to the SARB BA 900 report for 31 December 2015, the banking sector in South Africa had total assets of R4.8 trillion as at 31 December 2015. 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
	(Rm)	
ABSA Bank Limited	926,526	57,256
FirstRand Bank Limited	979, 920	75, 526
Nedbank Limited	811, 075	56, 571
The Standard Bank of South Africa Limited	1,214, 430	86, 380

Source: BA 900 filings – SARB, 31 December 2015

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 markets.

CAPITAL ADEQUACY

The Bank's capital management function is designed to ensure that regulatory capital requirements are met at all times and that the Bank and its principal subsidiaries are capitalised in line with the Bank's risk appetite and target ratios, both of which are approved by the SBG Board and SBSA Board. The Bank manages its capital levels to support business growth, maintain depositor and creditor confidence, create value for shareholders, and ensure regulatory compliance.

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 20 May 2016 in Government Gazette No. 40002) (the "**Regulations Relating to Banks**").

The SARB adopted the Basel III regulatory framework ("**Basel III**") introduced by the Basel Committee on Banking Supervision ("**BCBS**") 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 require SBG and SBSA to maintain a minimum level of capital based on SBG's and SBSA's risk-weighted assets. Regulatory capital adequacy is measured via three 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 comprises ordinary share capital, share premium, retained earnings and qualifying non-controlling interest less impairments. Tier I capital comprises common equity tier 1 and other qualifying non-controlling interest plus perpetual, non-cumulative instruments with either contractual or statutory 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 which commenced on 1 January 2013, whilst total capital also includes other items such as the general allowance for credit impairments and subordinated debt with either contractual or statutory 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 currently subject to regulatory phase-out requirements over a 10 year period which commenced on 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 2015, the Bank's common equity tier I capital adequacy ratio and tier I capital adequacy ratio was 12.1 per cent. compared to its internally set target range of 10.0 – 11.0 per cent and 11.0 – 12.0 per cent. respectively while its total capital adequacy ratio was 15.3 per cent. compared to its internal target range of 14.0 – 15.0 per cent.

The SARB adopted the leverage framework that was issued by the BCBS in January 2014, with final calibrations expected by 2017. Formal disclosure requirements commenced from 1 January 2015 and the rate is expected to transition to a pillar 1 requirement by 2018. The non-risk based leverage measure is designed to complement the Basel III risk based capital framework. The Bank's leverage ratio inclusive of unappropriated profit was 5.3 per cent. as at 31 December 2015 (December 2014: 5.2 per cent), in excess of the SARB minimum requirement of 4 per cent.

The following table sets out the Bank's tier I and tier II capital excluding unappropriated profit for the years ended 31 December 2015 and 31 December 2014, on a Basel III basis:

Basel III qualifying capital excluding unappropriated profits

	31 December	
	2015	**2014**
	(Rm)	
Share capital and premium	40,198	36,356
Retained earnings	49,304	45,367
Other reserves	1,212	689
Less: regulatory adjustments	(20,164)	(19,100)
Goodwill	(36)	(36)
Other intangible assets	(17,494)	(15,486)
Deferred tax asset	(4)	(183)
Shortfall of provisions to expected losses	(2,188)	(2,750)
Other adjustments	(442)	(645)
Less: unappropriated profit	(3,833)	(6,156)
Tier I capital	**66,717**	**57,156**
Qualifying tier II subordinated debt	20,965	19,490
General allowance for credit impairments	351	189
Less: regulatory adjustments – investment in tier II instruments in other banks	(2,923)	(1,964)
Tier II capital	**18,393**	**17,715**
Total qualifying regulatory capital	**85,110**	**74,871**

	31 December	
	2015	**2014**
	(Rm)	
Total capital requirement	**58,094**	**51,386**
Total risk-weighted assets	**580,944**	**513,856**

Basel III risk-weighted assets and associated capital requirements

	2015		2014	
	Risk-weighted assets	**Capital Requirement[1]**	**Risk-weighted assets**	**Capital Requirement[1]**
	(Rm)			
Credit risk	**439,131**	**43,912**	**396,231**	**39,624**
Portfolios subject to the standardised approach[2]	25,723	2,572	23,780	2,379
Corporate	21,352	2,135	19,021	1,902
Sovereign	2			
Banks	355	36	155	16
Retail mortgages	273	27	1,061	106
Retail other[3]	3,460	346	3,278	328
Securitisation exposure	281	28	265	27
Portfolios subject to the advanced internal ratings-based (AIRB) approach	398,139	39,813	357,457	35,746
Corporate	177,133	17,713	143,8627	14,386
Sovereign	23,926	2,393	19,456	1,946
Banks	24,214	2,421	19,352	1,935
Retail mortgages	84,007	8,400	83,907	8,391
Qualifying retail revolving exposure (QRRE)	47,510	4,751	46,918	4,692
Retail other[3]	40,874	4,087	41,834	4,183
Securitisation exposure	475	48	2,128	213
Other assets	15,269	1,527	14,994	1,499
Counterparty credit risk	**19,682**	**1,969**	**10,930**	**1,093**
Portfolios subject to the standardised approach[2]	2,320	232	694	69
Corporate	2,309	231	692	69
Banks	11	1	2	
Portfolios subject to the AIRB approach	17,362	1,737	10,236	1,024
Corporate	6,397	640	6,317	632
Sovereign	329	33	971	97
Banks	10,636	1,064	2,948	295
Equity risk in the banking book	**9,687**	**969**	**12,135**	**1,213**
Portfolios subject to the market-based approach	8,099	810	5,315	531
Listed			282	28
Unlisted	8,099	810	5,033	503
Portfolios subject to the probability of default (PD)/loss given default (LGD) approach	1,588	159	6,820	682
Market risk	**27,724**	**2,772**	**18,9125**	**1,891**
Portfolios subject to the standardised approach[2]	12,715	1,271	7,497	750
Interest rate risk	11,696	1,170	6,976	698
Equity position risk	104	10	78	8
Foreign exchange risk	871	87	372	37
Commodities risk	44	4	71	7
Portfolios subject to the internal models approach	15,009	1,501	11,415	1,141
Value-at-risk (VaR) based	15,009	1,501	11,415	1,141
Interest rate risk	5,527	553	6,734	673
Equity position risk	9,203	920	7,921	792
Foreign exchange risk	12,442	1,244	5,087	509
Commodities risk	37	4	41	4
Diversification benefit	(12,200)	(1,220)	(8,368)	(837)

	2015		2014	
	Risk-weighted assets	**Capital Requirement[1]**	**Risk-weighted assets**	**Capital Requirement[1]**
	(Rm)			
Operational risk	**79,908**	**7,991**	**75,359**	**7,536**
Portfolios subject to the standardised approach[2]	28,019	2,802	26,831	2,683
Portfolios subject to the advanced measurement approach (AMA)	51,889	5,189	48,528	4,853
Risk-weighted assets for investments in financial entities	**4,812**	**481**	**289**	**29**
Total risk-weighted assets/capital requirement	**580,944**	**58,094**	**513,856**	**51,386**

[1] Capital requirement at 10.0 per cent. (2014; 10.0 per cent.) excludes confidential bank-specific add-ons.

[2] Portfolios on the standardised approach relate to portfolios for which application to adopt the internal models approach has not been submitted, or for which application has been submitted but approval has not been granted.

[3] Retail other includes retail small and medium enterprises (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 2015 and 31 December 2014 on a Basel III basis.

	2015 SARB minimum regulatory requirement	Internal target ratios	Including unappropriated profits		Excluding unappropriated profits	
			2015	2014	2015	2014
	(%)	(%)	(%)			
Total capital adequacy ratio	10.0	14.0 - 15.0	15.3	15.8	14.7	14.6
Tier I capital adequacy ratio	8.0	11.0 - 12.0	12.1	12.3	11.5	11.1
CET I capital adequacy	6.5	10.0 - 11.0	12.1	12.3	11.5	11.1

Source: This information has been extracted from SBSA's 2015 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 BSD of 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. For internal management purposes, the SBG Group utilises AIRB measures and principles wherever possible. Further, the SBG Group has approval from the SARB to adopt the market-based approach for certain equity portfolios in SBSA and has approval for using the advanced measurement approach ("**AMA**") operational risk framework. 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 BCBS introduced significant changes to the Basel II framework, including, amongst others:

Capital

The quality, consistency and transparency of the capital base 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.

The Basel framework also introduces a capital conservation buffer of 2.5 per cent. and buffer requirements for systemically important financial institutions (if applicable) of up to 2.5 per cent. of the minimum thresholds. Also, in periods of excess growth, banks may be required to hold an additional countercyclical buffer of up to 2.5 per cent. Failure by the Issuer to meet applicable buffers could result in restrictions being placed on distributions including dividends and discretionary payments.

Leverage Ratio

The BCBS has also proposed a requirement that, effective from 1 January 2017, the risk-sensitive capital framework be supplemented with a non-risk based measure, the leverage ratio (the "**Leverage Ratio**"). The Leverage Ratio is calculated as the Tier I capital divided by the exposure (being on and off-balance sheet exposures, with certain adjustments for selected items such as derivatives). The implementation of the Leverage Ratio requirements has already begun. It is envisaged that the final calibration of the Leverage Ratio and any further definition amendments will be completed by 2017 with a view to a Pillar 1 treatment on 1 January 2018.

Liquidity

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

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

Risk-Weighting

Further significant changes, under the Basel III framework, relate to the capital requirements for counterparty credit risk in over-the-counter ("**OTC**") derivatives, securitisations and exposures to banks and other financial intermediaries.

Counterparty Credit Risk

The BCBS has finalised the rules for the standardised approach for counterparty credit risk ("**SA-CCR**"). From 1 January 2017, the SA-CCR will be used to calculate the counterparty credit risk exposure associated with OTC derivatives, exchanges traded derivatives and long settlement transactions. The new SA-CCR is more risk sensitive than previously, limits the need for discretion by national authorities, minimises the use of banks' internal estimates and avoids undue complexity.

Securitisation Framework

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

Fundamental Review of the Trading Book

Some initial measures to improve market risk were introduced by the BCBS in 2009 (known as "Basel 2.5"). The BCBS recognised that these incremental changes to the market risk framework were only temporary, and that further measures were required to improve trading book capital requirements. The new market risk framework ("**Fundamental Review of the Trading Book**") was published on 14 January 2016 and is to be adopted by January 2020.

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

Interest Rate Risk in the Banking Book

Arising from the Fundamental Review of the Trading Book, the Bank of International Settlement appointed a team to evaluate and refine the existing Pillar 2 treatment for spread risk in the banking book.

Standardised Approaches and capital floors

The standardised approaches for credit risk, operational risk and counterparty credit risk are being revised. It seems the regulatory intention is also to potentially apply these standardised approaches in the calculation of capital floors for the portfolios using internal models to calculate regulatory capital requirements.

Reducing variation in IRB credit risk

The BCBS is consulting on changes to the advanced internal ratings based approach (A-IRB) and the foundation internal ratings based approach (F-IRB) with comments to be submitted by 24 June 2016. The proposed changes aim to reduce the complexity of the regulatory framework and improve comparability and address excessive variability in the capital requirements for credit risk.

Sovereign Risk

The BCBS has initiated a review of the existing regulatory treatment of sovereign risk.

Systemically important financial institutions ("SIFIs")

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

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

Although the Basel III phase-in approach 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 2015, SBSA group held freehold title (net book value) to land and property of R3,085 million (compared to R3,104 million as at 31 December 2014).

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.

INFORMATION TECHNOLOGY

The primary aim of the Bank's information technology ("**IT**") platform is to ensure the stability, availability and efficient functioning of SBSA's banking systems, to protect the Bank's customer franchise and to underpin the sustainable future of the Bank. The Bank regards IT as a strategic asset which supports, sustains and enables growth and operational excellence within the Bank and the SBG Group.

The role of IT within the Bank has developed from being a support function to becoming a critical function in the Bank's strategy. The digital revolution is fundamentally changing the way in which consumers and businesses interact. IT is central to the Bank's ability to adapt to a changing world and create sustainable long-term value for the Bank's stakeholders.

The key elements of the Bank's IT strategy are to enhance operational excellence and to support the Bank's competitiveness and growth in Africa. The modernisation of the Bank's core banking platforms underlies the Bank's ability to execute its strategy in a digitally enabled financial services environment. The Bank has invested heavily in transforming its IT platforms from complex legacy systems to a simplified and standardised platform. A large contributor to the costs is the dual operation of legacy systems and new systems as the Bank migrates customers to the new platform. The Bank's IT transformation programme covers the deployment of new core banking platforms and business-as-usual infrastructure efficiency initiatives. The IT transformation programme is a lengthy, complex and capital intensive process which the Bank expects to complete in 2017.

Management believes that the Bank's overall IT stability was acceptable in 2015 with a record number of transactions both in terms of volume and value successfully processed. It is a reality that a certain amount of instability is unavoidable during periods of significant change to IT systems and there were two high profile outages resulting from hardware failures. These outages impacted customers as a number of online services were not available for several hours. The Bank responded successfully to these outages by implementing its protocols for business continuity. SBG sets recovery and business resumption priorities, and contingency procedures are tested and rehearsed so that interruptions are minimised.

IT governance functions provide oversight of IT within the SBG Group to ensure that technology contributes to creating sustainable value both in the short and over the long term. The SBG Board is responsible for ensuring that prudent and reasonable steps have been taken regarding IT governance. The SBG Group IT committee is an SBG Board committee with responsibility for ensuring the implementation of the IT governance framework across SBG Group. The committee has the authority to review and provide guidance on matters related to the Bank's IT strategy, budget, operations, policies and controls, the Bank's assessment of risks associated with IT, including disaster recovery, business continuity and IT security, as well as oversight of significant IT investments and expenditure.

The committee is chaired by an independent SBG Board member, who is also a member of the SBG Group risk and capital management committee. The chief information officers of each business unit within the Bank report to their chief executives as well as to the SBG Group chief information officer to ensure that the IT strategy is aligned and integrated with the business strategies.

REGULATION

General regulatory requirements

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

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.

Please see "*Risk Factors – The impact of any future change in law or regulation on the Issuer's business is uncertain*" on pages 20 to 21.

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. 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 SBG and the Bank. The Bank operates under the SBG 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 SBSA Board and the Bank's regulators. Currently, the Bank's chief risk officer is also the chief risk officer for SBG and is therefore also accountable to the SBG Board and SBG regulators.

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

The Bank operates under the SBG 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, the IT committee and the model approval committee.

Executive management oversight for all risk types has been delegated by the SBG 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 sub-committees which deal with specific risk types or oversight activities. Matters are escalated to the ROC, based on materiality, through reports or feedback from the sub-committee chairman. These sub-committees are the Corporate and Investment Banking and Personal and Business Banking 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 Stress Testing and Risk Appetite Committee and the Recovery and Resolution Planning 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 standards and frameworks are approved by the relevant board committee. Governance policies are approved by the management committee or sub-committee, the relevant ROC sub-committee, the ROC itself or, where regulations require board approval, by the SBSA Board or the 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. It is the responsibility of first line management to identify and manage risks. This involves, at an operational level, the day-to-day effective management of risk in accordance with agreed risk policies, appetite and controls. Effective first line management includes:

- the proactive self-identification of issues and risks, including emerging risks;
- the design, implementation and ownership of appropriate controls;
- the associated operational control remediation; and
- a strong control culture of effective and transparent risk partnership.

The second line of defence functions provide independent oversight and assurance. They have resources at the centre and embedded within the business lines. Central resources provide SBSA 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 risks at a legal entity level.

The second line of defence functions develop and implement governance standards, frameworks and policies for each material risk type to which the SBSA Group is exposed. This ensures consistency in approach across the SBSA Group's business lines and legal entities. Compliance with the standards and frameworks 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 it provides independent and objective assurance to the SBSA Board and senior management on the effectiveness of the first and second lines of defence.

All three levels report to the SBSA Board, either directly or through the RCMC and AC.

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.

Risk appetite governance framework

The risk appetite governance framework provides guidance on the following:

- setting and cascading of risk appetite by Bank, business line, risk type and legal entity;
- measurement and methodology;
- governance;
- monitoring and reporting of risk profile; and
- escalation and resolution.

The Bank has adopted the following definitions, where entity refers to a business line or legal entity within the Bank, or the Bank itself:

- Risk appetite: An expression of the amount or type of risk an entity 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 metric is referred to as a risk appetite trigger.
- Risk tolerance: The maximum amount of risk an entity is prepared to tolerate above risk appetite. The metric is referred to as a risk tolerance limit.
- Risk capacity: The maximum amount of risk the entity is able to support within its available financial resources.
- Risk appetite statement ("**RAS**"): The documented expression of risk appetite and risk tolerance which have been approved by the entity's relevant governance committee. The RAS is reviewed and revised, if necessary, on an annual basis.
- Risk profile: The risk profile is defined in terms of three dimensions, namely current risk profile or forward risk profile unstressed or stressed risk profile pre- or post-management actions.

The current risk profile is the amount or type of risk the entity is currently exposed to. The unstressed forward risk profile is the forward looking view of how the entity's risk profile is expected to evolve under expected conditions. The stressed forward risk profile is the forward looking view of how the entity's risk profile is expected to change under stressed economic conditions. The effectiveness of available management actions can be assessed through an analysis of pre- and post-management action risk profiles against risk appetite triggers and tolerance limits.

Stress testing governance framework

Stress testing is a key management tool within the Bank and is used to evaluate the sensitivity of the current and forward risk profiles relative to risk appetite. Stress testing supports a number of business processes including:

- strategic planning and financial budgeting;
- the internal capital adequacy assessment process, including capital planning and management and the setting of capital buffers;
- liquidity planning and management;
- informing the setting of risk appetite;
- identifying and proactively mitigating risks through actions such as reviewing and changing limits, limiting exposures and hedging;
- facilitating the development of risk mitigation or contingency plans, including recovery plans, across a range of stressed conditions; and

- supporting communication with internal and external stakeholders including industrywide stress tests performed by the regulator.

Stress testing programme

The stress testing programme uses one or a combination of stress testing techniques, including scenario analysis, sensitivity analysis and reverse stress testing to perform stress testing for different purposes.

CREDIT RISK

Credit risk is the risk of loss arising out of failure of counterparties to meet their financial or contractual obligations when due. Credit risk is composed of counterparty risk (i.e. obligor risk, as distinct from counterparty credit risk, a subset of counterparty risk specific to the bilateral credit risks arising between trading counterparties), concentration risk, and country risk. Primary responsibility for credit risk management resides within the Bank's business units. This is complemented with an independent credit risk function embedded within the business units, which is in turn supported with standards and oversight provided through the SBG credit risk function. The principal governance documents are the credit risk governance standard and the model risk governance standard. The primary management level governance committees overseeing credit risk are the Corporate and Investment Banking and Personal and Business Banking Credit Governance Committees, the Equity Risk Committee and the Intragroup Exposure Committee. These committees are responsible for credit risk and credit concentration risk decision-making, and delegation thereof to credit officers and committees within defined parameters.

The Corporate and Investment Banking and Personal and Business Banking Model Approval Committees approve key aspects of rating systems and credit risk models. Regular model validation and reporting to these committees is undertaken by the central validation functioning in a manner which is independent of the credit risk function.

Exposure to Credit Risk

Loans and advances are analysed and categorised based on credit quality using the following definitions:

Performing loans

Performing loans are classified into two categories, namely:

- Neither past due nor specifically impaired loans: These loans 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 Group's master rating scale.

- Early arrears but not specifically impaired loans: 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 unlikely but could occur if the adverse conditions persist.

Non-performing loans

Non-performing loans are those loans for which:

- the Bank has identified objective 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 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:

- Sub-standard: 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 the 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.

Please refer to the diagram on page 63 and to the tables set out on pages 64 to 67 of the risk and capital management report section of the Bank's 2015 annual report with regard to the Bank's maximum exposure to credit risk by credit quality as at 31 December 2015 and 31 December 2014.

Renegotiated loans and advances

Renegotiated loans and advances are exposures which have been refinanced, rescheduled, rolled over or otherwise modified following weaknesses in the counterparty's financial position, and where it has been judged that normal repayment will likely continue after the restructure.

Collateral

Please refer to the tables set out on pages 70 to 71 of the Bank's risk and capital management report section of the Bank's 2015 annual report for details of the financial effect that collateral has on the Bank's maximum exposure to credit risk as at 31 December 2015. The table that follows is presented according to Basel asset categories and includes collateral that may not be eligible for recognition under Basel 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 loans, have been 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 for risk management purposes. All exposures are presented before the effect of any impairment provisions.

In the retail portfolio, 62 per cent. (2014: 61 per cent.) is fully collateralised. The R514 million (2014: R561 million) 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 legal. The total average collateral coverage for all retail mortgage exposures in the 50 per cent. to 100 per cent. collateral coverage category is 94 per cent. (2014: 90 per cent.). Of the group's total exposure, 47 per cent. (2014: 33 per cent.) is unsecured and mainly reflects exposures to well-rated corporate counterparties, bank counterparties and sovereign entities.

						Total collateral coverage		
	Total exposure Rm	**Unsecured Rm**	**Secured Rm**	**Netting agreements Rm**	**Secured exposure after netting Rm**	**≤50% Rm**	**51% – 100% Rm**	**>100% Rm**
2015								
Corporate	534,924	337,667	197,257	34,746	162,511	8,653	109,315	44,543
Sovereign	137,532	132,953	4,579	900	3,679		728	2,951
Bank	204,086	69,534	134,552	66,228	68,324		11,311	57,013
Retail	459,075	83,132	375,943		375,943	514	89,822	285,607
Retail mortgage	311,650		311,650		311,650	514	28,567	282,569
Other retail	147,425	83,132	64,293		64,293		61,255	3,038
Total	**1,335,617**	**623,286**	**712,331**	**101,874**	**610,457**	**9,167**	**211,176**	**390,114**
Add: financial assets not exposed to credit risk	39,465							
Add: interest in financial instruments of SBG companies	39,557							
Less: impairments for loans and advances	(17,863)							
Less: unrecognised off-balance sheet items	(152,686)							
Total exposure	**1,244,090**							
Reconciliation to statement of financial position								
Cash and balances with central banks	30,252							

						Total collateral coverage		
	Total exposure Rm	**Unsecured Rm**	**Secured Rm**	**Netting agreements Rm**	**Secured exposure after netting Rm**	**≤50% Rm**	**51% – 100% Rm**	**>100% Rm**
Derivative assets..................	100,356							
Financial investments..........	63,282							
Trading assets......................	7,879							
Pledged assets	98,944							
Loans and advances.............	897,344							
Other financial assets	6,476							
Interest in financial instruments of SBG companies	39,557							
Total exposure	**1,244,090**							

						Total collateral coverage		
	Total exposure Rm	**Unsecured Rm**	**Secured Rm**	**Netting agreements Rm**	**Secured exposure after netting Rm**	**≤50% Rm**	**51% – 100% Rm**	**>100% Rm**
2014[1]								
Corporate.............................	428,053	160,169	267,884	13,536	254,348	71,205	155,842	27,301
Sovereign	118,445	102,087	16,358	3,200	13,158		3,241	9,917
Bank	168,628	33,050	120,540	41,258	79,282	4,333	3,473	71,476
Retail...................................	445,738	81,889	363,849		363,849	561	89,391	273,897
Retail mortgage...................	304,756		304,756		304,756	561	30,298	273,897
Other retail..........................	140,982	81,889	59,093		59,093		59,093	
Total	**1,160,864**	**377,195**	**768,631**	**57,994**	**710,637**	**76,099**	**251,947**	**382,591**
Add: financial assets not exposed to credit risk...........	41,531							
Add: interest in financial instruments of SBG companies	62,499							
Less: impairments for loans and advances	(15,363)							
Less: unrecognised off-balance sheet items........	(151,234)							
Total exposure	1,098,297							
Reconciliation to statement of financial position								
Cash and balances with central banks	32,218							
Derivative assets..................	54,062							
Financial investments..........	101,856							
Trading assets......................	51,436							
Pledged assets	5,281							
Loans and advances.............	785,483							
Other financial assets	5,462							
Interest in financial instruments of SBG companies	62,499							
Total exposure	**1,098,297**							

[1] *Restated.*

COUNTRY RISK

Country risk, also referred to as cross-border transfer risk, is the uncertainty that obligors (including the relevant sovereign, and including the obligations of Bank branches and subsidiaries in a country) will be able to fulfil its obligations to the Bank given political or economic conditions in the host country.

All countries to which the Bank is exposed are reviewed at least annually. 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.

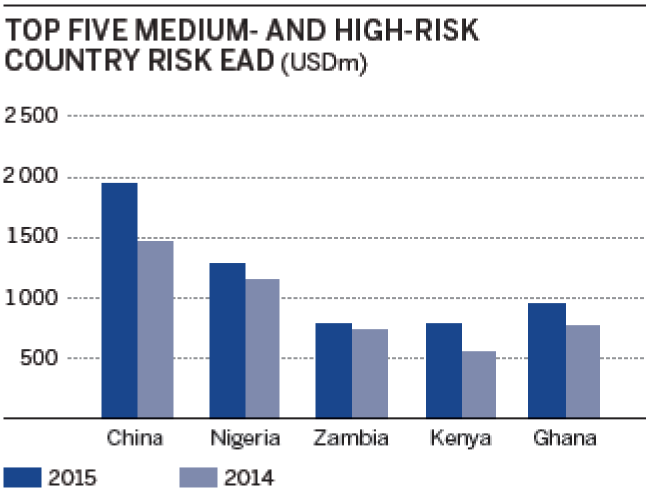
The model inputs are continuously updated to reflect economic and political changes in countries. The model outputs are internal risk grades that are calibrated to a country risk grade ("**CR**") from CR01 to CR25, or sovereign risk grade, transfer and convertibility ("**SB**") risk grade from or SB01 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 primary management level governance committee overseeing this risk type is the Country Risk Management Committee. The principal governance documents are the country risk governance standard and the model risk governance standard. 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.

The following graph shows the Bank's exposure to the top five medium- and high-risk countries for the years indicated. These exposures are in line with the Bank's growth strategy focused on Africa and select emerging markets.



FUNDING AND 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.

The Bank manages liquidity in accordance with applicable regulations and within the Bank's risk appetite framework. The 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 under both normal and stressed conditions. 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.

The primary management level governance committee overseeing liquidity risk is ALCO, which is chaired by the financial director. The principal governance documents are the liquidity risk governance standard and model risk governance standard.

Basel III liquidity impact

The liquidity coverage ratio ("**LCR**"), which was implemented on 1 January 2015, is a metric introduced by the BCBS to measure a bank's ability to manage a sustained outflow of customer funds in an acute stress event over a 30-day period. The ratio is calculated by taking the Bank's HQLA and dividing it by net cash outflows. The minimum regulatory LCR requirement effective 1 January 2015 is 60 per cent., increasing by 10 per cent. annually to reach 100 per cent. in January 2019. The Bank's LCR of 82.1 per cent. has exceeded the 60 per cent. minimum phase-in requirement for 2015. From 2018, the Bank will also be required to comply with the Basel III net stable funding ration ("**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.

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 process supported by clear 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 and escalation processes, liquidity generation management actions and operations, and heightened and supplementary information requirements to address the crisis event.

Liquidity stress testing and scenario analysis

Stress testing and scenario analysis are based on hypothetical as well as historical events. These are conducted on the Bank's funding profiles and liquidity positions. The crisis impact is typically measured over a 30 calendar day period as this is considered the most crucial time horizon for a liquidity event. This measurement period is also consistent with the Basel III LCR requirements.

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.

Internal stress testing metrics are supplemented with the regulatory Basel III LCR to monitor the Bank's ability to survive severe stress scenarios.

Total contingent liquidity

Portfolios of highly marketable liquid securities to meet prudential, regulatory and internal stress testing requirements are maintained as protection against unforeseen disruptions in cash flows. These portfolios are managed within 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 2015 and 31 December 2014. Eligible Basel III HQLA are defined according to the BCBS January 2013 LCR and liquidity risk monitoring tools framework. Management liquidity represents unencumbered marketable securities other than eligible Basel III LCR HQLA (excluding trading assets) which would be able to provide significant sources of liquidity in a stress scenario.

	2015	**2014**
	Rbn	*Rbn*
Eligible LCR HQLA comprising:	113,0	102,5
Notes and coins	11,7	12,7
Cash and deposits with central banks	18,6	19,5
Government bonds and bills	77,0	70,3
Other eligible assets	5,7	
Managed liquidity	97,5	118,4
Total contingent liquidity	210,5	220,9
Total liquidity as a per cent. of funding-related liabilities	**20.6%**	**23.6%**

Structural liquidity mismatch

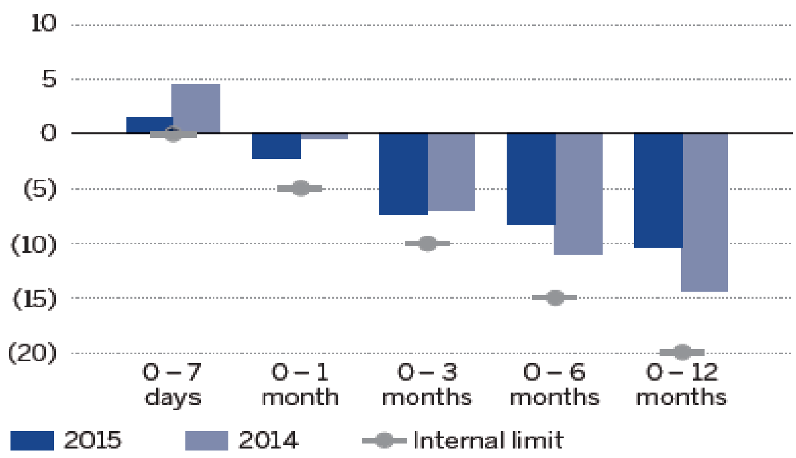
Maturity analysis of financial liabilities using behavioural profiling

With actual cash flows typically varying significantly from the contractual position, behavioural profiling is applied to assets, liabilities and off-balance sheet commitments 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.

In order to highlight potential risks within the Bank's defined liquidity risk threshold, structural liquidity mismatch analyses are performed regularly to anticipate the mismatch between payment profiles of statement of financial position items.

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. Guidelines 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 with active management intervention if potential limit breaches are evidenced. The behaviourally adjusted cumulative liquidity mismatch remains within the Bank's liquidity risk appetite.

BEHAVIOURALLY ADJUSTED CUMULATIVE LIQUIDITY MISMATCH[1] (%)



[1] % of funding-related liabilities.

Maturity analysis of financial liabilities by contractual maturity

The following table analyses cash flows (as at 31 December 2015) 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 which are presented as redeemable on demand) 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. Management considers 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 table also includes 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 Rm	Maturing within 1 month Rm	Maturing 1 – 6 months Rm	Maturing 6 – 12 months Rm	Maturing after 1 year Rm	Total Rm
2015						
Financial liabilities						
Derivative financial instruments	118,266	304	640	982	93	120,285
Instruments settled on a net basis	73,473	304	640	1,115	477	76,009
Instruments settled on a gross basis	44,793			(133)	(384)	44,276
Trading liabilities	24,625					24,625
Deposits and debt funding	499,181	75,182	117,361	54,405	140,563	886,692
Subordinated debt		51	651	3,739	18,728	23,169
Other		9,812				9,812
Total	**642,072**	**85,349**	**118,652**	**59,126**	**159,384**	**1,064,583**
Unrecognised financial instruments						
Letters of credit	9,304					9,304
Guarantees	47,777					47,777
Irrevocable unutilised facilities	93,482					93,482
Total	**150,563**					**150,563**
2014						
Financial liabilities						
Derivative financial instruments	66,298	132	3	8	336	66,777
Instruments settled on a net basis	42,153	132	3	3	322	42,613
Instruments settled on a gross basis	24,145			5	14	24,164
Trading liabilities	22,709					22,709
Deposits and debt funding	478,485	66,015	89,365	52,908	139,817	826,590
Subordinated debt		40	3,613	738	23,445	27,836
Other		9,329				9,329
Total	**567,492**	**75,516**	**92,981**	**53,654**	**163,598**	**953,241**
Unrecognised financial instruments						
Letters of credit	12,424					12,424
Guarantees	45,328					45,328
Irrevocable unutilised facilities	74,610					74,610
Commodities and securities borrowing transactions	5,757					5,757
Total	**138,119**					**138,119**

Funding activities

Funding markets are evaluated on an ongoing basis to ensure appropriate 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 loan and debt capital markets for SBG.

Primary funding sources are in the form of deposits across a spectrum of retail and wholesale clients, as well as loan and debt capital markets across the Bank. Total funding-related liabilities grew from R935 billion as at 31 December 2014 to R1,021 billion as at 31 December 2015.

The following table sets out the Bank's funding-related liabilities composition[1] as at 31 December 2015 and 31 December 2014:

	2015	2014[2]
	Rbn	*Rbn*
Corporate funding	240	218
Deposits from banks	239	183
Institutional funding	214	230
Retail deposits[3]	208	187
Government and parastatals	52	55
Senior debt	47	41
Subordinated debt issued	21	21
Total funding-related liabilities	**1,021**	935

1 Banking operations, excluding foreign branches as per the BA900.
2 Restated.
3 Comprises individual and small business customers.

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 SBG when required by IFRS.

Funding markets are evaluated on an ongoing basis to ensure appropriate SBSA Group funding strategies are executed depending on the market, competitive and regulatory environment. The SBSA Group employs a diversified funding strategy, sourcing liquidity in both domestic and offshore markets and incorporates a coordinated approach to accessing loan and debt capital markets across the SBSA Group.

Deposits from customers (including cheque accounts, savings accounts, call and notice deposits, fixed deposits and negotiable interest deposits) constitute the Bank's primary source of funding. Deposits from customers amounted to R756,047 million as at 31 December 2015 compared to R708,579, million 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 2015 and 31 December 2014. Deposit products include cheque accounts, savings account, call and notice deposits, fixed deposits and negotiable certificates of deposit:

	2015	**2014**
	Rm	*Rm*
Deposits from banks	118,325	91,357
Deposits from customers	756,047	708,579
Current accounts	100,927	96,099
Cash management deposits	132,068	127,338
Card creditors	1,474	1,491
Call deposits	179,062	167,422
Savings accounts	14,117	14,043
Term deposits	187,697	169,480
Negotiable certificates of deposit	100,059	92,418
Repurchase agreements		3,345
Securitisation issuances	4,103	4,975
Other funding	36,540	31,968
Deposit and current accounts	**874,372**	799,936

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 management level governance committees overseeing market risk are ALCO, which is chaired by the financial director, and the Equity Risk Committee, which is chaired by the Corporate & Investment Banking chief risk officer ("**CRO**"). The principal governance documents are the market risk governance standard and the model risk governance standard.

Trading book market risk

Trading book market risk is represented by financial instruments, including commodities, held on the trading book arising out of normal global markets' trading activities.

The Bank's policy is that all trading activities are undertaken within the Bank's global markets' operations. The market risk functions are independent of trading operations and accountable to the relevant legal entity ALCO.

All value-at-risk ("**VaR**") and stressed VaR ("**SVaR**") limits require prior approval from the respective entity ALCOs. 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 legal entity ALCOs.

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 a worst case loss.

In general, the trading desks have run increased levels of market risk when compared to the year ended 31 December 2014.

The following table sets out the trading book normal VaR analysis by market variable:

	Normal VaR			
	Maximum[1]	**Minimum[1]**	**Average**	**Closing**
	Rm	*Rm*	*Rm*	*Rm*
2015				
Commodities	1,6	0,1	0,2	0,1
Foreign exchange	35,1	11,8	20,3	17,7
Equities	24,8	3,4	9,3	12,1
Debt securities	27,3	11,8	19,6	18,1
Diversification benefits[2]			(19,6)	(20,2)
Aggregate of all risk variables	**47,6**	**18,5**	**29,8**	**27,8**
2014				
Commodities	2,9	0,1	0,2	0,1
Foreign exchange	16,8	1,5	6,1	16,1
Equities	17,1	1,4	7,1	5,3
Debt securities	30,3	15,5	21,0	19,4
Diversification benefits[2]			(14,4)	(17,0)
Aggregate	**27,7**	**14,1**	**20,3**	**23,9**

1 The maximum and minimum VaR figures reported for 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:

- 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;
- 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;
- 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;
- VaR is calculated on the basis of exposures outstanding at the close of business and therefore does not necessarily reflect intra-day exposures; and

- VaR is unlikely to reflect loss potential on exposures that only arise under significant market moves.

Credit issuer risk is assumed in the trading book by virtue of normal trading activity, and is managed according to the market risk governance standard. These exposures arise from, among others, trading in debt securities issued by corporate and government entities as well as trading derivative transactions with other banks and corporate clients. The credit spread risk is incorporated into the daily price movements used to compute VaR and SVaR, as mentioned above. The VaR models used for credit risk are only intended to capture the risk presented by historical day-to-day market movements, and therefore do not take into account instantaneous or jump to default risk. Issuer risk is incorporated in the standardised approach interest rate risk charge. The largest issuer risk exposure is to the Government with an exposure at default of R17.7 billion as at 31 December 2015 (R12.8 billion as at 31 December 2014).

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 2015 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 to 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 2015.

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.

Interest rate risk in the banking book

This risk results from the different repricing characteristics of banking book assets and liabilities. 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.

Measurement

The analytical techniques used to quantify banking book interest rate risk include both earnings- and valuation-based measures. 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.

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 for which no identifiable contractual repricing or maturity date exists 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 exposure of non-rate sensitive liabilities and equity less non-rate sensitive assets. The endowment risk is hedged using liquid instruments as and when it is considered opportune. Where permissible, hedge accounting is adopted using the derivatives designated as hedging instruments. Following meetings of the monetary policy committees, or notable market developments, the interest rate view is formulated through ALCO processes.

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 risk in the banking book

Equity risk is defined as the risk of loss arising from a decline in the value of equity or an equity-type instrument held on the banking book, whether caused by deterioration in the underlying operating asset performance, net asset value, enterprise value of the issuing entity, or by a decline in the market price of the equity or instrument itself.

The Equity Risk Committee is constituted as a sub-committee of ROC and operates under delegated authority from that committee, with additional reporting accountability to the Corporate & Investment Banking Equity Governance Committee in closed sessions.

The table below illustrates the market risk sensitivity for all 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
	Rm	*Rm*	*Rm*
2015			
Equity securities – listed and unlisted	2,463	2,737	3,011
Impact on profit and loss	(271)		271
Impact on other comprehensive income	(3)		3
2014			
Equity securities – listed and unlisted	1,765	1,961	2,157
Impact on profit and loss	(183)		183
Impact on other comprehensive income	(13)		13

Foreign currency risk

The Bank's primary non-trading related exposures to foreign currency risk arise as a result of the translation effect on the Group's net assets in foreign operations, intragroup foreign-denominated debt and foreign-denominated cash exposures and accruals. The Foreign Currency Management Committee, a sub-committee of the Capital Management Committee, manages the risk according to existing legislation, South African exchange control regulations and accounting parameters. It takes into account naturally offsetting risk positions and manages the Group'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. In particular, for banking entities outside of the South African common monetary area, the need for capital to fluctuate with risk-weighted assets is taken into account.

The repositioning of the currency profile, which is coordinated at a Group level, is a controlled process based on underlying economic views of the relative strength of currencies. The Bank does not ordinarily hold open exposures of any significance with respect to the banking book.

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 15 per cent. shock to foreign currency risk exposures, against ZAR. The sensitivity analysis is based on net open foreign currency exposes arising from designated net investment hedges, other derivative financial instruments, foreign-denominated cash balances and accruals.

The sensitivity analysis reflects the sensitivity to equity and profit or loss on the Bank's foreign-denominated exposures other than those trading positions for which sensitivity has been included in the trading book VaR analysis.

		USD	Euro	GBP	Naira	Other	Total
2015							
Total net long/(short) position	Rm	422	(12)	(10)	3	(44)	359
Sensitivity (ZAR depreciation)	per cent.	15	15	15	15	15	
Impact on profit or loss..........................	Rm	(63)	2	1		8	(52)
2014							
Total net long/(short) position	Rm	197	(11)	5	6	(1)	196
Sensitivity (ZAR depreciation)	per cent.	10	10	10	10	10	
Impact on profit or loss..........................	Rm	(20)	1		(1)		(20)

OPERATIONAL RISK

Operational risk is defined as the risk of loss suffered as a result of the inadequacy of, or a failure in, internal processes, people and/or 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. The operational risk governance standard sets out the minimum standards for operational risk management to be adopted across the Group. The governance standard seeks to ensure adequate and consistent governance, identification, assessment, monitoring, managing and reporting of operational risk to support the Bank's business operations. In addition, it ensures that the relevant regulatory criteria can be met by those banking entities adopting the advanced measurement approach and those adopting the basic indicator approach or the standardised approach for regulatory capital purposes.

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 integrated operational risk management function is independent from business line management and is part of the second line of defence reporting to the CRO. It is responsible for the development and maintenance of the operational risk governance framework, facilitating business's 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 report to the business unit CRO. IOR also provides dedicated teams to enabling functions such as finance, IT and human capital. These teams work alongside their business areas and facilitate the 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 in respect of their operational risk profile.

The primary management level governance committees overseeing operational risk are ROC and the Operational Risk Committee. The primary governance documents are the operational risk governance standard and the operational risk governance framework. Operational risk subtypes report to various governance committees and have various governance documents applicable to each risk subtype.

Operational risk subtypes are managed and overseen by specialist functions. These subtypes include:

- model risk;
- tax risk;
- legal risk;
- environmental and social risk;
- IT risk and IT change risk;

- information risk;
- cyber risk;
- compliance risk;
- financial crime risk; and
- physical commodities risk.

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.

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 Central Depository for the holders of Beneficial Interests in such Registered Notes, in accordance with the CSD Procedures.

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 Central Depository (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 Central Depository, 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 Central Depository, 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 Central Depository, as the registered Noteholder of such Notes, distinguishing between interest and principal, and such record of payments by the Central Depository, as the registered Noteholder of such Notes, shall be *prima facie* proof of such payments.

Transfers and exchanges

The Participants will maintain records of the Beneficial Interests in Registered Notes held in the Central Depository.

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

Beneficial Interests may be exchanged for Notes represented by Individual Certificates in accordance with Condition 15.1(b) (*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 Noteholders will be made free of withholding or deduction for or on account of any taxes, duties, assessments or governmental charges in South Africa save as disclosed below.

As from 1 March 2015, a withholding tax on South African-sourced interest (see the section on "*Income Tax*" below) paid to or for the benefit of a foreign person applied at a rate of 15% of the amount of interest in terms of Section 50A-50H of the Income Tax Act, 1962 (the "**Income Tax Act**"). The withholding tax could be reduced by the application of relevant double taxation treaties. The legislation exempts, *inter alia*, from the withholding tax on interest any amount of interest paid by a bank as defined in the Banks Act, to a foreign person. It is envisaged that this exemption would apply to the interest payments made to Noteholders.

The legislation also exempts 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 -

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

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

Foreign persons are subject to normal South African income tax on 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).

Securities Transfer Tax (STT)

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

Value-Added Tax (VAT)

No VAT is payable on the issue or transfer of Notes. Notes (bonds) constitute "*debt securities*" as defined in section 2(2)(iii) of the South African Value-Added Tax Act, No. 89 of 1991 (the "**VAT Act**"). The issue, allotment, drawing, acceptance, endorsement or transfer of ownership of a debt security is a financial service, which is exempt from VAT in terms of section 12(a) of the VAT Act.

Commissions, fees or similar charges raised for the facilitation, issue, allotment, drawing, acceptance, endorsement or transfer of ownership of Notes (bonds) that constitute "debt securities" will however be subject to VAT at the 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 VAT Act.

Income Tax

Under current taxation law effective in South Africa, a "*resident*" (as defined in section 1 of the Income Tax Act) is subject to income tax on his/her worldwide income. Accordingly, all Noteholders who are "*residents*" of South Africa will generally be liable to pay income tax, subject to available deductions, allowances and exemptions, on any interest earned pursuant to the Notes. Non residents of South Africa are subject to income tax on all income derived from a 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 incurred by a South African tax resident, unless the interest is attributable to a permanent establishment which is situated outside of South Africa; or

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

The Issuer is a South African tax resident and the Notes will constitute an "interest-bearing arrangement". Accordingly, the interest paid to the Noteholders will be from a South African source and subject to South African income tax unless such 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:

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

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

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

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

Under section 24J of the Income Tax Act, broadly speaking, any discount or premium to the Nominal Amount of a Note is treated as part of the interest income on the Note. Section 24J of the Income Tax Act deems interest income to accrue to a Noteholder on a day-to-day basis until that Noteholder disposes of the Note. The day-to-day basis accrual is determined by calculating the yield to maturity and applying this rate to the capital involved for the relevant tax period. 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 relating to the fair value taxation of financial instruments for "covered persons" (as defined in section 24JB of the Income Tax Act) have been enacted and were effective from 1 January 2014. Noteholders should seek advice as to whether this provision may apply to them.

Section 8F of the Income Tax Act applies to "hybrid debt instruments", and section 8FA of the Income Tax Act applies to "hybrid interest". Sections 8F and 8FA provides that interest incurred on a hybrid debt instrument and hybrid interest are, for purposes of the Income Tax Act, deemed to be a dividend *in specie*. If either of these provisions apply, the tax treatment of the interest paid under the Notes will differ from what is set out above and such payments may be subject to dividends tax as a result of the deemed classification as dividends *in specie*. These provisions apply from 1 April 2014 in respect of amounts incurred on or after this date.

Both section 8F and 8FA contain exemptions for tier 1 or tier 2 capital instruments issued by a bank (as contemplated in the regulations issued in terms of section 90 of the Banks Act). To the extent that the Notes issued qualify as tier 1 or tier 2 capital instruments (as contemplated in the regulations issued in terms of section 90 of the Banks Act), sections 8F and 8FA will not apply.

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

To the extent that the disposal of the Note gives rise to an "adjusted gain on transfer or redemption of an instrument" or an "adjusted loss on transfer or redemption of an instrument" (as envisaged in section 241 of the

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

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

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

Purchasers are advised to consult their own professional advisers as to whether a disposal of Notes will result in 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 Programme Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche, as certified to the 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; and

(b) it will comply with such other or additional restrictions as the Issuer and such Dealer agree and as are set out in the 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 2013, 2014 and 2015, and in respect of these years, have issued unqualified audit reports in respect of the Issuer.

CORPORATE INFORMATION

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